A Model of Rapid Knowledge Development: 
*The Smaller Born-global firm*

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Introduction

• Knowledge management research
  – building trust and absorptive capacity - via long-term relationships
  > smaller born-global firms
    – customer relationships in the early phase of international expansion are compressed
    (Knight & Cavusgil, 2004; Freeman, Edwards & Schroder, 2006).

• Stage Model
  > (Johanson & Vahlne 1977; 2003)
  – smaller firms more inclined to be responsive
  – contrast to other studies - smaller BG firms proactively use technologies
    – Freeman & Cavusgil (2007); Nordman & Melen (2008)

• Born-global firms in high-tech sectors - “learning advantages of newness”
  – underpinning acquisition of new knowledge and rapid internationalization.
    – Autio et al., (2000)
Concepts and theoretical underpinnings: smaller born-global firms – Time and internationalization

- Early initiation of internationalization & greater knowledge intensity - faster international growth.
  - Autio et al. (2000)

- Degree of internationalization - within a given time - constrained by firm’s ability to absorb complexities of internationalization
  - Barkema and Vermeulen (2002)

- Some organizations - quickly create inter-unit linkage for resource exchange (or knowledge transfer).
  - Tsai (2000)

- Over time, proclivity of firms to enter new alliances - influenced by network resources.
  - Gulati (1999)

- Time - needed for relationship development
  - Impacts on internationalization & new knowledge
  - Need to consider stage-internationalization with network perspectives
Knowledge-based view within born-global research

- New knowledge drives development & growth of firms
  - (Spender & Grant, 1996)
  - Uppsala model does not explain whose knowledge is most important.

- Smaller Born-global firms - knowledge of senior management
  - influences internationalization process - between buyers and sellers
    > Oviatt and McDougall (1994)

- Individual’s ability to appreciate new knowledge
  - function of ‘absorptive capacity’.
    > Cohen and Levinthal (1990)

- Smaller Born-global firms - rely on networks
  - overcome lack of experience & provide knowledge about new foreign markets
    > (Freeman & Cavusgil, 2007).

- No explanation is given in prior models to account for why this process is rapid.
Network perspective within born-global research

- Firms depend on resources - controlled by other firms in the network
  - acquired via its network position (Johanson & Mattson, 1988)

- Smaller Born-global firms entered foreign markets - form strategic partnerships
  - taking advantage of marketing capabilities & local knowledge of network partners
  - Chetty & Campbell-Hunt (2004); Freeman et al. (2006)

- Relationship experience through pre-existing networks - precursor to knowledge
  - relational interactions between partners - over time
  - leads to knowledge exchange & new knowledge development.

- Cognitive level - notion of social embeddedness
  - Lam (2000)
    > underlines the 'tacit' nature of human knowledge (skills, techniques and know-how)
    > transmitted through social networks

- Caution - knowledge is held by individuals - networks may be taken to a competitor organization – value of these networks may be difficult to quantify.
A model: understanding rapid knowledge development in smaller Born-global firms

- Smaller Born-global firms
  - entry into international markets & sharing knowledge
    - particularly complex from a theoretical perspective
    - Internationally - beyond the usual conceptualization of *intra*-organizational knowledge sharing (Zyngier, et al., 2003)
    - to examine theory of *inter*-organizational knowledge (Inkpen & Pien, 2006).

- Extant literature - unable to explain
  - Our model addresses how tacit knowledge is integrated & transferred quickly through international supply chains of smaller Born-global firms.

- We extend RBV, KBV and network theory
  - specifying the level of interaction required for the *development of new knowledge* process to occur in rapidly internationalizing smaller Born-global firms.
Figure 1: A Process Model of Rapid Knowledge Development: The Smaller Born-global firm
Relational Trust

- We build on earlier theory by indicating how significant trust and trust-like relationships and time (Lane et al., 2006) are for the rapidly internationalizing smaller Born-global firms.

- Hutchings and Michailova (2006) suggest that sharing of knowledge, depends on pre-existence of insider relationships and a disposition towards cooperative interdependence. Knowledge must be leveraged through the development and use of social capital and networks (Coleman, 1988).

**Proposition 1.** Early internationalizing smaller Born-global firms build relational trust through long standing, pre-existing connections accessed through established network partners.

- Yet, trust does not always have a lengthy time dimension. In addition to established networks, formed over earlier associations, BG managers rely on newly-formed networks based on technological knowledge (Freeman & Cavusgil, 2007).

**Proposition 2.** Newly-formed networks in early internationalizing smaller born-global firms are based on long standing, pre-existing connections accessed through established network partners.
Inter-firm partnerships

• Strong relationships were found to exist between smaller Born-global firms and their foreign customers and were frequently based on long-standing past associations of the senior management team (Freeman & Cavusgil, 2007). So, established networks have built trust which has led to inter-firm partnerships but also established networks also lead to newly-formed business and social networks.

• Yet, with the newly-formed networks trust does not yet exist – rather, smaller Born-global firms move quickly into inter-firm partnerships for competitive necessity (mutual need to commercialize the product before a competitor) and have trust-like relationships with the trust being developed later.

Proposition 3. Strong inter-firm partnerships in early internationalizing smaller born-global firms are based on relational trust developed through established network partners.

Proposition 4. Relational trust-like outcomes in early internationalizing smaller born-global firms is based on inter-firm partnerships built through newly-formed networks developed through established network partners.
Tacit knowledge

• In a traditional supply chain a major reason for sustaining a long-term relationship with a firm is that the value placed on the shared tacit knowledge with the existing firm is of greater value than the possible savings with an alternative firm (Sivakumar & Roy, 2004).

• Trust grows from established networks or through inter-firm partnerships of newly-formed networks. But the very nature of high-technology, knowledge-intensive smaller Born-global firms, is the speed at which they form, disaggregate and then reform supply relationships. This suggests that trust is ever more critical for the transient and high speed environment of the high-tech smaller Born-global firm to ensure tacit knowledge development.

Proposition 5. Relational trust and relational trust-like outcomes in early internationalizing smaller born-global suppliers develops tacit knowledge between customers and their firms.
Absorptive capacity

•Absorptive capacity is the ability of experienced, educated managers to recognize new information, and absorb it into existing knowledge (Cohen & Levinthal, 1990).

•Lane et al. (2006) and Spekman, Spear and Kamauff (2002) summarize the literature on the influence of environmental conditions on antecedents (trust and time) for driving absorptive capacity, but focus on explicit knowledge and do not consider high velocity commercial environments.

•We suggest that tacit knowledge from relationships built over time or newly-formed networks developed quickly through established networks (which already possess trust) result in absorptive capacity occurring.

Proposition 6. Tacit knowledge amongst early internalizing smaller born-global firms increases absorptive capacity.
New knowledge

• We have argued thus far that, for early internationalizing smaller born-global firms, established networks, newly-formed relationships (identified through established networks) and cooperative interdependence of inter-firm partnerships and relational trust leads to tacit knowledge which increases absorptive capacity. We further suggest that this is then operationalized as development of new knowledge in the international supply chain.

**Proposition 7.** Absorptive capacity generates new knowledge in the international supply chain for early internationalizing smaller born-global firms.
Conclusions and implications

• We have suggested that earlier and revised Uppsala “stage model” perspectives of understanding international supply chains do not adequately explain the rapid internationalization of smaller Born-global firms.

• Our propositions and model build upon earlier international business theories, KBV and network theory to develop new understanding of the need for smaller Born-global firms (which are rapidly internationalizing), to leverage networks, partnerships and relational trust for tacit knowledge and absorptive capacity leading to development of new knowledge – which ensures competitive advantage and survival.

• Smaller Born-global firms need to form networks and inter-firm relationships, leverage inter-organizational co-dependency, and international experience to build new knowledge.
Future research

• Further qualitative research is needed to refine the model and applicability of KBV, RBV and network perspectives and to examine how the new knowledge is utilized.

• There is need for future empirical research to explore how knowledge is manifest in smaller Born-global firms in terms of such knowledge development.

• There is need for empirical longitudinal research to explore what happens to firms’ knowledge when their employees move quickly from firm to firm utilizing acquired knowledge to their own career advantage.