



A Review Of Factors Around The Emergence Of Born Global Entrepreneurs In The SADC Region.

Muchazoreka nyamugama¹, dr. Abubaker qutieshat²

^{1,2}Graduate School Of Business University Of Zambia

Corresponding author: romarinvest@yahoo.com

Abstract

The growth and mainstreaming of internet access and usage within commercial spaces has been pervasive throughout the globe. It has facilitated the emergence of the phenomenon of born global firms. However research and data collection on the phenomenon has not been equitable, with African economies, mostly being overlooked in early studies and compilations of data. One of the paper's intentions is to bridge this gap by reviewing studies of Born Global companies and entrepreneurs within the context of emerging markets and Southern African Developed Community (SADC) in particular. Specifically, the Born Global entrepreneur's knowledge and behaviors required to start a Born Global firm in emerging markets. It examines factors within the political economy related to the growth of Born Globals in the global market place. It analyses the potential for born global entrepreneurs and firms to effectively address the challenges of youth unemployment . Results reflect common entrepreneurial traits and threads in both developed and emerging markets. Emerging markets however face greater challenges with poor infrastructure creating less of an enabling environment riddled with poor leadership, corruption and misaligned priorities. Despite this one can conclude that Born Globals have the potential to solve the unemployment problem in SADC .

Keywords: **Born Globals, Youth Unemployment , Export led growth.**

1. INTRODUCTION

The rapid democratization of global communication infrastructure, and payments systems primarily driven by the internet and related technologies, has facilitated trade, putting global supply chains and markets within reach of small and previously unknown players (Freund & Weinhold, 2004). This has led to the rapid emergence of export oriented firms that have been termed Born Global firms due to their global and export orientation





from inception. The present work therefore seeks to assess the state of preparedness of the state actors and non-state actors within the political economy to develop and implement policies that target export led growth particularly from smaller market economies that typify the SADC Region.

The emergence of prominent born global brands within the African context and SADC in particular such as Mukuru, Econet, De Beers, and MTN gives hope that the SADC region can produce born global giants in the mold of Facebook, Google, Amazon and Uber to name but a few. The increasing availability and penetration of cellular and satellite communication modules such as starlink (dig.watch 2023) has opened a new frontier for increased financial inclusion and opportunities for international trade. To their credit African governments are increasingly seeking the removal of tariff and non tariff barriers to trade as well as the removal of restrictions on the free movement of capital and human resources.

1.1 Problem statement

Emerging economies globally, and particularly in the Southern African Development Community (SADC) region, face one of their greatest challenges - extremely high levels of unemployment, which have been reported to be as high as 45% among 18 to 35-year-olds in some countries (Machadu & Jena, 2015). They also face a problem of small populations and weak domestic aggregate demand. The paper therefore explores the potential that born global firms hold in addressing the growing problem of youth unemployment and jobless GDP growth in all the member countries.

In summary, this paper aims to shed light on the factors that have historically led to the development of born global firms, identify the political economy factors that contribute to their success or failure, and explore the potential implications for reduction of unemployment in emerging economies, particularly in the SADC region. South Africa for example is also struggling with an alarmingly high national unemployment rate of 25% (Statistics South Africa, 2015:1), This paper aims to explore the theoretical and conceptual framework surrounding born global firms, including the necessary characteristics and leadership qualities of individuals who are likely to lead such firms, as well as factors that contribute to their success or failure.

. That said, the paper therefore seeks to achieve the following objectives:

1-Examine the historical factors that have led to the sustainable development of born global firms through the literature.





- 2-Analyze the policy factors within the political economies of SADC that have a positive or negative impact on the development of born global firms through the literature.
- 3-Analyse the impact of infrastructure constraints on growth of born globals

2. RESEARCH DESIGN AND METHODOLOGY

The research is guided by a qualitative paradigm utilizing secondary data by reviewing existing literature in the form of journal articles, reports published by NGOs private sector entities, and state actors. The main sources used to search for and filter articles for use in the study included Google Scholar, Science Direct, ProQuest and the main Google search engine. Articles were then analysed for the critical factors that align with the literature and these were then used to identify the prominent theoretical frameworks governing the development and evolution of born global firms.

3. REVIEW OF THE LITERATURE

The concept of "Born Globals" was first used by McKinsey & Co in a 1993 survey they conducted for The Australian Manufacturing Council. There are several other terms in use such as "International New Ventures" NIVs and "Global Startups" which are being used interchangeably with the term Born Globals (Oviatt & McDougall, 1994; Autio, Sapienza, & Almeida, 2000; McKinsey & Co., 1993; Knight & Cavusgil, 1996; Madsen & Servais, 1997). The quintessential definition of Born Globals however has come to refer to a group of Australian manufacturers who started exporting within two years of formation.

The Uppsala Model, also known as the incremental model, is a common measure of growth in the life cycle of any business, which requires additional capital to develop new markets. Firms typically expand into one market at a time, starting in countries that are in close proximity to the home base. However, this model has been criticized for being static, individualistic, situational, and overly depending on the availability of funds for successful implementation (Reid, 1983). This poses a challenge for most firms, especially small, medium, and micro-sized enterprises (SMMEs) with limited financial resources. The Innovation Model, a traditional school of research, also expands internationalization as an incremental process (Bilkey & Tesar, 1977; Knight, Cavusgil, & Oviatt, 2004).

A quantitative cross-sectional survey of 900 manufacturing firms in the United States showed that innovative activities in these firms were crucial for creating new markets and specific competencies that led to the success of born-global firms in internationalization. This study, however, was limited to the United States, and future research could focus on





comparative studies in developing countries (Danik & Kowalik, 2013). Additionally, some researchers have called for a review of methodologies such as the Uppsala Model (Sui, 2011).

"Digital orientation" is a term used to describe a firm's level of focus on digital technology and its use, and how it is able to leverage it to increase its global footprint. It also measures the degree to which firms have harnessed digital technology in their business processes (Habibie et al. 2015). Coupled with this is the importance of Technical bottlenecks and limitations within the telecommunications infrastructure of countries. (Baldwin, 2015) refers to technical bottlenecks as technical shortcomings that hamper the development of a specific technological system. It may be in the form of inadequate capacity of a resource such as bandwidth to enable for example Netflix to be operational.

Even though it is only in recent times, within the last 15 years, that born globals have received recognition and definition, the role of entrepreneurial input of the leaders of born globals has been identified as an opportunity for research and quantifying the impact of born globals within the context of emerging markets (Weerawardena, Mort, Liesch, & Knight 2007). It postulates that a set of dynamic inherent competencies are built and developed by globally oriented entrepreneurial pioneers that position these firms at the cutting edge of the knowledge economy.

Clearly, emerging markets have the potential to unleash hitherto unexplored business opportunities and approaches to productivity and the exploitation of natural resources in many countries, particularly in (SADC) the Southern African Development Community region. SADC countries, as they are referred to, have huge natural and human resources, which have a huge demand in overseas markets including diamonds, Platinum, Gold, Lithium and crude oil. The process of democratizing the exploitation of these resources however leaves a lot to be desired. It has become a barrier to entry, and in many cases, the political economy has been complicit in the creation of barriers to entry for would-be entrepreneurs of global companies. The entrepreneurial ecosystem framework offers scholars a holistic framework to systematically conduct entrepreneurial research across a variety of disciplines, irrespective of geographic location, with comparable research findings. (Escandon-Barbosa et al 2019) took an analytical look at the influence of international orientation on export performance of the born global, the structural equation, and the resource-based view of the firm models to analyze the influence of international orientation. A quantitative comparative study of the influence of the different models on the internationalization of born globals in Colombia South America showed that BGs are able to achieve precocious internationalization and superior export performance based on the





mindset of their managers towards international markets (Knight and Liesch, 2016). This study is significant in that it is set in an emerging market. (Chhotray, Sivertsson, & Tell 2018) make a specific analysis of the roles of leadership, vision, and empowerment as success drivers in born global companies. a close examination of how managers' leadership skills and the company vision can be used to empower employees at global companies Transformational leadership theory binds vision, leadership, and empowerment into a cohesive force. Empirical data from case studies and interviews with top managers and employees show that a shared organizational vision helps in guiding and controlling organizations.

Much of the literature suggests that vision is crucial to organizational success. However, this article suggests that a clear strategy that guides the daily work is more effective in achieving organizational goals. Falahat and Lee (2022) take their analysis of the impact of digital, entrepreneurial, learning, market, and government support orientations and examine their impact on market competence and international performance among BG and non-BG firms. It is also steeped in the resource-based view (Barney, 1991; Barney et al., 2011) as well as the dynamic capabilities approach (Morgan et al., 2018; Teece et al., 1997). According to the institutional theory, government support is an important factor in the success of born globals. (Lu et al., 2010; Oliver, 1997). approach used in industrial organization theory (Porter, 1980) is used to analyze the impact of foreign market conditions (Hennart, Majocchi, & Hagen, 2021). It offers an analysis of factors that differentiate BGs, their entrepreneurs, or their business models.

The export development process theories (see also Knight & Cavusgil, 1996) and Niche Versus Mass-Market Business (Hennart, 2014) cite that rapid international growth has to do with business models that facilitate rapid foreign sales growth; a niche business model allows expansion of foreign sales quickly and to become BGs. (Ortega, Criado, and Stoianb 2015) explores the orientation of BGs toward international markets (OIM) and presents a measurement scale of OIM specifically designed for these firms. (Mohammad Falahata, et al. 2015) Conceptualizing the Early and Rapidly Internationalizing Firms In newly industrialized nations Drawing from a network approach and dynamic capabilities perspective, A qualitative comparative analysis based on the review of the literature Set in the rapidly industrializing Asia-Pacific Rim member Indonesia Because network capability that integrates the antecedent (entrepreneur orientation) was found to lead to rapid internationalization even with limited resources, BGs no longer consider it a barrier to early internationalization and superior performance. (Machado, Niqueb, and Fehse 2016) A close





examination of the peculiar characteristics of BG counteracts the corollary of traditional theories that explain the process of internationalization in companies. (Knight & Cavusgil, 2005; Moen & Servais, 2002; Oviatt & McDougall, 1994). The factor that most contributes to the early internationalization behavior of SMEs is their managers' belief that their target market is any market, whether domestic or international. The market, unlike the gradual international companies, is global (Hagen & Zuchela, 2014; Zhang, Tansuhaj, & McCullough, 2009). The research paradigm is a qualitative, non-probabilistic, descriptive, cross-sectional survey. Set In the Brics Member country of Brazil, the final sample was composed of 398 SMEs, or about 3% of the original database accessed. Respondents by tele-interview The findings reflect the diversity of the BGs in different countries and the need for a clearer grasp of variables around rapid internationalization, not just export commitment and international orientation. Traditional definitions of BG are still static and context-dependent A useful variation for future research is to conduct a longitudinal survey to verify the dynamics of the proposed scales. Limitations are noted as "ex post facto" bias. Managers (Monferrer, Blesa, and Ripollés 2015) study the influence of network market orientation on Spanish-born globals' adaptation, absorption, and innovation dynamic capabilities, as well as their influence on the performance achieved by these companies.

Based on an ambidexterity approach showing double exploration and exploitation function, this study considers these three specific knowledge-based dynamic abilities, analyzing their interrelationships while taking into account their exploration and exploitation duality. Results from the testing of the structural equation model: The methodology is quantitative. Survey Correlation analysis, analysis of variance, and hypotheses testing Set in Spain The sample is 1028 firms reduced from a total of / Spanish firms with a set-up date after 2005. Absorption capability was found to be a significant positive influence on the adaptation capability of BGs.

While only the innovation capability, of an exploitative nature, had a direct effect on the international performance achieved Future research could widen the diversity of the study population to other markets and introduce other variables to analyze their impact. (Mainela , Puhakka, and Sipola 2018) The paper focuses on the collectiveness of opportunities in international entrepreneurship and the systemic conceptualization of opportunity-oriented international entrepreneurship. Based on research on the concepts of activity and object from activity theory, this is a quantitative empirical study with extensive archival, interview, and observational data and relativist interpretive research. Set in the two countries of Finland and Israel, In Finland, data showed a dominant type of entrepreneurship





represented by companies that can become bankable, profitable, and, importantly, create jobs. the primary factor being regional development, while the Israeli support system supported selective disruption. Further research could focus on the possible impacts of cultural-historical context on the systemic view.

4. SUMMARY OF RESULTS AND FINDINGS

The results of this study show that there are several overarching theories that are being used to describe and explain the observed progression cycle in the development of international businesses in general and born globals in particular. These include can be summarized as the:

Uppsala model ,

Evolutionary Economics Theory,

Transformational Leadership theory ,

The resource based theory

Dynamic capabilities approach

Contingency approach

Niche versus mass market business models

Ambidexterity model

Innovation model and

Network approach

Entrepreneurial ecosystem framework

The Born global theory

No single study found that only one approach was applied in the various studies in the literature but rather a cocktail of combinations of elements of the different models to varying degrees of success and ability , in many cases one evolving into the other .(Ferguson et al 2021) in their publication, "Getting the facts right on born globals", draw two main conclusions from their regression analysis results . First, they contend that they do not find evidence of a "born global size premium" in terms of employment creation, and evidence for tangible growth in terms of sales and value addition are at best weak. Ferguson, S., Henrekson, M., & Johannesson, L. (2021

5. DISCUSSION

There are several trains of thought that have emerged both from the literature and from the results of the research papers analyzed and presented in this study. There is no





doubt that Born Globals were influenced by the traditional incremental models such as the evolutionary economics theory, the resource-based theory, and the Uppsala model among others. Their specific brand of success, however, is clearly the result of the impact of more disruptive models such as transformational leadership theory. Dynamic capabilities approach Contingency approach Niche versus mass-market business models and the Ambidexterity model .The innovation model takes a network approach, while the entrepreneurial ecosystem framework is more of a set of intervening variables that create a conducive environment. The role of the political economy of a country then comes into play, with governments creating an enabling environment and focusing on export orientation.

The importance of government policies in promoting entrepreneurial activities in general and export oriented activities in particular is exemplified by the South African government .It has since 1994 put together institutions such like the Small Enterprise Development Agency (SEDA), Small Enterprise Finance Agency (SEFA), National Youth Development Agency (NYDA), National Empowerment Fund (NEF), the Export Credit Finance Guarantee Scheme, the Export Marketing and Investment Assistance (EMIA) and the Industrial Development Corporation (IDC) all of which are aimed at to promoting and supporting SMMEs that are inclined towards export-led growth opportunities.

The implications of the findings are that there is a lot that is within the control of governments and economic planning authorities that can be done to improve the business environment in general . The development of telecommunications infrastructure and internet coverage has been singled out in nearly all articles as a driver of innovation as supported by the innovation model . This means that state actors need to apply their minds to the manner in which they allocate resources through the fiscal process. Similar development partners likewise need to complement the efforts of state actors and SOEs in creating an ecosystem that allows BGs to flourish . Countries for which implications could be huge include Lesotho , Eswathini ,Botswana and Namibia with populations of just over 2 million each the development of export capacity and activity through born globals presents a real opportunity for combat rampant unemployment . This means strategies of engaging the youth in export and technology orientation could result in rapid emergence of many companies in the mould of Netflix , Instagram , Amazon Google and Apple .

Essentially the same models that worked for Netflix and Amazon could be adopted for many of the countries that have numerous opportunities for export led growth in the agro-industrial complex , tourism as well as mineral exports all of which are in abundance within the SADC enclave. Export orientation of all role players is therefore critical in order





to reverse jobless growth of GDP seen in Botswana, Namibia and Lesotho where up to 80% of export earnings are derived from capital intensive mechanized mining activities particularly the gemstone diamond industry .

6. LIMITATIONS OF THE STUDY

The study looks particularly at the comparative advantages both in terms of resources as well as infrastructure that would give the region comparative advantages over areas elsewhere in the greater Africa region . Focus within the SADC region, in particular how their political economies may be hindering or promoting the development of global companies could be limiting in that it may not readily used to generalize to the rest of the African continent. More studies will also need to be looked at with respect to the availability of telecommunications infrastructure within the member countries. Where infrastructure is available, the cost structure may need to be analyzed to see if it is not putting the same sectors at a disadvantage compared to other regions of the world. There were also not many case studies of companies and entrepreneurs from the SADC region .

What has come to be referred to as the new normal way of doing business has increased the use of online platforms for procurement of goods and services. This in turn has resulted in a marked increase in the demand for these services and may well present new opportunities for the rapid growth of BGs . The new normal also presents a new set of intervening variables such as covid protocols , travel restrictions and restrictions of the movement of labour and capital . Future research should also examine the trend towards working from home and other off-site locations as a contributing factor to the growth of global firms.

7. CONCLUSIONS

The systematic and intentional development of BGs may well hold the key to the rapid growth of employment riding on export led growth in GDP for all 10 member states within the SADC Bloc. This can be easily achieved by leveraging the many natural resources such as diamonds , Gold , Platinum , lithium oil wildlife and the natural wonders such as the table mountain , Victoria Falls and The Okavango. These hold great potential as they can easily be marketed using disruptive internet based social media platforms like Facebook Instagram and industry specific websites to attract and draw in international markets. Sadly red tape and corruption in the allocation or enabling licenses continues to hamper growth prospects (Velamuri RS.and J. Mitchel, 2004). Deployment of fiscal resources could see more





positive results by aligning business environment incentives for both local and would be FDI investors with deliberate export led growth strategies. These would include sharpening digital and export orientation among startups and SMMEs.

Recommendations for further study and further Contribution to theory going forward, studies could include widening the scope on the characteristics of leaders of born global companies and how similar these characteristics may be between different regions of the world. Indeed the analysis could also focus future studies on the possible influence of cultural differences that obtain between different areas on the African continent itself and indeed in comparison with other areas of the world. It is pertinent also to investigate changes and challenges that may have been brought on by the COVIC-19 pandemic and the disruptions it caused in supply chains , global movement of goods and people as well as the effects on telecommunications infrastructure .

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