



Kent Academic Repository

Romanello, Rubina, Karami, Masoud, Gerschewski, Stephan, Evers, Natasha and Xiao, Cici He (2020) *International Opportunity Discovery of Born Global Firms: The Role of Institutions*. In: *Academy of Management Proceedings*. 2020 *Academy of Management Proceedings*. . Academy of Management

Downloaded from

<https://kar.kent.ac.uk/82392/> The University of Kent's Academic Repository KAR

The version of record is available from

<https://doi.org/10.5465/AMBPP.2020.20660abstract>

This document version

Author's Accepted Manuscript

DOI for this version

Licence for this version

UNSPECIFIED

Additional information

Conference held online due to Covid-19. Online publication is abstract only.

Versions of research works

Versions of Record

If this version is the version of record, it is the same as the published version available on the publisher's web site. Cite as the published version.

Author Accepted Manuscripts

If this document is identified as the Author Accepted Manuscript it is the version after peer review but before type setting, copy editing or publisher branding. Cite as Surname, Initial. (Year) 'Title of article'. To be published in *Title of Journal*, Volume and issue numbers [peer-reviewed accepted version]. Available at: DOI or URL (Accessed: date).

Enquiries

If you have questions about this document contact ResearchSupport@kent.ac.uk. Please include the URL of the record in KAR. If you believe that your, or a third party's rights have been compromised through this document please see our [Take Down policy](https://www.kent.ac.uk/guides/kar-the-kent-academic-repository#policies) (available from <https://www.kent.ac.uk/guides/kar-the-kent-academic-repository#policies>).

International Opportunity Discovery of Born Globals: The Role of Institutions

Abstract

Research Summary: The study sets out to investigate the international opportunity discovery process of born global firms embedded in two different institutional contexts: an emerging economy, China, and a developed country, Italy. Drawing on the opportunity-based view and institutional theory, the study explores and draws comparative insights into how home country institutions of born global firms can influence the international opportunity discovery process. Using a case study approach, we examine the international opportunity discovery process of six born global firms from China and Italy. The findings reveal that home institutions played an influential, yet, differentiating role on the international opportunity discovery processes of the Chinese and Italian firms. The institutional context of the Italian firms shaped their opportunity discoveries through product innovation, whereas their Chinese counterparts discovered opportunities mainly through networks embedded their home institutional context.

Technical summary: The study examines home-country institutions as contextual factors influencing the process of international opportunity discovery in the case of small born global companies embedded in two different institutional contexts: an emerging economy, China, and a developed country, Italy. The research presents a study context related to the two countries, and then shows how home-country institutions influenced the process of developing cross-border opportunities in the case of born global firms located in China and Italy. By investigating three companies located in Italy and three in China, this comparative study illuminates the similarities and differences in the process of international opportunity discovery in two different countries.

Keywords: *born global firm, institutional theory, opportunity-based view, international opportunity discovery, comparative research*

1. INTRODUCTION

In the last decade, international opportunity discovery and exploitation have garnered increased attention in the international entrepreneurship (IE) literature, and particularly in the context of born global firms (BGs) (e.g., Mainela, Puhakka, and Sipola, 2018; Chandra, 2017; Hannibal, Evers and Servais, 2016; Chandra, Styles, and Wilkinson, 2012). BGs are unique types of entrepreneurial ventures that tend to be globally orientated from inception and seek to derive significant competitive advantage through resource utilisation and the sale of outputs in multiple countries (Andersson, Evers and Griot, 2013; Coviello, 2015). In line with the definition of IE, BGs actively search for new opportunities towards the “discovery, enactment, evaluation and exploitation of opportunities across national borders – to create goods and services” (Oviatt and McDougall, 2005, p. 540).

As a central argument of IE, ‘international opportunity’ has been defined as the chance to do an exchange with partners in new foreign markets (Ellis, 2011). Moreover, recently, the adoption of ‘opportunity’ as the level of analysis has been arguably considered an appropriate way to examine BG internationalization (Knight and Liesch, 2016; Chandra et al., 2012). Opportunity lens can, in fact, represent a framework to interpret the internationalization of small companies (Covin and Miller, 2014), as opportunity can be seen as a pre-condition of internationalization in the analysis of early and rapid internationalization of firms (e.g., Chandra, Styles and Wilkinson, 2009; Chandra et al., 2012). Thus, BGs internationalization may be conceived as the discovery and exploitation of international entrepreneurial opportunities. Although the interest for international opportunities has increased over the years, the international opportunity discovery process has generally not been widely investigated in the context of BGs (e.g., Jones, Coviello and Tang, 2011; Mainela et al., 2018).

Scholars have further noted that IE research should devote more attention to the institutional characteristics, which influence the costs of “engaging in business activity of a given form in one nation as compared to another” (Henisz and Swaminathan, 2008, p. 537). In fact, past comparative studies in IE have highlighted that there are often significant differences in how BG entrepreneurs respond to opportunities and threats in international markets, and these vary depending on the cultural and institutional contexts (e.g., Coviello, 2015; Paul, Parthasarathy and Gupta, 2017; Krammer, Strange and Lashitew, 2018). For example, extant research has shown that firms with similar resources and skills can achieve different speeds of internationalization due to their varying contexts (Chandra et al., 2012). This explanation opens the way for future studies giving more relevance to the role of context (Paul et al., 2017). This research stream considers institutions and the mechanisms which influence specific aspects of International Business (IB) behavior (Manolova, Eunn, and Gyoshev, 2008; Schwens, Eiche, and Kabst, 2011). Therefore, it has been argued that research should devote more attention to external factors and market processes, which can affect opportunity discovery abroad by BGs (e.g., Alvarez and Barney, 2008). As noted by Reynolds, Hey, and Camp (1999), the most critical factors that contribute to entrepreneurial opportunities, is a “set of social and cultural values along with the appropriate social, economic, and political institutions” (p. 43). Comparing international opportunity discovery processes in different institutional contexts can, thus, provide a clearer picture of the influence of institutions in the entire process (Jones et al., 2011).

Although the critical role of ‘context’ in BGs’ internationalization processes (Zahra and Wright, 2011; Whetten, 1989) has been acknowledged and recently examined (Andersson et al., 2013), extant research has been generally sparse on understanding the impact of contextual factors on certain aspects of the BG’s internationalization processes (Knight and Liesch, 2016). Particularly, our understanding of how the institutional context influences the discovery of

international opportunities has been fragmented, and studies are minimal in assessing the impact of home country institutions on this process (e.g., Jones et al., 2011; Shane, 2012). We respond to this research gap and frame our study by addressing the following research question in the context of the home institutions of an emerging economy, China and a developed country, Italy:

Research question 1: *“How does the home institutional context influence the international opportunity discovery process of BGs?”*

We adopt the opportunity-based view (OBV) and institutional theory in this study, to address the research question. Following previous studies that have examined the internationalization process through the OBV (e.g., Chetty, Karami and Martin, 2018; Chandra et al., 2012), we have analyzed the process by which six BGs have discovered opportunities across borders. The analysis has included three case companies located in an emerging economy (i.e., China), and three case companies in a developed country (i.e., Italy). Drawing on the institutional perspective, we have analyzed whether, and how, home country institutions have influenced the discovery of first international opportunities (Busenitz, Gomez and Spencer, 2000; Peng, 2003). After conducting an in-depth analysis of the institutional profiles of the two countries, we have developed a cross-country comparison of six case studies based on data collected through in-depth interviews and archives.

This study provides two key contributions to the literature. First, it contributes to the IE literature by investigating the influence of institutional context on the process of international opportunity discovery of BGs as a critical question in IE research (Zander, McDougall-Covin and Rose, 2015; Cavusgil and Knight, 2015; Chandra et al., 2012; Knight and Liesch, 2016). Second, in response to calls for cross-country comparative research, (e.g., Busenitz, Gomez and Spencer, 2000; Fan and Phan, 2007; Jones et al., 2011), this study analyses firms located

in vastly different institutional contexts: an emerging and a developed country (Busenitz et al., 2000). Comparing different home country institutions represents an appropriate and relevant framework to better understand the influence of institutional setting on BGs international opportunity discovery. According to Jones et al. (2011), only 7.1% of all IE studies from 1989 to 2009 can be categorized as ‘comparative entrepreneurial internationalization’. Our research aims at contributing to this relatively under-researched category.

The paper is organized as follows. We first establish the theoretical background with a detailed review of the literature to position the research question of the study. We then discuss methods used and research context. Next, we present findings related to the study context and cross-case analysis. Finally, we conclude by discussing the theoretical contributions, limitations of the study, and also outline some avenues for further research.

2. LITERATURE REVIEW

2.1 International opportunity discovery in the BG literature

Past IE research has underlined the importance of international opportunity discovery for the subsequent internationalization of the firm (Chandra et al., 2012). According to this view, there is often no difference between BGs and traditional SMEs when examining the firms’ internationalization from an opportunity-based perspective (Chandra et al., 2012; Vahlne and Johanson, 2013). Rapid internationalization seems to represent a truly rapid process only when ignoring the history of BGs’ first international opportunity discovery (Vahlne and Johanson, 2013; Chandra et al., 2012). This view explains BGs’ formation as a process of entrepreneurial opportunity discovery and exploitation (Di Gregorio et al., 2008; Johanson and Vahlne, 2009).

Johanson and Vahlne (2009) noted that the subsequent internationalization of BGs is often fast, but, considering the history of the companies’ initial internationalization, it is still a gradual process, which usually starts in psychically close markets and attributes high strategic

importance to the founders' existing relationships with international partners and previous international experience (Johanson and Vahlne, 2009). Chandra et al. (2012) explained a firm's rapid internationalization by focusing on the importance of the history of rapid internationalization and emphasizing the dynamic entrepreneurial processes of international opportunity discovery by BGs. This research stream has highlighted that it is important to explain how the first international opportunity is discovered, in order to better understand the subsequent internationalization of the firm (e.g. Chandra et al., 2009; Chandra et al., 2012). For instance, Ciravegna, Lopez, and Kundu (2014) found that the proactive search of the first client in international markets can be a predictor of the intensity and geographic scope, but not of the speed of firm internationalization.

As such, an important capability to create successful BGs is the ability of the founder to discover and acquire resources necessary to create and/or exploit market opportunities (Arthurs and Busenitz, 2006; Karra, Phillips and Tracey, 2008). A recent study has underlined that international opportunity discovery processes change, according to the growth phase of BGs (Romanello and Chiarvesio, 2017). The authors found that entrepreneurs were more proactive towards international opportunities during the entry stage, while they became more reactive, when they entered post-entry stage. Past research has highlighted that the international and industry-marketing experience of BGs' founders often lead to the creation of international market knowledge, network building activities, and the discovery and creation of opportunities, (e.g., Aspelund, Madsen and Moen, 2007; Freeman, Hutchings, Lazaris and Zyngier, 2010). In particular, the founders' entrepreneurial capabilities may become fundamental to the creation of BGs (Karra et al., 2008) and to early establish international activities (Autio, Sapienza and Almeida, 2000; Romanello and Chiarvesio, 2017). These capabilities can contribute to reducing the firms' 'liability of newness' (Autio et al., 2000).

From an OBV perspective, experiential learning often plays a critical role in the analysis of a firm's internationalization process (Blomstermo, Eriksson, and Sharma, 2004), in that the discovery of international opportunities often entails connecting prior experience and knowledge, and observations of external conditions and events (Mathews and Zander, 2007). Learning can help small firms focus on long-term relationships and emerging opportunities (Sundqvist, Kyläheiko, Kuivalainen and Cadogan, 2012). Previous studies have emphasized the importance of learning in the process of international opportunity discovery, in terms of gaining necessary information and developing cognitive properties, obtaining access to financial capital, and social ties, the risk perception and the propensity towards the counterfactual thinking (Li, 2013).

Networking is another critically important mechanism in the international opportunity discovery process (Vahlne and Johanson, 2013). According to the 'effectuation theory' and the 'Uppsala Model' as two of the most established theories of OBV, company internationalization may not be an issue of 'liability of foreignness', but rather of 'liability of outsidership' (Sarasvathy, Kumar, York and Bhagavatula, 2014; Schweizer, Vahlne, and Johanson, 2009). According to this perspective, internationalization is perceived as the outcome of successful networking in which firms gain access to the complementary resources and learn from each other. This process leads companies to discovering new internationalization opportunities (Sarasvathy et al., 2014; Vahlne and Johanson, 2017). Thus, network insiders can perform better than outsiders in terms of successful foreign market entry (Almodóvar and Rugman, 2015).

2.2 Institutional theory and international opportunity discovery

Institutional theory has traditionally been applied to explain the internationalization of firms (e.g., Busenitz, et al., 2000; Henisz and Swaminathan, 2008; Kotabe and Mudambi, 2003;

Meyer, Estrin, Bhaumik and Peng, 2009; Peng, Wang and Jiang, 2008). The importance of institutions in IE is critical, due to the emphasis of IE on the investigation of transactions between counterparts across different countries, or inside one country in comparison to counterparts in another country (Henisz and Swaminathan, 2008; Jones et al., 2011).

Home-country institutions tend to influence entrepreneurship due to the basic assumption that firms are embedded in country-specific institutional arrangements (North, 1990; Phillips and Tracey, 2007). Thus, the focus on institutions allows scholars to identify the cultural and other institutional forces, which influence entrepreneurial activities in a broader context (Zahra and Wright, 2011). Home-country institutional context can also impact the processes and motivations behind BGs' internationalization (Zander et al., 2015). For example, the knowledge and understanding of the country's institutional profile can help globally-focused entrepreneurs to start-up firms that have international missions from the firms' inception (Busenitz et al., 2000). Considering this key importance of institutions in international opportunity discovery, IE research has called for further research examining the influence of the home country's institutional context on different aspects of international opportunity discovery process (e.g., Zander et al., 2015; Muralidharan and Pathak, 2017).

National institutional environments can contribute to explaining whether, and how the nature and behavior of BGs differ depending on their country of origins. Some scholars have investigated how different stages of institutional transition in a single country (i.e., China) influence entrepreneurial opportunities and attributes, and strategic choices for firm internationalization (e.g. Li, 2013; Xiao He and Karami, 2016). Focusing on China, Li (2013) found that during the early stages of institutional transition, opportunities and business transactions were based on *guanxi* and other network relationships. In contrast, entrepreneurial capabilities and resource-based strategies have become generally more important in the firms' internationalization process at the *late* stage of institutional transition of the country. Li (2013)

noted that different stages of institutional transition inside the same country can lead to different dynamics and, consequently, affect the firms' internationalization efforts. There is an emphasis on the network-related internationalization strategies in emerging economies (Andersson, Evers and Gliga, 2018; Peng and Heath, 1996; Kiss and Danis, 2008), as relationships can reduce uncertainty and enhance the competitive advantage of firms (Aidis, Estrin and Mickiewicz, 2008; Li, 2013). In addition, it has been noted that entrepreneurs from emerging economies often do not possess relevant business and technical expertise, and, thus, may not be able to rely on prior business-related knowledge to discover opportunities (Kiss, Danis and Cavusgil, 2012).

Differences of institutions across countries, especially between developed and emerging markets, can have different influences on similar processes (Busenitz et al., 2000). Differences in institutional contexts often better emerge by comparing different countries, particularly emerging and developed countries. Emerging economies are characterized by low-income and rapid-growth and use economic liberalization as the primary engine of growth (Hoskisson, Eden, Lau and Wright, 2000). Compared to the developed economies, the institutional environment of emerging markets is often turbulent and changes rapidly, and these economies generally possess relatively weak institutions to support market-oriented strategies (Aidis et al., 2008; Peng, 2003). Therefore, research findings from developed countries may not be simply generalizable to emerging markets (e.g., Peng, 2000; Young, Peng, Ahlstrom, and Bruton, 2002; Eren-Erdogmus, Cobanoglu, Yalcin, and Ghauri, 2010). The influence of the institutional context on BGs' internationalization motivations and processes also seems to vary in emerging and advanced countries (Zander et al., 2015). Whereas BGs located in European developed economies often benefit from institutional advantages, BGs from emerging economies generally struggle with a set of institutional difficulties and challenges (Zander et al., 2015). Successful BGs in developed economies often show a capacity to favor

institutional bridging, a preference for cross-cultural collaboration, and a capacity to understand the institutional difference between home and host country (Karra et al., 2008).

2.3 Institutional Pillars

Previous IE research has developed a framework for comparative analysis based on the three dimensions of a country's institutional profile (e.g., Busenitz, et al., 2000; Scott, 2014), which were found to be applicable to both developed and emerging economies (Manolova et al., 2008). According to Scott (2014), three institutional pillars generally influence entrepreneurship and firm internationalization levels (e.g. Busenitz et al., 2000; Henisz and Swaminathan, 2008; Nasra and Dacin, 2010): (1) regulative, (2) cognitive, and (3) normative dimensions.

The *regulative pillar* primarily focuses on formal rule systems and enforcement mechanisms sanctioned by the state (North, 1990), and includes laws, regulations, and government policies aimed at supporting entrepreneurship and new businesses, reducing risks for start-ups, and facilitating the acquisition of resources by entrepreneurs (Busenitz et al., 2000). These norms help reduce the perceived risks related to starting international activities abroad and help deal with complex administrative processes (Sambharya and Musteen, 2014). BGs are often sensitive to these aspects, as they generally suffer from the liabilities of smallness and newness (Di Gregorio et al., 2008; Autio et al., 2000). For example, Li (2013) observed that when regulative pressures were minimal, at the early stage of institutional transition, new ventures tended to initially build social connections to acquire more legitimacy. In contrast, at later stage of institutional transition, regulative pressures stemmed from formal market-supporting institutions motivated new firms to adopt market-oriented strategies. This dimension has been found to be a predictor of opportunity-driven entrepreneurial activities (Sambharya and Musteen, 2014).

The second pillar, *cognitive dimension*, refers to socially shared knowledge, taken-for-granted conventions, and values that are imposed on, or internalized by, social actors in relation to new businesses' establishment (Scott, 2014; Busenitz et al., 2000). Cognitive institutions reflect how certain knowledge sets are institutionalized and become part of a shared social understanding (Zucker, 1991). The lack of knowledge was highlighted as one of the barriers of firm internationalization, as foreign market knowledge tends to have a determinant role in internationalization (e.g., Blomstermo, Eriksson, Lindstrand, and Sharma, 2004) and the growth of BGs (Romanello and Chiarvesio, 2017).

The third pillar, *normative dimension*, includes beliefs, norms and assumptions about human behaviors of individuals in a country (Scott, 2014; Busenitz et al., 2000). This dimension determines whether entrepreneurial activities, creative and innovative thinking are admired and supported by society (Nguyen, Bryant, Rose, Tseng and Kapasuwan, 2009; Sambharya and Musteen, 2014). From the IE perspective, it expresses how entrepreneurs evaluate international activities and perceive them as a 'normal' aspect of their firms' overall operations (Kiss and Danis, 2008). For example, while entrepreneurial behaviors, such as innovation and risk-taking, have been traditionally supported by institutions in the developed countries, institutional weaknesses in this dimension contributed to lower levels of entrepreneurship in emerging markets (Kiss et al., 2012). In emerging economies, the relatively lower economic tradition of these values in support of firm internationalization, makes the desire for business expansion in international markets rather low (Kiss and Danis, 2008). Therefore, firm internationalization is motivated by goals related to the general aspiration for obtaining a higher income and reaching a higher social status (García-Cabrera, García-Soto, and Duran-Herrera, 2016).

3. RESEARCH METHODOLOGY

3.1 The case study method

In response to previous calls for qualitative studies of firms located in transition economies (e.g., Li, 2013) and for comparative IE research (e.g., Fan and Phan, 2007; Jones et al., 2011), we adopted a qualitative case study approach (Eisenhardt, 1989) to investigate the international opportunity discovery process of BGs from two different institutional contexts: China and Italy. The case study method was considered suitable, as it is in line with the exploratory nature of this study's research question, and it is in alignment with the main goal of theory building (Eisenhardt, 1989). We developed an inductive qualitative research to examine whether and to what extent the institutional context influences the international opportunity discovery of six BGs from China and Italy. Consistent with the OBV (e.g., Chandra et al., 2012), 'opportunity' was selected as the unit of analysis. The research object was the initial international opportunity discovery defined as the initial international sale, based on Ciravegna et al. (2014)'s operational definition.

As comparative research is considered appropriate to highlight the influence of institutions, the analysis included companies located in an emerging economy, China, and in a developed country, Italy. The country selection reflects the rationale to represent two strikingly different institutional environments, in terms of socio-cultural evolutions, historical backgrounds, and policies towards BGs. The institutional profiles of China and Italy were examined, based on the operationalization of Busenitz et al. (2000) and drawing from past literature and reports on institutions in these countries.

In comparative research, it is important to ensure that samples and sites chosen for the analysis are consistent enough to be compared (Jones et al., 2011). Thus, we adopted a relatively strict operational definition of BG, following Coviello's (2015) suggestions. The sample firms had to fulfil the following four characteristics: (1) company age less than 20

years; (2) initial foreign market entry within three years after company establishment with an export share of at least 25% (Knight and Cavusgil, 2004); (3) still include their founders to collect primary data; (4) possess a global orientation (i.e., a ‘scope’ dimension), in terms of having entered at least one country outside their home continent (e.g., Andersson et al., 2013; Gabrielsson and Gabrielsson, 2011).

3.2 Case selection and data collection

We used the Register of Companies to identify a pool of potential sample firms in Italy, while it was possible in China to access firms through the researcher’s personal networks and *guanxi*, using a ‘snowballing’ method. When research problems are related to complex phenomena, a small number of case studies is generally preferred (Eisenhardt, 1989). After collecting the sixth case study, data collection was concluded, as the marginal improvements obtained with the addition of the last two cases had been minor. *Ceteris paribus*, a theoretical saturation point was reached, and results emerged relatively clearly (Eisenhardt, 1989).

Face-to-face and semi-structured interviews were conducted with the founders (i.e., entrepreneurs) of sampled companies. Interviews were audio-recorded and transcribed. The interview questions related to the BGs’ establishment, product types, founders’ backgrounds, internationalization process, and the initial international opportunity discovery process. We followed-up with the interviewees by email and phone to clarify the key points of the interviews. We used secondary data, including press and archival data, for data triangulation purposes at a later stage of the data analysis.

Table 1 shows the basic information of the sample firms included in the study.

****Table 1 about here****

3.3 Data analysis

The involvement of multiple investigators enhances the creative potential of the research (Eisenhardt, 1989). Each investigator assumed a unique role: the first investigator interviewed the Chinese entrepreneurs, the second investigator interviewed the Italian entrepreneurs, while the other investigators were excluded from primary data collection and assumed the role of ‘resident devil’s advocate’ (Eisenhardt, 1989; Sutton and Callaham, 1987). After thoroughly reading the interviews’ transcripts and discussing the cases, investigators examined in-depth the international opportunity discovery process of each firm and created comparative Microsoft Excel tables. This technique allowed each investigator to bring different perspectives to the discussion, thus allowing a relatively integrated analysis of empirical data. Moreover, when observations of multiple investigators converge, the confidence in findings generally increases (Eisenhardt, 1989). To better frame the influence of institutions on the international opportunity discovery process, in the next section findings were organized under study context describing the two institutional profiles of China and Italy. Referring to past frameworks (Kostova, 1997; Scott, 2014; Busenitz et al., 2000), the investigators drew on existing literature and reports on institutions in China and Italy to update the institutional profiles of the two countries in relation to entrepreneurship and internationalization (e.g., Peng and Heath, 1996; Aidis, 2005; Kiss and Danis, 2008; Li, 2013; Stenholm, Acs and Wuebeker, 2013).

4. FINDINGS

Findings are organized around three main aspects. First, we present the study context, where we compare the current institutional profiles of China and Italy in relation to entrepreneurship and internationalization. Second, we present the findings related to the cross-case comparison in relation to the international opportunity discovery process enacted by the Chinese and Italian

BGs. Lastly, we show how institutions have differently influenced this process in the two contexts.

4.1 Study context: Comparison between institutional profiles of China and Italy

Chinese firms generally operate in a multifaceted and turbulent institutional environment due to the transition to an emerging economy (Peng, 2003; Meyer and Peng, 2016; Li, 2013). According to the Global Entrepreneurship and Development Index 2017, China is positioned at 48th rank out of 137, with a score of 36.3 (Acs, Szerb and Lloyd, 2017), indicating that institutional changes have promoted entrepreneurship in this country (Kshetri, 2007). According to the World Bank, China is ranked 78th out of 190 countries, in terms of ease of doing business (World Bank, 2017). China has been relatively strong in terms of aspirations and product innovation (i.e., the tendency of entrepreneurial firms to create new products), process innovation (i.e., the use of new technologies by start-ups) and risk capital (e.g., the availability of risk capital). In China, individuals show relatively high levels of risk acceptance and networking of entrepreneurs, while there is a general lack of opportunity perception and start-up skills due to the quality of education (Acs et al., 2017).

In contrast, Italy represents a different picture compared to China. Busenitz et al. (2000) ranked its institutional profile with a score of 3.98 out of 5. However, the Global Financial Crisis in 2007/2008 dramatically affected the Italian economy. According to the Global Entrepreneurship and Development Index 2017, Italy is positioned at the 46th rank out of 137 countries, with a score of 37.0, but it is experiencing a downward trend (Acs et al., 2017). The index score has collapsed from 57.6 in 2008 to 37.0 in 2017, dropping by 20 points in the last 10 years. This decreasing trend is supported by the World Bank indicators, where Italy is ranked 46th out of 190 countries regarding ease of doing business in Italy in 2017 (World Bank, 2017). The strongest pillar of Italy is product innovation, where it is considered to be the leader

in Europe (Acs et al., 2017). After the Global Financial Crisis, manufacturing companies conducted a quality upgrading of products (Fondazione Masi, 2013), by creating new or quality improved products. Italy is also positively assessed on risk capital (e.g. availability of risk capital both from informal investments and capital market), but negatively scored on human capital, since entrepreneurs tend to have low levels of education. They also found that the growth of companies remained slow over the years (Acs et al., 2017). After providing a general picture of the two country profiles, Table 2 describes the three institutional pillars in relation to internationalization and entrepreneurship in China and Italy.

****Table 2 about here***

As illustrated in Table 2, the two countries present different institutional contexts in relation to international business and entrepreneurship. In China, the government generally encourages entrepreneurship and explicitly supports firm internationalization (Boisot and Meyer, 2008; Child and Rodrigues, 2005), while the home environment tends to be relatively unstable and less protected for doing business (Acs et al., 2017). In addition, the social shared knowledge about doing business is limited, and entrepreneurship is often valued less than education. To sum up, in China, we find a strong regulative pillar in relation to internationalization (e.g., “Go Global Policy”), but weak cognitive and normative pillars in relation to entrepreneurship and new business establishment.

In contrast, Italian institutions provide a rather stable and predictable context for business, but often do not specifically encourage (through policies) firms’ international activities (Acs et al., 2017). Although entrepreneurship is generally admired by the population, failure and risk perceptions are negatively perceived. This aspect makes access to finance more difficult in Italy for small and young firms without a strong reputation. Compared to China, there are generally no specific funding policies for firms’ internationalization, although Italian companies could eventually look for the support of institutional organizations (e.g., Chambers of Commerce). Therefore, Italy presents a weaker regulative pillar in relation to international business and stronger cognitive and normative pillars in relation to entrepreneurship culture and new business practices. None of the two countries seem to have institutions clearly facilitating foreign market knowledge acquisition.

4.2 International opportunity discovery process of Chinese and Italian BGs

Our case findings show that Chinese and Italian BGs leveraged different knowledge types to discover international opportunities. Entrepreneurial capabilities were also influenced by the institutional contexts where they were located and embedded. Chinese BGs mainly relied on the founders’ international knowledge and networks, whereas Italian BGs exploited the founder’s technical and industry knowledge.

Chinese founders had prior experience of working and living overseas, which became an important source of foreign market knowledge and networks. For example, the founder of C1 worked and lived overseas for a long time prior to establishing the firm in China, while founders of C2 and C3 worked for foreign companies in China. Through prior work experience, founders obtained some knowledge about IB in general, and about some specific foreign markets. They also had a general aspiration about internationalization as they wanted to exploit the “Go Global” policy, but no clear ideas of where to settle international activities. C1 provides an illustrative example in point. The entrepreneur possessed marketing knowledge of the US market due to his prior 10-year experience in the USA. However, after returning to China to establish his own business, the entrepreneur had no clear idea about which products to develop and how to establish a business. By interacting with the former American partner, the founder decided to target the USA as the first international market and the decision to which products to manufacture, accordingly. This case clearly shows that the international opportunity discovered was the result of an active network in the target market, which helped developing a suitable product for that foreign market.

Embedded in a context where the regulative pillar was strong and providing strong incentives for internationalization, the Chinese founders leveraged the “Go Global Policy” to find a chance to go abroad. The founders had a general aspiration to internationalization, as they were aware of existing incentives. However, since they were in a context where cognitive and normative pillars were weaker, they generally had no clear idea of which products manufacture, nor had entrepreneurial business and start-up knowledge. To compensate for these institutional weaknesses, they leveraged their networks to understand which products to create, how to establish their business, and how to start international activities by discovering international opportunities within their networks.

BG founders in the Chinese context relied on social and business networks, which stemmed from the founders’ prior working and international experiences, in order to discover the first cross-border opportunities (see Table 3). For Chinese BGs, developing networks tended to be more akin to a strategy. As the founder of C1 said, *“Having network is in a company’s culture, knowing people is*

a kind of strategy. It will make the opportunity happen occasionally or planned". The founders of C1 and C3 contacted a former partner and an international prior client. The first opportunity for C2 was rather serendipitous: a founder's social tie, who was a decision maker in a Chinese MNE, requested to join C2 for an overseas project.

****Table 3 here about here****

When compared to Chinese BGs, Italian BGs were generally more product-oriented. Italian entrepreneurs initially focused on creating products with distinctive features. This can be interestingly explained due to the fact that Italy has a long tradition in manufacturing with a history of leading companies in the design industries around the world. In addition, as it has a long cultural orientation towards beauty and the aesthetics since the Renaissance, Italian entrepreneurship has generally a strong orientation towards the creation of products showing outstanding properties and design. The founders, then, were able to recognize the global market potential embedded in their products. Due to prior work experience, Italian BG case founders possessed a strong industry- and product-specific knowledge. They also had strong knowledge of and access to overseas distribution channels. In addition, they had a general awareness of how to establish a new business. In contrast, as they had no considerable prior international experience, they lacked access to reliable knowledge of overseas markets and had no active network(s) to facilitate internationalization. This resulted in Italian BG founders adopting a different approach to international opportunity discovery. For example, due to their prior work experience as dealers of similar products (I1, I2), and employees in the same sector (I3), Italian founders identified international trade fairs as the best option to discover international opportunities. Trade fairs were considered as optimum international marketplaces, where supply and demand meet. As one of the founders of I3 noted,

“During our previous jobs, we learned about the most important trade fair of machinery manufacturing. It is once a year, in Germany. We knew that it was very expensive for a start-up, but we also knew it was the best option to meet our potential demand. And our marketplace is the world, not the domestic market.”

Due to industry knowledge, Italian founders were able to identify the most promising international industry-specific trade fairs to promote the companies’ products and to find potential international dealers and partners. Italian founders discovered initial international opportunities by attending global trade fairs, also because they were confident of their products’ quality. From the trade shows, they developed follow-up contacts with international partners directly in overseas markets or, alternatively, invited them to their home-based factories. For example, the founders of I1 and I2 respectively reached an Australian and an Israeli distributor in their countries to sign contractual agreements. Follow-up meetings served the purposes of verifying the reputation of foreign distributors (I2), better illustrating products’ specificities and post-sales services (I2, I3) and signing final distribution agreements (I1, I2, I3).

In Italy, the regulative pillar in relation to internationalization was relatively weaker, so Italian entrepreneurs could not benefit from incentives or other institutional support. This aspect pushed them to leverage their pre-existing knowledge to identify the best options where they could maximize their efforts in looking for international clients: international trade fairs. In contrast, the Italian context presents stronger cognitive and normative pillars as entrepreneurship and start-up knowledge are diffused, so the entrepreneurs benefited from a diffused knowledge regarding how to do business and engage in entrepreneurial activities in Italy, freeing up mental and physical resources to create products with global potential and focus on internationalization.

The cross-case comparison highlighted that Chinese and Italian founders discovered international opportunities in different ways, as illustrated in Figure 1.

****Figure 1 about here****

The international opportunity discovery process was basically network-oriented for Chinese BGs, whereas it was mainly product-driven in the context of Italian BGs. In the Chinese cases, BG founders discovered opportunities by exploiting social networks gained during their prior work and international experiences. Thus, Chinese founders demonstrated strong capabilities of using networks to serve the purpose of international opportunity discovering.

In contrast, Italian BG founders focused on product development, and exploited their product- and industry-specific knowledge to develop outstanding products. Using relevant trade fairs enabled them to discover international opportunities by looking for new partners and dealers in foreign countries. Interestingly, Chinese founders already had a general aspiration towards firm internationalization prior to creating the products, also due to their knowledge of the “Go Global” policy. For example, with a long-term living and working experience overseas, the founder of C1 selected the company products by considering the global market as he knew the largest clients located in the USA and Germany. In contrast, Italian BG founders decided to internationalize only after they had created the final products and recognized the global market potential of the products later in the process.

4.3 The role of institutions in the international opportunity discovery process

4.3.1. Chinese BGs

The international opportunity discovery process was influenced by the way founders perceived the respective, different institutional contexts, leading to different approaches to reduce the associated risks. In terms of regulative institutions, Chinese entrepreneurs perceived the strong support offered by governmental policies to encourage local companies to go global. Chinese BGs highly benefited from the so-called ‘Go Global’ policy initiatives by the Chinese government. In addition, settling international activities represented an opportunity of risk diversification, as an alternative to doing business in China, which was perceived as an unstable context to settle a new business.

Second, Chinese BGs tended to heavily rely on networking in their process of discovering the initial international opportunity. This reliance on networking had different aspects. First, regarding cognitive institutions, China is characterized by a general lack of knowledge on doing business and dealing with risks and a weak information system. Influenced by *guanxi* practice, Chinese BG founders leveraged valuable network ties related to past work experience abroad to overcome legitimacy problems, exploiting and leveraging the trust and reputation with their network ties. Chinese BG founders benefited from their personal foreign market knowledge obtained during the prior international experience and leveraged the knowledge of their network ties, in order to discover international opportunities. Also, all the entrepreneurs had internationalization as a general aspiration, both influenced by the incentives and their past experiences abroad.

Trust building plays an important role in Chinese context. The trust built in social networks during prior experiences became essential to reduce the risks related to the firms' initial international entry into overseas markets, and to cope with the potential risks of early business failure. Social networks and ties were used to compensate for the lack of supportive institutions. For example, the founder of C3 noted:

“If I face the choice of two companies with same qualified, I will definitely work with the one who is my friend. It will bring advantages in the future cooperation. If some problems happen, we can negotiate and communicate easier. It is hard to do business without social networks involved, especially in the overseas markets.”

Third, in terms of normative institutions, the Chinese context generally lacks social norms that can motivate entrepreneurial activities, while traditional culture often appreciates the role of education and bureaucracy. The perception of the risk of failing an early business is an aspect widely disregarded by Chinese institutions. As Chinese society is highly network-oriented, it was relatively natural for the Chinese BG entrepreneurs to leverage their social networks both to overcome challenges and to discover international opportunities. The BG founders used social networks with the Chinese government to get the support and obtain easy access to various policy benefits. For

example, C2 benefited from a preferential policy both for the company (e.g., low rental costs, tax incentives) and the founder (e.g., residential allowance). For instance, the founder of C2 said:

“I worked in a Singaporean company in 2002, so I am familiar with this foreign market. [After I left the company], I visited Singapore with some bosses and technology experts [of Chinese large companies]. Then we became familiar with each other. When they [or one of them] had a project, they [or he] just called me to ask whether I can do it. I say ‘Fine, no problem’, ‘We can work together’. Then, we started to work together. Many projects happen like this.”

4.3.2. Italian BGs

The Italian context was strikingly different from China. In terms of regulative institutions, Italian government did not offer specific policies for young and small companies planning to internationalize. The regulative institutions do not provide a direct support for BGS. Italian BG founders were aware of the existence of some institutions organizing international missions (e.g., Italian Chamber of Commerce) and offering services abroad (e.g., Italian Embassy), but they perceived them as relatively expensive and ineffective. For example, the founder of I1 noted:

“There are no funds supporting young firm internationalization. I am aware of the services offered by embassies, but they are expensive and provide useless generic information on the foreign market. Our product requires a lot of certifications, which change depending on the national healthcare system. We had to build specific foreign market knowledge by our own.”

In addition, the relatively stable context and clear procedures in the home country facilitated the creation of the new ventures, so Italian BG entrepreneurs could focus on establishing the riskier internationalization activities from the beginning. As there was no available specific institutional support for firm’s internationalization, Italian BG founders leveraged their industry knowledge to identify global trade fairs and discover international opportunities.

In terms of cognitive institutions, seeing its long tradition of entrepreneurship, there is a general knowledge on how to establish and manage new businesses in Italy. Italian BG founders created ventures in a relatively short time and without encountering many bureaucratic complications, even though it is an expensive process. In a context where manufacturing companies tend to pursue qualitative upgrading, the Italian BG founders (I1, I2, I3) leveraged their product- and industry-

specific knowledge to create products with distinctive features, embedding a global potential. Due to past industry experiences, the Italian founders chose to participate in trade fairs as a means to discover international opportunities and gain a foothold in foreign markets through international partners and clients.

With regard to normative institutions, in a society that encourages innovation, value creation, and entrepreneurship, but strongly criticizes failure, Italian BG entrepreneurs tended to first focus on the creation of new and innovative products and then decided to test the interest of clients in international contexts for their products. This reflects a strategy to minimize costs while maximizing the exposure of products to potential foreign partners and clients. Since accessing capital from banks is generally difficult for Italian SMEs and start-ups, Italian BG founders invested their own personal savings, in order to start the firms' international activities. This aspect contributes to explaining why they used their industry knowledge to identify a few selected international trade fairs, with the intention of optimizing the chances to discover international opportunities.

5. DISCUSSION AND CONCLUSIONS

This study contributes to enhancing the emerging research stream on the importance of the initial international opportunity discovery process to kickstart BGs into internationalization, providing empirical evidence about the factors impacting on this process, and emphasizing the critical influence of institutions. In China, BG founders appreciated the existence of policies supporting firm internationalization and leveraged their social networks to access policy supporting internationalization. In the international opportunity discovery process, Chinese BG founders leveraged their foreign market knowledge and social networks, related to their past international experiences abroad, to overcome institutional weaknesses related to the cognitive and normative dimensions. Compared to China, Italian founders could not benefit from specific support for firm internationalization, due to a weak regulative dimension in Italy. However, in a context where product innovation is favored (Acs et al., 2017; Fondazione Masi, 2013), a product-oriented logic

characterized the international opportunity discovery process of Italian BGs. In a context where the regulative dimension related to internationalization is weaker, and the cognitive and normative dimensions related to entrepreneurship are stronger, Italian BG founders leveraged their strong technical and industry knowledge to create products with global market potential and their product-specific capabilities to identify international trade fairs to discover international opportunities. Findings from this research support extant studies (Evers and Knight, 2008; Ryan et al., 2019) concurring that trade fairs were used as ‘nodes’ to maximize the chances of international opportunity discovery while minimizing the risks and investments of international business.

This study responds to recent calls for research, providing prominence to the importance of context in IB studies (Paul et al., 2017; Reuber, Knight, Liesch and Zhou, 2017) and in IE research (e.g., Krammer et al., 2018; Zahra and Wright, 2011). Our study contributes to the IE literature theory by explaining how the home institutional context influences the international opportunity discovery process of BGs. Moreover, we contribute to the IE theory by showing *why* companies located in different countries adopt different approaches to discover international opportunities. Our findings offers new insights into the debate on the importance of international opportunity discovery in the IE literature, by highlighting how the home institutional context can influence BGs’ international opportunity discovery, by leveraging different knowledge types derived from their backgrounds, different capabilities and developing different approaches (e.g., Peng et al., 2008).

Responding to calls for comparative research (e.g., Jones et al., 2011), this analysis of the international opportunity discovery process of BGs was contextualized in two different home-country institutions: China, an emerging economy, and Italy, a developed country. Our study indicated that the international opportunity discovery process of BGs is better understood when analyzed in relation to the specific home-country institutional context, as regulative, cognitive, and normative institutions tend to strongly influence this process.

Another contribution of the study relates to the development of updated and comprehensive institutional profiles of China and Italy. This approach serves the purpose of encouraging comparative

research on the influence of the institutional context on firms' initial internationalization (e.g., Busenitz et al., 2000; Fan and Phan, 2007; Jones et al., 2011). The incorporation of different home countries represents an appropriate framework to evaluate the impact of institutions on the international opportunity discovery process of BGs.

In addition, this study contributes to enriching the relatively scarce research regarding the institutional perspective, which represents a commonly used framework in the emerging market literature, but which is generally less applied in developed economies. The cross-case analysis indicated that being embedded in different home-country institutions contributes to explaining why BGs discover international opportunities in different ways, and, more interestingly, how both weak and strong institutions influence the process of international opportunity discovery somehow. The founders leveraged different types of knowledge and capabilities to identify international opportunities in response to the characteristics of home-country institutions. Influenced by home-country institutions, Chinese BGs mainly relied on the founders' international knowledge and networking capabilities, while benefiting from a strong regulative pillar in relation to internationalization incentives. However, in a context where cognitive and normative pillars in relation to entrepreneurship are weaker, they leveraged their networks to identify which product to create and export, such as to overcome the challenges related to understanding how to create a new business in China. In summary, Chinese BGs' generally transformed their general inspiration of internationalization to successful internationalization through their networking with different stakeholders in the home and host country. In contrast, Italian BGs tended to exploit industry-specific knowledge and product-specific capabilities to develop international opportunities, without relying on regulative support to internationalization, but benefiting from strong cognitive and normative pillars, which put them at their ease in starting an entrepreneurial activity in Italy. The fact that Chinese BGs discovered international opportunities mainly through social networking seems to be an intriguing result, considering that some research in the past have found that networks were not positively associated with superior international performance of Chinese SMEs (Ciravegna et al.,

2014). In the case of Italy, a strong product-orientation often characterized the international opportunity discovery process. The product and industry-specific knowledge represented the basis to discover international opportunities, laying the foundations to successful early internationalization (Romanello and Chiarvesio, 2017).

6. LIMITATIONS AND FUTURE RESEARCH

This study bridges two phenomena of interests for policy makers, BGs (Eurofound, 2012; Mandl and Patrini, 2018), and the institutional context, by providing empirical evidence in terms of the influence of home-country institutions and the international opportunity discovery process of BGs. BGs represent a particular condition, where the start-up stage co-exists with an aggressive expansion in the global marketplace.

This study highlights the challenges related to both conditions, and how home-country institutions can contribute to offer a stable context where to start international business activities. Policy makers can draw from these findings to better plan future policies in consideration of existing institutions and entrepreneurs' perceptions. For instance, the results highlighted the positive impacts of the 'Go Global' policy available in China, which stimulated the need of firm internationalization among Chinese BG founders. In contrast, the absence of favorable policies for firm's internationalization in Italy forced the founders to concentrate on the discovery of international opportunities through strategic events and trade shows. From a practitioner's perspective, the analysis of Italian and Chinese institutional profiles in relation to international opportunity discovery highlights the challenges and best practices, which can be encountered and used in these two countries.

The results of this study reflect the exploratory nature of the paper. The relatively small number of cases included in this study represents a limitation of the study. However, it should be noted that the key purpose of this research is the exploration of relationships related to specific phenomena, rather than generalizability, as the goal of this study was primarily theory-building

(Eisenhardt, 1989). This study considered the overall influence of institutions as a context. Future research could use quantitative methodologies to test the relationships emerged from this study and examine alternative roles of institutions in the process of BGs' internationalization. For example, future research could investigate the moderating and/or mediating role of institutions in the international opportunity discovery process, both in the case of BGs and SMEs. In addition, future research would likely benefit from studies testing these relationships in broader and bigger samples, in different institutional contexts, and considering different types of ventures and industries (e.g., service).

Following recent research on the antecedents of maturing BGs, future studies could benefit from analyzing potential relationships between international opportunity discovery and other determinants (e.g., Khan and Lew, 2018; Ciravegna, Kuivalainen, Kundu, and Lopez, 2018; Hagen and Zucchella, 2014.) For example, future research could focus on variables such as entrepreneurial orientation (EO) and learning orientation (LO), which serve as mediators in the international opportunity discovery process of BGs (Gerschewski, Lew, Khan, and Park, 2018; Hagen, Zucchella, Degiovanni, and Cerchiello, 2012).

References

- Acs ZJ., Szerb L, Lloyd A 2017. The global entrepreneurship and development index. In *Global Entrepreneurship and Development Index 2017*: 29-53. Springer, Cham.
- Aidis R 2005. Institutional barriers to small-and medium-sized enterprise operations in transition countries. *Small Business Economics* 25(4): 305-317.
- Aidis R, Estrin S, Mickiewicz T 2008. Institutions and entrepreneurship development in Russia: A comparative perspective. *Journal of Business Venturing* 23(6): 656-672.
- Almodóvar P, Rugman AM 2015. Testing the revisited Uppsala model: does insidership improve international performance? *International Marketing Review* 32(6): 686-712.
- Alvarez SA, Barney JB 2008. Opportunities, organizations, and entrepreneurship. *Strategic Entrepreneurship Journal*, 2(4): 265-267.
- Andersson S, Evers N, Griot C 2013, Local and international networks in small firm internationalization: cases from the Rhone-Alpes medical technology regional cluster. *Entrepreneurship and Regional Development*, Vol. 25 No. 9-10: 867-888.
- Andersson S, Evers N, Gliga G 2018. Entrepreneurial marketing and born global internationalization in China. *Qualitative Market Research: An International Journal* 21(2): 202-231.
- Ardichvili A, Cardozo R, Ray S 2003. A theory of entrepreneurial identification and development. *Journal of Business Venturing*, 18 (1): 105-123.
- Arthurs JD, Busenitz LW 2006. Dynamic capabilities and venture performance: The effects of venture capitalists. *Journal of Business Venturing* 21(2): 195-215.
- Aspelund A, Madsen TK, Moen Ø 2007. A review of the foundation, international marketing strategies, and performance of international new ventures. *European Journal of Marketing* 41(11/12): 1423-1448.
- Autio E, Sapienza HJ, Almeida JG 2000. Effects of age at entry, knowledge intensity, and imitability on international growth. *Academy of Management Journal* 43(5): 909-924.
- Blomstermo A, Eriksson K, Lindstrand A, Sharma DD 2004, The perceived usefulness of network experiential knowledge in the internationalizing firm. *Journal of International Management* 10(3): 355-373.
- Blomstermo A, Eriksson K, Sharma DD 2004. Domestic activity and knowledge development in the internationalization process of firms. *Journal of International Entrepreneurship* 2(3): 239-258.
- Boisot M, Meyer MW 2008. Which way through the open door? Reflections on the internationalization of Chinese firms. *Management and Organization Review* 4(3): 349-365.
- Busenitz LW, Gomez C, Spencer JW 2000. Country institutional profiles: unlocking entrepreneurial phenomena. *Academy of Management Journal* 43(5): 994-1003.
- Busenitz LW, Lau CM 1996. A cross-cultural cognitive model of new venture creation. *Entrepreneurship: Theory and Practice* 20(4): 25-40.
- Cavusgil ST, Knight G 2015. The born global firm: An entrepreneurial and capabilities perspective on early and rapid internationalization. *Journal of International Business Studies* 46(1): 3-16.
- Chandra Y 2017. A time-based process model of international entrepreneurial opportunity evaluation. *Journal of International Business Studies* 48(4): 423-451.
- Chandra Y, Styles C, Wilkinson IF 2009. The recognition of first time international entrepreneurial opportunities. Evidence from firms in knowledge-based industries. *International Marketing Review*, 26(1), 30-61.
- Chandra Y, Styles C, Wilkinson IF 2012. An opportunity-based view of rapid internationalization. *Journal of International Marketing*, 20(1): 74-102.
- Chetty S, Karami M, Martin OM 2018. Opportunity discovery and creation as a duality: Evidence from small firms' foreign market entries. *Journal of International Marketing*, 26(3): 70-93.
- Child J, Rodrigues, SB 2005. The internationalization of Chinese firms: A case for theoretical extension. *Management and Organization Review* 1(3): 381-410.
- Ciravegna L, Lopez L, Kundu SK 2014. Country of origin and network effects on internationalization: A comparative study of SMEs from an emerging and developed economy. *Journal of Business Research* 67(5): 916-923.
- Ciravegna L, Kuivalainen O, Kundu SK, Lopez L 2018. The antecedents of early internationalization: A configurational perspective. *International Business Review* 27(6): 1200-1212.
- Coviello N 2015. Re-thinking research on born globals. *Journal of International Business Studies* 46(1): 17-26.

- Di Gregorio D, Musteen M, Thomas DE 2008. International new ventures: The cross-border nexus of individuals and opportunities. *Journal of World Business* 43(2): 186-196.
- Eisenhardt KM 1989. Building theories from case study research. *Academy of Management Review* 14(4): 532-550.
- Eren-Erdogmus I, Cobanoglu E, Yalcin M, Ghauri PN 2010. Internationalization of emerging market firms: The case of Turkish retailers. *International Marketing Review* 27(3): 316-337.
- Eurofound 2012. Born global: The potential of job creation in new international businesses, Publications Office of the European Union, Luxembourg.
- Fan T, & Phan P 2007. International new ventures: revisiting the influences behind the 'born-global' firm. *Journal of International Business Studies* 38(7): 1113-1131.
- Ferrante F, Supino, S 2014. Le misure di sostegno alla nuova imprenditorialità. Le buone pratiche su scala europea, con particolare riferimento all'educazione imprenditoriale. https://mpra.ub.uni-muenchen.de/68930/1/MPRA_paper_68930.pdf
- Fondazione Masi 2013. Il Made in Italy in tempo di crisi: consensus su prospettive, opportunità e criticità delle esportazioni italiane. Osservatorio nazionale per l'internazionalizzazione e gli scambi. Fondazione Manlio Masi.
- Freeman S, Hutchings K, Lazaris M, Zyngier S 2010. A model of rapid knowledge development: The smaller born-global firm. *International Business Review* 19(1): 70-84.
- Gabrielsson M, Gabrielsson P 2011. Internet-based sales channel strategies of born global firms. *International Business Review*, 20(1): 88-99.
- García-Cabrera AM, García-Soto MG, Durán-Herrera JJ 2016. Opportunity motivation and SME internationalization in emerging countries: Evidence from entrepreneurs' perception of institutions. *International Entrepreneurship and Management Journal* 12(3): 1-32.
- Gerschewski S, Rose EL, Lindsay VJ 2015. Understanding the drivers of international performance of born global firms: an integrated perspective, *Journal of World Business*, 50(3): 555-572.
- Gerschewski S, Xiao SS 2015. Beyond financial indicators: An assessment of the measurement of performance for international new ventures. *International Business Review*, 24(4): 615-629.
- Gerschewski S, Lew YK, Khan Z, Park BI 2018. Post-entry performance of international new ventures: The mediating role of learning orientation. *International Small Business Journal*, 36(7): 807-828.
- Hagen B, Zucchella A, Degiovanni N, Cerchiello P 2012. International strategy and performance: Clustering strategic types of SMEs. *International Business Review*, 21(3): 369-382.
- Hagen B, Zucchella A 2014. Born global or born to run? The long-term growth of born global firms. *Management International Review*, 54(4): 497-525.
- Hannibal M, Evers N, Servais P 2016. Opportunity recognition and international new venture creation in university spin-offs—Cases from Denmark and Ireland. *Journal of International Entrepreneurship* 14(3): 345-372.
- Henisz W, Swaminathan A 2008. Institutions and international business. *Journal of International Business Studies* 39(4): 537-539.
- Hoskisson RE, Eden L, Lau CM, Wright M 2000. Strategy in emerging economies. *Academy of Management Journal* 43(3): 249-267.
- International Monetary Fund 2008. World Economic Outlook – Database - WEO Groups and Aggregates Information. Accessed on 4 July 2018 from <https://www.imf.org/external/pubs/ft/weo/2008/01/weodata/groups.htm#mae>
- Johanson J, Vahlne JE 2009. The Uppsala internationalization process model revisited: From liability of foreignness to liability of outsidership. *Journal of International Business Studies* 40(9): 1411-1431.
- Jones MV, Coviello NE 2005. Internationalisation: conceptualising an entrepreneurial process of behavior in time. *Journal of International Business Studies* 36(3): 284-303.
- Jones MV, Coviello N, Tang YK 2011. International entrepreneurship research (1989-2009): A domain ontology and thematic analysis. *Journal of Business Venturing* 26(6): 632-659.
- Karra N, Phillips N, Tracey P 2008. Building the born global firm: developing entrepreneurial capabilities for international new venture success. *Long Range Planning* 41(4): 440-458.
- Khan Z, Lew YK 2018. Post-entry survival of developing economy international new ventures: A dynamic capability perspective. *International Business Review*, 27(1): 149-160.
- Kiss AN, Danis WM 2008. Country institutional context, social networks, and new venture internationalization speed. *European Management Journal* 26(6): 388-399.

- Kiss AN, Danis WM, Cavusgil ST 2012. International entrepreneurship research in emerging economies: A critical review and research agenda. *Journal of Business Venturing* 27(2): 266-290.
- Kshetri N 2007. Institutional changes affecting entrepreneurship in China. *Journal of Developmental Entrepreneurship* 12(4): 415-432.
- Knight GA, Cavusgil ST 1996. The born global firm: A challenge to traditional internationalization theory. In S. T. Cavusgil and T. Madsen (eds.) *Advances in International Marketing*, Vol. 8, JAI Press: Greenwich, CT: 11-26.
- Knight GA, Cavusgil ST 2004. Innovation, organizational capabilities, and the born-global firm. *Journal of International Business Studies* 35(2): 124-141.
- Knight GA, Liesch PW 2016. Internationalization: From incremental to born global, *Journal of World Business* 51(1): 93-102.
- Kostova T 1997. Country institutional profiles: concept and measurement. *Academy of Management Proceedings*, 1: 180-184.
- Kotabe M, Mudambi R 2003. Institutions and international business. *Journal of International Management* 9(3): 215-217.
- Krammer SMS, Strange R, Lashitew A 2018. The export performance of emerging economy firms: The influence of firm capabilities and institutional environments. *International Business Review*, 27(1): 218-230.
- Li J 2013. The internationalization of entrepreneurial firms from emerging economies: The roles of institutional transitions and market opportunities. *Journal of International Entrepreneurship*, 11(2): 158-171.
- Luo Y, Tung RL 2007. International expansion of emerging market enterprises: A springboard perspective. *Journal of International Business Studies*, 38(4): 481-498.
- Mainela T, Puhakka V, Sipola S 2018. International entrepreneurship beyond individuals and firms: On the systemic nature of international opportunities. *Journal of Business Venturing*, 33(4): 534-550.
- Mandl I, Patrini V (Eds.) 2018. *European Born Globals: Job creation in young international businesses*. Routledge: New York.
- Manolova TS, Eunn RV, Gyoshev BS 2008. Institutional environments for entrepreneurship: Evidence from emerging economies in Eastern Europe. *Entrepreneurship Theory and Practice*, 32(1): 203-218.
- Mathews JA, Zander I 2007. The international entrepreneurial dynamics of accelerated internationalization. *Journal of International Business Studies*, 38(3): 387-403.
- McDougall PP, Oviatt BM 2000. International entrepreneurship: the intersection of two research paths. *Academy of Management Journal*, 43(5): 902-906.
- Meyer KE, Estrin S, Bhaumik SK, Peng MW 2009. Institutions, resources, and entry strategies in emerging economies. *Strategic Management Journal*, 30(1): 61-80.
- Meyer KE, Peng MW 2016. Theoretical foundations: of emerging economy business research. *Journal of International Business Studies*, 47(1): 3-22.
- Muralidharan E, Pathak S 2017. Informal institutions and international entrepreneurship. *International Business Review*, 26(2): 288-302.
- Nasra R, Dacin MT 2010. Institutional arrangements and international entrepreneurship: The state as an institutional entrepreneur. *Entrepreneurship Theory and Practice*, 34(3): 583-609.
- Nguyen TV, Bryant SE, Rose J, Tseng CH, Kapasuwan S 2009. Cultural values, market institutions, and entrepreneurship potential: A comparative study of the United States, Taiwan, and Vietnam. *Journal of Developmental Entrepreneurship*, 14(01): 21-37.
- North DC 1990. *Institutions, institutional change and economic performance*: Cambridge, MA: Harvard University Press.
- Oviatt BM, McDougall PP 2005. Defining international entrepreneurship and modeling the speed of internationalization. *Entrepreneurship Theory and Practice*, 29 (5): 537-553.
- Paul J, Parthasarathy S, Gupta P 2017. Exporting challenges of SMEs: A review and future research agenda. *Journal of World Business*, 52(3): 327-342.
- Peng MW 2000. *Business strategies in transition economies*. Thousand Oaks, CA: Sage.
- Peng MW 2003. Institutional transitions and strategic choices. *Academy of Management Review*, 28(2), 275-296.
- Peng MW, Heath PS 1996. The growth of the firm in planned economies in transition: Institutions, organizations, and strategic choice. *Academy of Management Review*, 21(2), 492-528.

- Peng MW, Wang DYL, Jiang Y 2008. An institution-based view of international business strategy: A focus on emerging economies. *Journal of International Business Studies*, 39(5), 920-936.
- Phillips N, Tracey P 2007. Opportunity recognition, entrepreneurial capabilities and bricolage: connecting institutional theory and entrepreneurship in strategic organization. *Strategic Organization*, 5(3), 313-320.
- Reuber AR, Knight GA, Liesch PW, Zhou L 2018. International entrepreneurship: The pursuit of entrepreneurial opportunities across national borders. *Journal of International Business Studies*, 49(4): 395-406.
- Reynolds PD, Hay M, Camp SM 1999. *Global Entrepreneurship Monitor: 1999 Executive Report*. Kauffman Center, Kansas City, MO.
- Sambharya R, Musteen M 2014. Institutional environment and entrepreneurship: An empirical study across countries. *Journal of International Entrepreneurship*, 12(4): 314-330.
- Sarasvathy S, Kumar K, York JG, Bhagavatula S 2014. An effectual approach to international entrepreneurship: Overlaps, challenges, and provocative possibilities, *Entrepreneurship Theory and Practice*, 38(1), 71-93.
- Schwens C, Eiche J, Kabst R 2011. The moderating impact of informal institutional distance and formal institutional risk on SME entry mode choice. *Journal of Management Studies*, 48(2), 330-351.
- Scott WR 2014. *Institutions and organizations: Ideas, interests, and identities*: Sage Publications. Thousand Oaks.
- Shane S, Venkataraman S 2000. The promise of entrepreneurship as a field of research. *Academy of Management Review*, 25(1): 217-226.
- Shane S 2012. Reflections on the 2010 AMR decade award: Delivering on the promise of entrepreneurship as a field of research. *Academy of Management Review*, 37(1): 10-20.
- Stenholm P, Acs ZJ, Wuebker R 2013. Exploring country-level institutional arrangements on the rate and type of entrepreneurial activity. *Journal of Business Venturing*, 28(1), 176-193.
- Styles C, Seymour RG 2006. Opportunities for marketing researchers in international entrepreneurship. *International Marketing Review*, 23(2), 126-145.
- Sundqvist S, Kyläheiko K, Kuivalainen O, Cadogan JW 2012. Kirznerian and Schumpeterian entrepreneurial-oriented behavior in turbulent export markets. *International Marketing Review*, 29(2): 203-219.
- Sutton RI, Callahan AL 1987. The stigma of bankruptcy: Spoiled organizational image and its management. *Academy of Management Journal*, 30(3): 405-436.
- Tsang EW 1998. Can guanxi be a source of sustained competitive advantage for doing business in China? *Academy of Management Perspectives*, 12(2), 64-73.
- Vahlne JE, Johanson J 2013. The Uppsala model on evolution of the multinational business enterprise-from internalization to coordination of networks. *International Marketing Review*, 30(3), 189-210.
- Vahlne JE, Johanson J 2017. From internationalization to evolution: The Uppsala model at 40 years. *Journal of International Business Studies*, 48(9): 1087-1102.
- Vesentini I 2018. Italia quart'ultima al mondo per tasso di imprenditorialità. Il sole 24 ore. 08 Febbraio 2018.
- Voss H, Buckley PJ, Cross AR 2010. The impact of home country institutional effects on the internationalization strategy of Chinese firms. *Multinational Business Review*, 18(3), 25-48.
- Whetten DA 1989. What constitutes a theoretical contribution? *Academy of Management Review*, 14(4), 490-495.
- World Bank 2017. *Doing Business 2018: Reforming to create jobs*. The World Bank Group, Washington, D.C.
- Yiu DW, Lau C, Bruton GD 2007. International venturing by emerging economy firms: The effects of firm capabilities, home country networks, and corporate entrepreneurship. *Journal of International Business Studies*, 38(4), 519-540.
- Young M, Peng M, Ahlstrom D, Bruton GD 2002. Governing the corporation in emerging economies: A principal perspective. *Academy of Management Proceedings*, E1-608.
- Zahra SA, Wright M 2011. Entrepreneurship's next act. *Academy of Management Perspectives*, 25(4), 67-83.
- Zander I, McDougall-Covin P, Rose EL 2015. Born globals and international business: Evolution of a field of research. *Journal of International Business Studies*, 46(1), 27-35.
- Zucker L, 1991. Markets for bureaucratic authority and control: Information quality in professions and services. *Research in the Sociology of Organizations*, 8, 157-190.

FIGURES AND TABLES

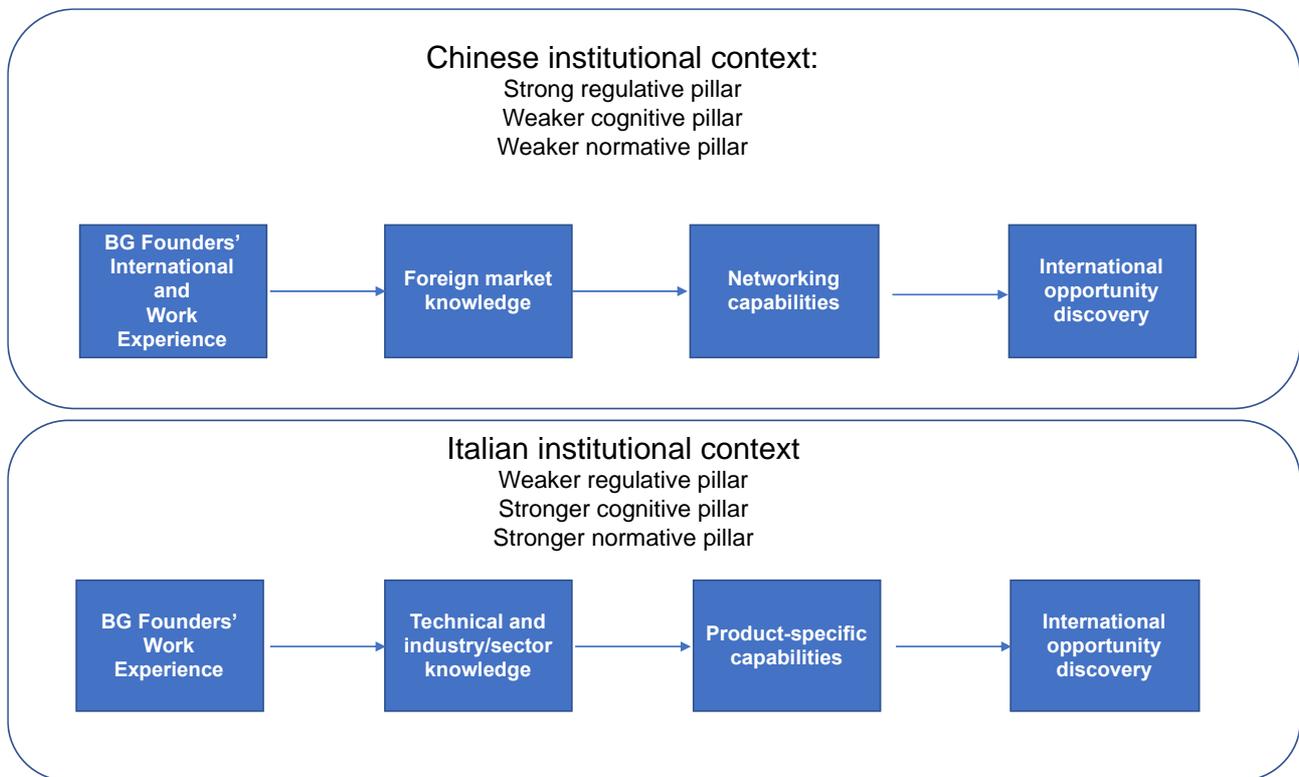


Figure 1. International opportunity discovery process of Chinese and Italian BGs.

Table 1. Basic information about the Chinese (C1, C2, C3) and Italian (I1, I2, I3) BGs.

Case	C1	C2	C3	I1	I2	I3
Industry	Medical	Environment protection	Electro-mechanical manufacturing	Medical	Electronic manufacturing	Machinery manufacturing
Products	Medical devices	Water pollution systems	Engineering components	Backrests	TV	Machinery
Sector	Medium tech sector	Medium tech sector	Medium tech sector	Low tech sector	High tech sector	Medium tech sector
Year of establishment	2007	2003	1997	2010	2009	2003
Employees	4	20	3	3	7	2
Year/Country of first IO	2009 U.S.	2006 Saudi Arabia	1997 Italy	2011 Australia	2009 Israel	2003 Greece
Foreign Sales on Total Sales one year after the first IO	90 %	56%	100%	90%	70%	70%
*IO = international opportunity						

Table 2. Institutional context: comparison of institutions according to the three institutional pillars in relation to entrepreneurship, doing business and internationalization.

Institutions	China	Italy
Regulative	<p>China offers support for entrepreneurs to leverage resources for internationalization (Go Global policy), but often offers no protection to start new and small business (e.g., lack of law protection). The government implemented a positive policy which encourages establishing high-knowledge and technology companies that can compete on global market. These policies include a preferential policy for the company (e.g. low cost of rent, tax preference, etc.) and for the founder (e.g. residential allowance) – e.g. set a development zone to support the development by reduction of the administration costs. According to the World Bank Annual Ranking, the ease of starting a business is ranked 85.47 out of 100. At the same time, there is a low level of protection of new business, which are embedded in a complex bureaucracy.</p> <p>The legal and judicial systems are still developing, characterised by relatively poor enforcement of commercial laws, non-transparent judicial systems, unpredictable regulatory changes and extremely discretionary explanation or enforcement of ambiguous laws and rules.</p>	<p>Italy presents a relatively clear and stable context where to create new business (rank 3.53). Government organizations provide information, assistance, and regulated contracts. Laws and bureaucratic guidelines are well known inside the country, even if starting a new business tends to be expensive. Starting a business is ranked 89.42 out of 100, entailing costs for 13.7% of per capita income. Italian companies tend to remain small over the long run for several reasons. For instance, bureaucracy, high administrative expenses, a complex regulative system and time-consuming rate of delivering justice represent barriers to entrepreneurial activities. Access to finance represents a serious issue for entrepreneurs, pushing them to personally guarantee. This indicates that both the risks of creating a new business and internationalization may fall back onto the individuals and their families.</p> <p>There are some institutions providing support for internationalization missions (e.g. Chambers of Commerce, Italian Trade Agency), but no explicit IB policies.</p>
Cognitive	<p>Knowledge of how to establish and operating new businesses is not widespread in China. Due to the institutional transition from planned economy to a more market-oriented system in China, individuals often do not have a clear idea on how to do business and may lack knowledge on how to deal with risks. The relatively weak information system in China often blocks the individuals to formally obtain market information and access foreign market knowledge. Moreover, the Chinese population tends to show a high propensity to start new businesses when they migrate to new countries.</p>	<p>Busenitz et al. (2000) rank Italy with a score of 3.76 on the cognitive dimensions. Individuals generally know how to protect their businesses, whereas managing and dealing with risks is generally less known, especially in relation to firm internationalization. In this sense, it is not easy to obtain specific information about international markets, customers and potential partners abroad. Governmental institutions overseas (e.g. embassies, chambers of commerce...) can help in the process, but it is a paid service.</p> <p>The 92.5% of industrial companies have less than 20 employees. The majority of firms in Italy are SMEs and family-owned businesses. However, Italy is considered less individualistic as society and has a tradition of clusters and districts, which still exist.</p>

Normative	<p>The undeveloped market-based economy and weak institutions generally limit individuals in creating new ideas, and innovative and creative thinking. A similar effect is due to the weak information system.</p> <p>The market system, such as the credibility of the financial system, does not support entrepreneurs well in China. In addition, Chinese people generally admire a high level of education more than entrepreneurship. Society is generally highly network-oriented. The common practice of <i>guanxi</i> is widespread across the country, and favors the relationship building and the networking activity.</p>	<p>Normative dimension is ranked 4.74 out of 5, as Italian people traditionally highly admire entrepreneurship. The country has a relatively long tradition of entrepreneurship, trade and finance, which has generally brought positive perceptions of productivity and industrialization.</p> <p>In addition, Italy shows a relatively low score in terms of human capital, which means that the quality of entrepreneurs in terms of level of education is not very high. According to the Global Entrepreneurship Monitor 2018, potential entrepreneurs have low levels of self-assessments and high fears of failure. The entrepreneur status is perceived negatively by people, where failure is proposed as a blot, not as a possible step in a high-risk process.</p>
References	<p>Boisot and Meyer (2008); Busenitz and Lau (1996); Child and Rodrigues (2005); Doing Business (2018); Li (2013); Luo and Tung (2007); Tsang (1998); Voss, Buckley and Cross (2010); Yiu, Lau and Bruton (2007).</p>	<p>Acs et al. (2017); Busenitz et al. (2000); Doing Business (2018); Ferrante and Supino (2014); Fondazione Masi (2013); Vesentini (2018)</p>

Table 3. Cross-case analysis

<i>Case</i>	<i>Background of founders</i>	<i>Initial international opportunity discovery</i>	<i>Home country institutions</i>
<i>C1</i>	The Chinese founder was a returnee from the US who had more than 10 years of experience of working and living in the US in the medical industry. The entrepreneur returned to China with the general idea that the Chinese government encouraged individuals to develop new businesses.	Conscious of this opportunity, the founder contacted a former partner in the U.S. and discussed how to enter the U.S. as the first foreign market. As a result, the entrepreneur manufactured the products specifically adapted to the requests of the American partner to target the US market.	Chinese founders benefited from the strong regulative pillar, since they were able to exploit the ‘Go Global’ policy incentives to internationalize. In a context where entrepreneurship culture is less diffused (weak cognitive and normative pillars), networking was used to overcome these institutional barriers.
<i>C2</i>	The founder used to work in US and Singaporean companies before the BG creation. Through this prior experience, he obtained a ‘global mindset’. When the company was established, the founder had a general idea that the international business would be a key component of the firm’s expansion strategy.	Through his social network, the founder found opportunities to co-operate with a Chinese MNEs to negotiate a project in Saudi Arabia. The company initially worked as a sub-contractor but participated in contract negotiations. After concluding this agreement, the company started working with the main contractor from Saudi Arabia in this project.	
<i>C3</i>	The founder worked as a translator in a state-owned Chinese trading company for several years. During this period, the founder supported a Chinese company to import the equipment from an Italian company. In this process, he also participated as a translator and built a close working relationship with the Italian client. When starting the business, the founder helped two companies to build the co-operative company.	Following this, the entrepreneur exploited this relationship to start exporting the products of the Italian-Chinese company to various overseas markets.	
<i>I1</i>	The founder had a 20-year working experience in the orthopedic industry. Thanks to this experience, he was able to identify the key international trade fair where to first promote and market his products. He had no prior relevant international experiences.	The Founder identified and attended the most important trade fair of the orthopedic industry. There, he obtained valuable feedback from the market and met a potential distributor from Australia. Then, he invited and hosted the distributor in Italy, where he offered training courses about product features. Then, he exploited the dealer’s foreign market knowledge (e.g., certifications...) to start selling in Australia. This way he compensated for his lack of international knowledge.	In a context where internationalization incentives are lacking and other services provided by institutions were considered expensive and useless (weak regulative pillar), the founders leveraged their prior sector knowledge to identify the best opportunities to promote products abroad and find potential international clients. However, as they were immersed in a context where entrepreneurship is part of national culture and traditions (strong cognitive pillar), they benefited from a diffused and shared knowledge of how to do business and entrepreneurial activities in Italy.
<i>I2</i>	The founder had a 20-year experience as a dealer of a well-known German company in the same sector, but with a different price positioning. The	Thanks to his sector knowledge, the founder recognized the global potential of its innovative product and decided to participate in several trade	

	founder lived in Germany for some time when he was young but had no other international experiences.	fairs in the Netherlands, Israel, France, and Germany. He particularly selected a luxury trade fair, where he met a potential distributor for the Israeli market. After that, follow-up meetings were conducted in the United Arab Emirates (UAE) and Israel to sign agreements for an exclusive distribution strategy in Israel.	
I3	The two founders had strong technical knowledge obtained through previous jobs respectively as technician and software mechanic. They had no international experiences, nor foreign languages knowledge.	Thanks to their strong technical knowledge, the founders decided to attend and identified an important international trade fair in Germany for producers and buyers of food machinery and promote their plants. They promoted their plants there and were able to convince a potential client to buy the first plant from them, leveraging their wide technical experience gained through 20 years of technical jobs.	