

Using Domain Redefinition to explain Born Global Firms' Behaviour

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Abstract: Many academics cite research gaps in the literature concerning the strategies used by Born Global (BG) organisations to enable competitive advantage and business continuance. (Andersson et al 2020; Eggers et al, 2020; Ibeh et al, 2019; Oyna and Alon, 2018). For the purposes of this paper, the definition of the Born Global is taken from Gabriellsson et al, (2008): "the organisation should be an independent small or medium sized business, have a global vision from inception and demonstrate internationalisation with precocity and speed". Purpose: This paper investigates Domain Redefinition (DR) a component of Corporate Entrepreneurship (CE), as a viable construct to explain competitive advantage and business sustainment in Born Global Firms (BG). Design Approach: This paper will take the form of a short literature review, charting the journey through the literature which led to the discovery of the link between Domain Redefinition and Born Global firms. Findings: The shadow of Schumpeter is imprinted within DR, it is the one form of CE whose behaviour prerequisite is the constant drive to create new markets offering unique products and services (Kuratko and Andretsch, 2009).

Keywords: Born Globals, Schumpeter, Evolutionary Economics, Corporate Entrepreneurship, Domain Redefinition, Competitive Advantage,

1. Introduction

This research presents a short but pertinent literature review concerning the strategy blueprint BG firms' employ for sustainment and competitive advantage. Insight gleaned from examining Evolutionary Economic theory and in particular Schumpeter's contribution, elucidated patterns of behaviour, characteristic to the BG firm. The paper begins by documenting the connection between Schumpeter, Corporate Entrepreneurship and Domain Redefinition. The review then moves to examine the similarities between DR and BG firms' strategy.

2. Corporate Entrepreneurship and Schumpeter

There is broad academic consensus that Schumpeter's work contributed to CE theory (Moss, 2007; Barringer and Bluedorn, 1999). Barringer and Bluedorn (1999, p. 422) advise that "*contemporary entrepreneurship research originated in the work of the economist Schumpeter*". Furthermore, Moss, (2007), advises that the concept of CE, is consistent with both the early and later writings of Schumpeter. Schumpeter (1934;1942), purported the "creative destruction" of existing markets namely, actioning the reorganisation of industries and replacing them with new markets offering innovative products, not previously offered by any other firm (Moss, 2007; Parbotee, 2000; Schumpeter, 1934;1942). Schumpeterian entrepreneurship is distinguishable from other entrepreneurial efforts as it changes and redefines the industry the firm operates in. This produces a fundamental shift from the current, established rules of the competition (Moss, 2007; Parbotee, 2000; Stopford and Baden-Fuller, 1994). Madsen and Servais (1997), suggested that BG firms could grow in a way that correlates with Evolutionary Economic theory and proffered that the theoretical conceptualisations could be constructed from an evolutionary approach.

3. Corporate Entrepreneurship

The strategy literature identifies 3 main types of CE (Parbotee, 2000; Stopford and Baden-Fuller,1994): Corporate Venturing (creation of a new business within an existing organisation (Block and Macmillan, 1993; Hornsby et al, 1993; Burgelman, 1983), Corporate Renewal (renewal of an organisation (Zahra, 1996; Beer, Eisentat, Spector, 1990) and a "Schumpeterian like", major change to an industry (Moss, 2007; Parbotee, 2000; Stopford and Baden-Fuller, 1994; Schumpeter, 1934). These 3 categories were further developed by theorists and are now defined as: Sustained Regeneration, Organisation Rejuvenation, Strategic Renewal, Domain Redefinition and External Entrepreneurship (Catriotti, 2021), Covin and Miles, 1999). Organisational Rejuvenation is an introspective action by the firm where internal procedures and strategies are evaluated with the objective of producing a more competitive posture (Dess et al., 2003). Strategic Renewal involves altering the firm's structure, usually at a corporate level. This type of CE is designed to reshape the business and can affect most departments including operational and even pre-existing external relationships (Zahra, 1996;

Stopford and Baden-Fuller, 1994). External Entrepreneurship focuses on discovering new entrepreneurial opportunities (Dess, 2003) and strives to build and maintain strategic relationships in the external environment. Domain Redefinition (DR) focuses on the creation of new, pioneering market arenas which the organisation can potentially exploit. DR is the only form of CE which necessarily results in the creation of new business (Covin and Miles, 1999).

4. Schumpeter and Domain Redefinition

The strategy associated with DR is very similar to Schumpeterian logic (1934). Schumpeterian reasoning when actioned, results in major changes to an industry (Moss, 2007; Parbotee, 2000; Stopford and Baden-Fuller, 1994; Schumpeter, 1934). He advised opening and creating markets as a means of economic growth, offering new and unique niche products, not currently available in the marketplace. Evidence of Schumpeterian influence can be seen at an industry level (Parbotee, 2000; Stopford and Baden-Fuller, 1994). DR is similar to this with Covin and Miles (1999) advising that organisations use DR in a move to imprint the early structure and change to an industry, desiring to set the standard against which later entrants could be compared (Adeyeye, 2016). According to the literature, the main characteristics of companies employing DR include: the constant drive to discover, enter, redefine and position themselves in new markets (Kuratko and Audretsch, 2009; Dess et al 2003; Miles and Covin, 2002). Firms who employ DR “*redefine where and how the competitive game is played*” (Covin and Miles, 1999, p.54). The components found within DR are: bypass strategies and product – market domain (Fahey,1989). The former is depicted in the literature as an “attacking by surpassing competitors” strategy; a means of avoiding direct competitor confrontation, in essence, proactively moving the battle to a new arena. Product – market domain (Covin and Miles, 1999) is where the organisation assumes a pioneering stance, creating an early footprint of an industry. Castriotti et al, (2021), advises that DR has been a neglected subject within the literature but indicated that this is an area which is growing in relevance.

5. Born Globals, Domain Redefinition and Schumpeter

BGs offer new, highly innovative, specialised products and position these in niche markets (Madsen and Servais, 1997; Knight and Cavusgil, 1996). The BG often conforms its product, tapering to the needs of its chosen markets. (Madsen and Servais, 1997). These products are different from those already in the market (Andersson et al., 2020), a strategy originally advised by Schumpeter (1934). This product uniqueness offers dominance in product categories for the BG. According to (Merrilees and Tiesson, 1999), this attracts commercial power and legitimacy. The result is that they proactively create their own “product market-arena” which correlates with DR strategies and in doing so can change an industry (Schumpeter, 1934).

Covin and Miles (1999, p.58), advise that in order to utilise bypass strategies (DR) and successfully install new product markets arenas (DR), “a product like no one else’s” is required. This corresponds with Schumpeter’s advice regarding the offering of products that are different from what is currently available. and also matches the BG product profile.

6. Conclusion

Madsen and Servais (1997), hinted that BG behaviour has its roots in the Evolutionary Economic Theory. As this literature review developed: from Evolutionary Economic Theory/Schumpeter to Corporate Entrepreneurship and then to DR, the rudiments of Schumpeterian principles were maintained and extrapolated within the DR component of CE. The literature is replete in its description of BG firms: as those who constantly pursue new marketplaces, setting up market arenas in niche areas, with their new, unique and superior products. (Andersson et al., 2020; Knight and Cavusgil, 2004).

We therefore posit that Domain Redefinition is a viable theoretical lens through which to view the phenomenon that is the BG.

7. Further Research

This paper introduces the concept that DR is an appropriate theory lens for explaining competitive advantage and business continuance in BG firms. Further research and data collection is needed to test this hypothesis.

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