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Internal and External Learning Races in 'Born Transnationals': What are the Driving Forces?

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ABSTRACT

Objective: This paper investigates an under-researched type of 'born transnationals' as young transnational companies. 'Born transnationals' are equipped with specific governance structures that may accelerate the internationalization process based on organizational learning. In this vein, the research question of the paper is: What are the core drivers of organizational learning in case of 'born transnationals'?

Research Design & Methods: Based on a model of organizational learning, we present and check a model-based set of structured research propositions of the learning process of 'born transnationals'. The propositions undergo a first reality check by developing two case studies based on semi-structured interviews.

Findings: Empirical evidence challenges the role of some factors (e.g. the role of international experience and proactivity of entrepreneurs) well-elaborated in literature and examines whether others (e.g. transactive knowledge) play a pivotal role. Against this background, some of the proposed causalities were to be modified and specified.

Implications & Recommendations: The findings suggest that organizational learning in born transnationals requires social capital and a particular type of learning culture. Moreover, entrepreneurs are well advised to foster the transfer of knowledge among the people in the company as far as possible to turn the 'wheel of knowledge'.

Contribution & Value Added: The paper portrays a new type of born globals, introduces a new model and develops first causal structures in this context. It identifies and specifies drivers of learning processes of the 'born transnationals' archetype.

Article type: research paper

Keywords: international new ventures; born transnationals; organizational learning; absorptive capacity; transactive knowledge

JEL codes: M13, M14, M16

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INTRODUCTION

The recent dynamics of the globalization or regionalization of markets have influenced the international business environment significantly. As a result of reduced obstacles to trade, customers operate on a global scale and suppliers find themselves confronted with new internationalization challenges (Cavusgil & Knight, 2009). Considering different organizational models to implement international business activities, more and more firms depart from the multinational or global model and favour the transnational archetype due to its heterarchical organizational structure that facilitates coping with the considerable market dynamics, e.g. by fast processes of organizational learning (Bartlett & Ghoshal 1989). The transnational company is an internationally distributed network (Bartlett & Ghoshal 1989) with a limited commitment to the country-of-origin that transcends national boundaries by integrating value-added processes into heterarchical networks with multi-domestic location structures. As numerous interconnections among the local subsidiaries and between the local units and the headquarters exist, sharing information and knowledge becomes a pivotal issue.

This 'organizational blueprint' also applies to 'born transnationals' as an archetype of 'born globals'/international new ventures (INV) (Oviatt & McDougall, 1994; Knight & Cavusgil, 1996). For the sake of clarity we define 'born transnationals' as a special type of INV which is characterized by a particular governance system based on heterarchical network structures of local subsidiaries and external network partners (rather than a hierarchical system) that equips born transnationals with a high responsiveness in competition and a limited commitment to the country-of-origin based on multi-domestic, interrelated location structures in selected countries (Hedlund, 1986; Bartlett & Beamish, 2011; Rugman *et al.*, 2011). Against this definition the role of the headquarters departs from other born global firms as local subsidiaries operate more self-dependently and interact not only with the headquarters but also with other subsidiaries for the sake of organizational learning (Birkinshaw, 1997). Due to the network structure, external sources of knowledge are accessed which facilitates and speeds up organizational learning processes, as well (Coviello, 2006). What differentiates coordination of born transnationals from other INV is furthermore the less formal way of adjustments among different central and decentralized units of the heterarchical network (Bartlett & Ghoshal, 1989). This ensures responsiveness in connection with internal coherence. Moreover, these 'born transnational' firms are highly entrepreneurial and often have global mind-sets (Harveston *et al.*, 2000; Knight *et al.*, 2004). Nevertheless, 'born transnationals' are newly founded firms with limited foreign business and institutional knowledge and no domestic operations as a backup. If foreign experience relevant to business issues is available, it is typically bound to the entrepreneur(s) so that it is not institutionalized, yet (Madsen & Servais, 1997; Knight & Cavusgil, 2004). The problem arises how to accumulate and how to translate knowledge as a lever to successful establishment on international markets. The core goal of this paper is to investigate this issue.

Due to the particular profile of 'born transnationals' this paper pinpoints the role of organizational learning as a core driver of internationalization. Literature very often highlights the role of internal learning sources (Crossan *et al.*, 1999). Besides that,

organizational learning may rest on absorbing external knowledge and giving meaning to it, as well. In this vein, the absorptive capacity as introduced by Cohen and Levinthal (1990) plays a pivotal role in the process of organizational learning. Insofar, the research question of the paper is: What are the core drivers of organizational learning in case of 'born transnationals'?

To better understand the peculiarities of 'born transnationals', notably in terms of external and internal learning processes, we start by employing a conceptual approach in the follow-up section. This approach is theory-driven for the sake of identifying core causalities and developing research propositions that undergo a first reality check in later steps of the paper. We employ the Crossan *et al.* (1999) model of organizational learning and the Freiling and Fichtner (2010) extension of the model to consider the debate on absorptive capacity. Based on this, we introduce the basic methodological approach in section 3, followed by a presentation and discussion of the results (section 4) and conclusions (section 5). The paper advances the current state of research by portraying 'born transnationals', employing a newly developed theory-based model of learning processes within 'born transnationals', and a first reality test of the research propositions.

LITERATURE REVIEW

Basics of Organizational Learning

Among the models of organizational learning (Easterby-Smith & Lyles, 2011 for an overview) Crossan *et al.* (1999) directly address organizational learning on and between organizational layers (individual, group, and organization) and shed light on the dynamic interrelationships. The '4I framework' consists of four learning processes across these three layers and distinguishes between stocks at each level and flows of learning between them (Crossan *et al.*, 1999; Bontis *et al.*, 2002; Jansen *et al.*, 2009). The two learning flows (feed-forward and feedback) explain learning cycles and express the tension between exploration and exploitation (Crossan & Bedrow, 2003). Exploration involves search, variation, risk taking, and experimentation, whereas exploitation includes refinement, selection, efficiency, and execution (March, 1991).

Mintzberg, Ahlstrand and Lampel (1998, p. 212) describe the learning processes as follows:

"Intuiting is a subconscious process that occurs at the level of the individual. It is the start of learning and must happen in a single mind. *Interpreting* then picks up on the conscious elements of this individual and shares it at the group level. *Integrating* follows to change collective understanding at the group level and bridges to the level on the whole organization. Finally, *institutionalizing* incorporates that learning across the organization by embedding it in its systems, structures, routines, and practices."

The 4I model provides insight into internal drivers that facilitate the transfer of learning from the individual to the group and then to the organizational level as well as back by the interplay of the feed-forward and the feedback process (Sun & Anderson, 2008). Feed-forward means the development and embedding of new knowledge and ideas that pass the test of usefulness to people, groups, and/or organizations. At the

same time, the feedback process works the other way round and regenerates what has already been learned from the organization to the group and individual level (Crossan *et al.*, 1999). Thus, feedback refreshes and deepens what previously has been learned. In the context of transnational firms, the feedback process allows distributing knowledge internally across national boundaries which is decisive in the race to learn.

Freiling and Fichtner (2010) refine the Crossan *et al.* (1999) model by adding that the source of knowledge can also be outside the firm. External knowledge needs to be found, accessed and integrated. For the sake of identifying and utilizing externally generated knowledge, an ‘absorptive capacity’ (Cohen & Levinthal, 1990; Zahra & George, 2002; Todorova & Durisin, 2007) is required. The absorptive capacity in its original version is “[the] ability to recognize the value of new information, assimilate it, and apply it to commercial ends” (Cohen & Levinthal, 1990, p. 128). According to this understanding, the absorptive capacity is composed of three components: acquisition, assimilation, and exploitation.

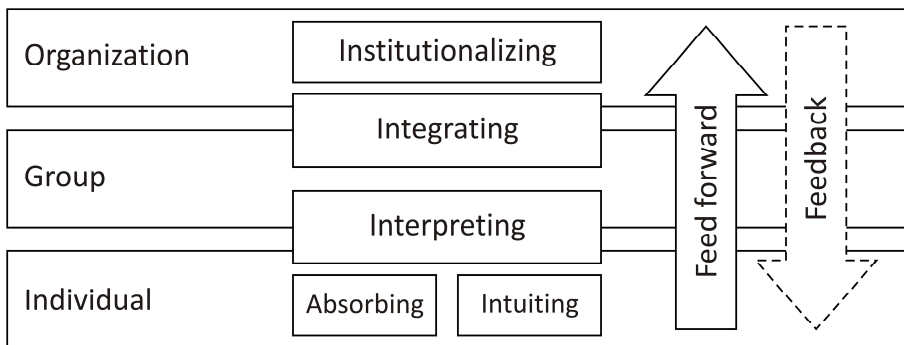


Figure 1. The Extended Learning Process of Crossan *et al.* (1999)

Source: (Freiling & Fichtner, 2010, p. 161).

Against this background, the question arises how far the absorptive capacity as a construct is already considered in the ‘4I framework’ mentioned above. Crossan *et al.* (1999) deal within their model at least implicitly with assimilation and integration activities. For the acquisition and particularly the recognition of the value of external knowledge this model does not apply. The 4I framework does not comprise the ‘recognizing the value’-step according to Cohen and Levinthal (1990). Hence, we consider this as a separate element of organizational learning and call it, according to Freiling and Fichtner (2010), absorbing. Figure 1 illustrates this extension.

Developing Research Propositions

Having outlined the learning process, we examine the factors that are supposed to drive organizational learning of born transnationals. Intuiting is the basic step of organizational learning on the individual level. There are two types of intuition: *expert intuition* as the recognition of patterns that have been learned in the past and are now tacit knowledge and *entrepreneurial intuition*, where new connections and possibilities are discerned (Crossan *et al.*, 1999). Both types of intuition are relevant in the context of born transnationals whereupon the entrepreneurial intuition is, due to the liabilities of

newness, a matter of particular importance. In the start-up phase the entrepreneurs are confronted with many managerial issues: e.g. products, organizational structures, and processes that have to be developed (Gartner *et al.*, 1992). This may create problems when establishing a new venture on a global scale so that a lot of creativity and imagination is required (Gartner *et al.*, 1992). The expert intuition, instead, will be more relevant during later stages of professionalizing the venture.

McDougall *et al.* (1994) argue that INV are usually founded by entrepreneurs who benefit from a significant amount of international experience and are particularly alert to opportunities in international markets. Gaglio and Katz (2001) define alertness as a distinctive set of perceptual and cognitive processes which direct the opportunity identification process. Alert individuals may easier or earlier perceive environmental signals and realize that appropriate behaviour at that moment requires reassessments of the situation and the environment (Gaglio & Katz, 2001). Cooper (1981) suggests that entrepreneurs intuitively perceive market opportunities, so that we propose a direct relationship between alertness and intuition.

Proposition 1. Alertness is positively related to the intuition of the entrepreneur of the 'born transnational' and stimulates organizational learning.

By the process of interpreting individuals refine and develop intuitive insights. This process connects the individual and group level but without impacting the organizational level, yet (Crossan *et al.*, 1999). Whether and how far new ideas and concepts penetrate groups and local units in host countries depends on social interaction and the social integration of individual knowledge. Social interaction requires participants speaking and understanding a common language and dispose of adequate knowledge. Therefore, sharing newly developed knowledge with other people and interpreting largely depend on finding the 'right' partners to talk to. In many instances, individuals contact people they are familiar with. Not in every case, however, those people are ready and willing to make substantiated statements on new ideas. Insofar, people should be aware of the profile of other people belonging to the 'born transnational'. Due to the small size of new firms, it is much easier to be aware of these profiles. Nevertheless, research on knowledge management suggests that it takes a particular mode of knowledge to identify adequate partners, namely 'transactive knowledge' (Wegner, 1987; Brauner & Becker, 2006) as knowledge on other people, in particular colleagues, but external network partners as well. Hence, we propose:

Proposition 2. Transactive knowledge fosters the identification of adequate people to share ideas with and, thus, fosters organizational learning in 'born transnationals' via interpreting.

Following the Crossan *et al.* (1999) model, integrating—as the next step—is crucial to leverage learning processes from the group to the organizational level. In case of 'born transnationals' the transnational challenge of distributing new knowledge within the entire heterarchical network occurs. If the process works, a shared understanding evolves through collective action across national boundaries. When individuals express their opinions and beliefs or challenge other people's viewpoints, collective learning occurs (Zollo & Winter, 2002). Once the entrepreneur tries to 'dictate' individual action, the individual motivation to learn will decrease (Senge, 1990). Therefore, discretion for individual development is required. Oppositely, a lack of trust limits the exchange of

opinions and beliefs (Argyris & Schön, 1996). With growing discretion trust develops and thus the motivation to initiate projects. Taking the structure of transnational companies into account, one important mechanism for knowledge sharing is the delegation of responsibility to local subunits. Especially in dynamic environments, flexibility and responsiveness may be reduced if decisions are not made quickly and locally. Thus, we propose:

Proposition 3. The delegation of responsibility supports the integrating process and fosters organizational learning.

According to Crossan *et al.* (1999), the process of institutionalizing is located on the organizational level. Knowledge is embedded in organizational routines and structures and spreads over the whole organization. Former explicit knowledge becomes well understood, deeply embedded in people's minds and part of workaday life. Basic assumptions and beliefs that are shared by members of an organization become part of the organizational culture (Dodgson, 1993). Members of transnational firms are geographically dispersed. Geographic distance may, to some extent, go hand in hand with psychological distance. In this vein, 'born transnationals' must be adept at handling a variety of cross-cultural issues related to national cultures and corporate culture (Snow *et al.*, 1996). A synergetic organizational culture helps to align the different cultural backgrounds of the people involved. In this regard, we point to a synergetic culture (Ouchi, 1982) that facilitates learning processes.

Proposition 4. A synergetic culture fosters the institutionalizing process and, thus, facilitates organizational learning.

Above, we focussed on the feed-forward dimension of organizational learning. One conclusion is that the entrepreneur of 'born transnationals' is involved in almost every step of the feed-forward process. Besides that, young firms develop first informal structures that support organizational learning with many people involved. Next, we discuss whether and how far this holds for the feedback process as well.

The steps of the feedback process are not precisely described in the literature. Freiling and Fichtner (2010) state that feedback is used to spread institutionalized knowledge back from the organization to the individual. Crossan *et al.* (1999) point to the tension between assimilating new learning as the feed-forward part and exploiting/using what has already been learned as the feedback part – with an emphasis on the challenge of translating between institutionalizing and intuiting. The feedback flow is about refreshing and reinforcing learning to ensure that routines are neither forgotten nor neglected but operating in situations of change where a newly institutionalized routine has to be embedded in individual mind-sets (Crossan *et al.*, 1999). Feedback learning ensures that many members of the company—not only the ones who developed the routine—will learn and use it (Vera & Crossan, 2004). Due to the key role of the entrepreneur, it is up to him/her to coordinate and control this feedback process of learning. Certain management behaviour has a positive impact on this feedback flow (Vera & Crossan, 2004). Transformational leaders—as effective communicators—facilitate this flow by easily motivating their employees (Bass *et al.*, 2003). When new routines are established, transformational leaders challenge their employees to question established assumptions, look at problems from different angles, and approach familiar situations in novel ways (Sosik *et al.*, 1997). Therefore,

transformational leadership styles facilitate the feedback process when newly institutionalized insights are challenged.

Proposition 5. Entrepreneurs as transformational leaders support the feedback process and foster organizational learning.

So far, we focused on internal issues of organizational learning. Next, we address the absorption of external knowledge by highlighting the 'recognizing the value'-step according to Freiling and Fichtner (2010). Cohen and Levinthal (1990) identify key antecedents of the absorptive capacity, namely already available related knowledge (basic skills and learning experience) and organizational factors, such as the structure of communication and distribution of knowledge. Absorbing requires alertness in connection with knowledge, skills, and available selection criteria (Todorova & Durisin, 2007). Related knowledge allows recognizing new knowledge (Cohen & Levinthal, 1990). Related skills are useful because an individual with experience about one learning object is more effective in later learning processes (Ellis, 1965). Evaluation criteria are necessary to judge the value of the identified external knowledge (Todorova & Durisin, 2007).

Cohen and Levinthal (1990, p. 128) point out that "(...) the ability to evaluate and utilize outside knowledge is largely a function of the level of prior related knowledge". Prior knowledge and experience determine the (sources of) information to be accessed. The organisation's perception depends on existing search strategies that turned out to be valuable and have been in use for some time. These search strategies allow finding specific information. Although often effective and invaluable, some of them might be useless if certain information has no connection to prior knowledge. Furthermore, the prior knowledge determines how information is interpreted and used (Cohen & Levinthal, 1990; Zahra & George, 2002; Todorova & Durisin, 2007). When valuing information from external sources, an individual's prior knowledge influences the locus and the efficiency of search (Cohen & Levinthal, 1990; Lane *et al.*, 2006). Organizational learning literature identifies the need for a clear strategic focus to support the search for new knowledge and to enable change of an organization (Senge, 1990).

For 'born transnationals' are INV with limited foreign business experience and institutional knowledge as well as no significant domestic operations, search strategies do not exist on the organizational level and prior knowledge is short. If search strategies are available, they are typically bound to the entrepreneur(s). We argue that established individual search strategies for information determine the direction for organizational search strategies. Therefore, we propose:

Proposition 6. Entrepreneurs of a 'born transnational' with a clear direction of search strategies foster the absorbing process of the 'born transnational' and so organizational learning.

MATERIAL AND METHODS

Methodological Basics

The paper rests on a deductive procedure where propositions are developed based on prior research and management theory. They undergo a first reality check by case studies in order to find out whether and how far they hold and other factors not considered in prior research also play a role in explaining organizational learning. Insofar,

analytical rather than statistical generalization stands at the forefront of this paper. Between December 2012 and November 2013 two in-depth case studies were developed to gain deeper insights into practical aspects of organizational learning of born transnational firms in Germany. Germany as a country was chosen due to the high level of internationalization of firms and related push and pull factors to start internationalization early after foundation (Simon, 2009). We conducted three in-depth interviews (duration between 1:00 and 1:30 hours) with entrepreneurs. The interviews rested on a previously developed semi-structured interview guideline. The interviews consisted of a narrative part that should allow the interviewees to tell their story without being framed by the causalities of the model in use. Following Yin (2012), who emphasizes the importance of a case study research process grounded in theoretical literature, the questions in the second part of the interview were directly related to the research question and the set of propositions introduced above. The questions that were finally asked in the interviews depended on the run of the narrative part. Particularly those causalities were addressed in detail, which have not been mentioned in the narrative section. Insofar, adaptations to the findings of the narrative section have been made in every interview.

A case study protocol was used in the data collection process for reliability reasons (Yin, 2012). All interviews were transcribed. Prompts were used to stimulate discussion and to further elicit views and opinions of the participants (Creswell, 2003). As founders are deeply involved in key decision-making processes from inception, we concentrate on founders, namely a chief customer officer (F1, belonging to case C1) and two chief executive officers (F2, belonging to C1 and F3 belonging to case C2). All entrepreneurs were allowed to tell their stories frankly and to discuss the international development of their firm over time. The interviews were conducted by one researcher. Afterwards the results were discussed in a research team with the interviewer and other researchers familiar with the topic.

Case Selection

The two cases were selected based on the transnational governance structure, i.e. a heterarchical network with close interrelationships among the local subsidiaries and a limited commitment to the country-of-origin. In this vein, all the respondents were initially asked whether this transnational archetype is representative for their way of business. Being asked about this structure, F3 responded: "This is exactly the case in our company." F2 replied similarly so that the companies of the two cases can be regarded as born transnationals.

Companies of the media industry were chosen because the media business is a very international one. Knowledge exchange between local subsidiaries is part of the everyday life. Both companies are from Germany. Germany is a country with firms which are internationalized to a very high degree with subsidiaries very often not only in Europe but all over the world. Another key selection criterion was an internationalization of a case company right after inception (maximum two years after foundation). Moreover, we excluded solo-entrepreneurs and companies with a low growth rate to ensure that a larger number of people can be involved in organizational learning processes.

The C1 Company was founded in 2008 by three entrepreneurs. First international activities were undertaken in 2009. In December 2012, the researched firm employed nine full-time employees and a changing number of freelancers, and transcended national borders by network cooperation with firms in the USA, Australia, and Western Europe. These networks consist to a large extent of external partners that are used to overcome resource and knowledge constraints. This allows them acting internationally. The researched firm has a rather low commitment to the country-of-origin (Germany) and established an international heterarchical structure.

C2 was founded in 2010 by three entrepreneurs and internationalized immediately after inception – due to the fact that one founder was living in the USA and the two others in Germany. The US business developed with a successful pitch and several follow-up projects. Whereas the European part of C2's business largely rests on full-time employees, the US business is driven by the entrepreneur and predominantly freelancers. There is intensive communication between all the locations of the company.

RESULTS AND DISCUSSION

Empirical Results in the Light of the Research Propositions

Related to P1 (alertness/intuiting), literature of international entrepreneurship often deals with the notion of international entrepreneurs as people with considerable international experience, alertness, and global vision (McDougall *et al.*, 1994). In C1, the entrepreneurs did not have that much international experience and did not plan to internationalize right from inception. Instead, the interview partner F2 remarked: *"(...) it came all of a sudden!"* Not part of the firm's strategy and without a global vision of the entrepreneurs in early steps, the opportunity to internationalize came unintended and by chance. The entrepreneurs were not really profit-seeking initially and put more emphasis on creativity and uniqueness. Meanwhile, in the minds of the entrepreneurs artistic ambition and financial performance are 'balanced'. International market opportunities for the born transnational arose when a media project in the country-of-origin made it through the World Wide Web. The entrepreneurs faced an unexpected global pull for their product and the internationalization was a reaction to the perceived demand. At least at this point, alertness did not play a remarkable role. The company C1 had to deal with hundreds of requests from all over the world from one day to another. Since then, the born transnational has adopted a global market view. Independent from the country-of-origin, the young firm did no longer restrict the operations to the national market.

Besides that, the researched entrepreneurs of C1 were relatively inexperienced when starting their international business. Only one of the three founders was already self-employed and had managerial responsibility. This founder took managerial responsibility for the researched firm, while the two others cared for creativity aspects. First international experience of the entrepreneurs evolved from part-time work in different countries before founding the firm. However, they did not spend much time for living abroad and cross-cultural skills were rather low. F2 recalled: *"... internationality? Nobody of us has been abroad for quite a long time. In 2009, we had to find our feet and the right way to express ourselves in adequate English."* These two surprising facts do not

conform to the literature on international entrepreneurship. Therefore, in C1 we cannot find direct support for the propositions 1 and 6 as for absorbing new knowledge and intuition as the first step in the learning process.

In case of C2 the situation is a bit different. F3 admits that the entrepreneurs, equipped with a considerable willingness to take risks, are rather open-minded and develop a lot of new ideas. At the same time he points to the governance system of the company and the influence of investors on the possibilities to generate and unfold new ideas:

We collaborated with venture capitalists from Berlin. It was very hard because they saw things completely different. They came around with milestones that were completely out of sight for us. We thought 'Gosh, they won't leave us alone, they believe in us finally.' Bullshit! They took it seriously and expected results we couldn't deliver. We failed to fulfill their expectations so that they increased pressure intensively. As for a follow-up financing, we stood with the back to the wall.

P1 suggests that alertness may be a decisive factor for the degree of intuition of the entrepreneur. Whereas the cases do not support this directly and unanimously, the researched entrepreneurs exhibited some kind of alertness. Although their international market entry was not originally intended (C1), they were open-minded enough to understand international opportunities (C1 and C2). Moreover, their alertness developed by these discoveries of attractive business opportunities and triggered their intuition considerably.

Recalling the 'recognize-the-value' step of absorptive capacity, P6 (clear search strategies/absorbing) suggests a continuous exploration of new external knowledge in a firm's search field may increase the potential absorptive capacity. Due to the limited organizational knowledge as 'born transnationals' search strategies of INV are bound to the entrepreneur(s). The entrepreneur's prior knowledge drives searching and evaluating external knowledge. In C1, due to the limited experience in internationally activities it was hard for the entrepreneurs to find relevant information. The entrepreneurs more or less relied on instinct and intuition when screening and selecting information, as F1 stated: *"He has a keen sense of selecting information."* The 'gut instinct' seemed to replace search strategies in early times of the organizational development. Similarly, in C2 there was no clear search focus – although the company absorbed external knowledge. F3 remarks: *"There was a lot of distraction off the beaten track."* Based on this, there is limited direct support for P1 and P6 but room for specification and modification.

As for P2 (transactive knowledge/interpreting), the entrepreneurs (C1 and C2) had a strong preference for collaboration and explored potential partners whom they considered excellent at what they did. They were able to build strong networks based on familiarity, shared values, experience, and first modes of trust. Sharing new information depended on finding the right partners to talk to. The concept of transactive knowledge (Brauner, 2002) seems to be useful to explain this. Transactive knowledge encompasses the knowledge that people have about the knowledge and skills of other people (Wegner, 1987). The entrepreneurs we studied possess this kind of knowledge because they identify rather precisely who is a sound partner to talk to for different kinds of

problems. In case they do not know the partners, they seek for a recommendation by another network partner they are familiar with. Thus, the empirical findings strongly support P2 and reveal that transactive knowledge fosters learning by the identification of adequate people to share and interpret individual intuitive insights.

Distributing knowledge within the entire heterarchical network is necessary for 'born transnationals' for a common understanding and collective action. As P3 (delegation/integrating) suggests, collective learning occurs when individual discretion is granted. In this sense, one important mechanism can be the delegation of responsibility to local sub-units when quick decisions on the local level are to be made. The INV of C1 uses this mechanism just in an alleviated manner. Freelancers or full-time employees are allowed to take responsibility only partially as F2 states: *"...they were collaborators who brought in their own servers and data projectors and assumed control just for the projection part."* Still, the main responsibility rests on the entrepreneurs. Employees are welcome to bring in own ideas and projects. However, they have no sole but only assigned responsibility. In C1, the entrepreneurs delegate responsibility only if really needed: *"We are the spearheads, and then it scatters down..."* (F2). C2 supports P3 more comprehensively. F3 advocates self-dependent action of all employees.

Hierarchy does not really exist in our company. The staff has to work self-dependently – otherwise we won't get things done. ... And they do the job well enough so that they can really make decisions on their own.

All in all, the delegation of responsibility may support the integrating process, but we have no comprehensive support for P3.

Next, we focus the organizational level and the process of institutionalizing (P4: synergetic culture/institutionalizing). Taking into account that 'born transnationals' engage employees in different regions and continents, cross-cultural issues need to be considered in the process of developing corporate culture. We argued that a synergetic culture may facilitate the learning process on the organizational level. The interviews provided evidence that the entrepreneurs are aware of the different cultural backgrounds they are working in and that this makes a huge difference in the learning process. Open to get in touch with different cultures, they respect these peculiarities – be it on a regional or local scale. The empirical findings reveal that there has to be a flexible organizational culture that bridges different cultural backgrounds. In C1, the company employs project staff from diverse regions of the world. Working together with these employees, who are often replaced, calls for a sophisticated organizational culture. Indeed, the INV had to deal *"... with employees in the US that were perfectionist. Meetings with Brazilians were more laid-back"* (F1). In addition, the openness to cultural differences and the willingness to get in touch with different cultural backgrounds are prerequisites for an efficient and smooth collaboration, as F1 put it:

Although artists have some kind of jester's license, you should grapple with cultures and handle cultural differences like modes of behaviour with respect.

F3 outlines that the company is aware of the cultural differences and respects this to a large extent in order to keep learning processes going. He stresses that this increases internal coherence considerably. Regarding P4, there were several statements in the collected data hinting towards benefits of a synergetic culture to facilitate the learning process. As shown, the entrepreneur is involved in almost every step of the

feed-forward process of organizational learning. The empirical findings reveal that the entrepreneur is the pivotal point when it comes to acquire and assimilate newly developed knowledge. As the origin of new ideas and actions, he directs the way knowledge is explored. Next, we examine the feedback process and the role of the entrepreneur.

Feedback refreshes and deepens what has been previously learned. We argued that the entrepreneur coordinates and controls the feedback process. As P5 suggest, a transformational leadership style fosters feedback-oriented learning. The entrepreneurs F1, F2 and F3 showed various commonalities with transformational leaders. They encourage their employees to advance their opinion and to break with old conventions. Discussion in teams has a significant value and individual or collective experience is appreciated. F2 argued:

We tell the team we can only make it if everybody acts in concert. Out of this a discussion develops whether we can take the ethnical responsibility. Somebody said yes, another one said no. [...] I think there are not many firms where you can do something like this.

In addition, the researched entrepreneurs reflect their decisions, attitudes, and achievements. F2 states: *“Not every product is the best. And our employees may have good or bad times. We deeply acknowledge this.”* Nevertheless, the entrepreneurs significantly shape and govern the firm’s future, *“(…) but each employee impresses the firm. And that is how it is meant to be”* (F2). In sum, there is evidence within the collected data showing that a transformational leadership style supports the feedback process and fosters organizational learning in ‘born transnationals’ so that P5 is principally supported.

Discussion

The results show that the researched ‘born transnationals’ only to some extent support the traditional literature of international entrepreneurship and, thus, the proposed causalities. Based on our data, transactive knowledge, synergetic corporate cultures, and transformational leadership styles seem to fuel organizational learning processes. In particular, the empirical findings show that the network structure (number and quality of linkages) and the availability, as well as the use of transactive knowledge seem to be a pre-condition for speeding up the learning process. This implies that ‘born transnationals’ benefit from the strategic use of networks to attain competitiveness in international markets, even though their entrepreneurs possess a relatively low degree of international experience. By network activities INV can access more opportunities to acquire external knowledge and foster international expansion.

What is critical in terms of the set of propositions is especially the role of instinct and alertness, the way of searching external knowledge and the role of delegation. In our case studies, the entrepreneurs are not well-experienced in international business and they did not proactively seek for international business opportunities. Not in line with our proposition, the founders of both showed no strong initial proactive behaviour. Building on prior knowledge that influences the focus and efficiency of search, there was no sufficient support for that proposition, either. This does not conform to earlier research. An interesting and new finding is that instinct seems to replace specific

experience and elaborated search strategies – at least in earlier phases of the venture. When we think about instinct as a certain form of tacit knowledge, the instinct relates to intuition. Insofar, there is no clear contradiction to previous research but it seems to be useful to consider instinct in a much more prominent way within the causal chain. Unclear is the role of instinct in the context of alertness. Is instinct a part of alertness or an enabler? It is useful to research on this relationship more intensively before refining the research proposition.

What the cases reveal is that intuition is by no means independent from the governance system. Particularly the influence of investors can create an atmosphere that restricts personal intuition. This could be considered in the redefinition process of P1 as well.

Clear search strategies for absorbing external knowledge are obviously not the only way to trigger learning processes. The cases reveal that openness and open-mindedness without a certain focus can be beneficial to learning processes as well. It seems that these two issues go to some extent hand in hand. Whereas in early situations it can be useful not to structure search processes too much, in later phases a certain focus is vital. Insofar, P6 can be modified and specified.

P6 new. Entrepreneurs with a high openness for external information in early steps and a clear direction of search strategies in later steps foster the absorbing process of the 'born transnational' and so organizational learning.

Finally, delegation (P3) can be a strong trigger of learning processes by fostering integration. Obviously, this depends to a large extent on the employees and their skills to work self-dependently. F3 stressed that round about a half of the employees may have problems and need certain guidance. This could lead to a differentiation in the proposition system.

P3a. The delegation of responsibility in case of self-dependent employees supports the integrating process and fosters organizational learning.

P3b. Entrepreneurial guidance in connection with limited and, over time, increasing delegation supports the integrating process and fosters organizational learning.

CONCLUSIONS

The findings reveal that the basic model of organizational learning is basically useful to locate explaining factors of the learning process of born transnationals and to understand interdependencies among factors. Particularly the role of the feed-forward process of organizational learning is emphasized. What is to be considered in more detail generally is the process of organizational learning in born transnationals, i.e. the relevance of certain factors depends on the step in the learning process. Future research could illuminate these issues much more in detail. Moreover, there are factors that go beyond the set of propositions. However, in most cases they can be considered by the model in use. In later steps of researching this issue it seems to be useful to focus on the set of both internal and external factors of organizational learning to prepare more exploitative research.

This paper advances current research in various manners. First, the paper introduces and outlines an up-and-coming type of INV in more detail: the 'born transnational'. Facing globalization processes and the 'global challenge', INV are well

advised to consider the transnational option seriously in their start-up strategies. Second, we pointed to the pivotal role of learning for this specific type of international entrepreneurship and we identified important cornerstones of organizational learning by employing the Crossan *et al.* (1999) learning model in a modified version. This allows developing a structured set of research propositions pinpointing anchor-points of organizational learning. Third, we confronted the research propositions with a first reality check. The results imply that some of the proposed causalities hold while others are to be refined or modified, respectively.

What are the limitations of this paper? Guided by literature and informed by theory, core drivers of organizational learning could be identified. Although semi-structured interviews allow taking into account other factors beyond the model in use, it is still possible that other factors have a crucial impact on organizational learning as well. Besides that, this study has been limited to two cases for a first reality check. This allows a better understanding of the complex causalities but may only claim for analytical rather than statistical generalization. Insofar, much more empirical follow-up work is needed to identify core drivers of organizational learning in case of 'born transnationals'. Future studies will benefit from accessing multiple sources of information for triangulation purposes. So far, the findings solely rest on interview data from very small-scale sampling. Other limitations are potential biases, in particular an interviewer and a key respondent bias. Although the interview guideline was checked within a broader network of researchers, the interview itself was conducted by only one researcher. However, given the early state of empirical research on the causal system, this study took a first step regarding the rather new type of international entrepreneurship namely 'born transnationals' and their learning processes.

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