

BORN INTERNATIONAL SPIN-OFFS IN AN ITALIAN INDUSTRIAL DISTRICT: AN EXPLORATORY STUDY ON TWO RANGE HOOD PRODUCERS

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Abstract

The paper analyzes the peculiarities and the drivers of the accelerated internationalization strategies of two range hood manufacturers, born as spin-offs, in a small Italian district. Spin-offs are very frequent within industrial districts and can be considered an important way of transferring tacit knowledge from an existing firm to a newly formed one. The present work fits into this cognitive perspective and aims to understand the role played by the founders' learning processes and the relationships established in previous work activities in the creation of born global firms. This study differs from earlier works on born global firms for two main reasons: a) the object of analysis is a specific sector and a given production hub; b) the phenomenon is examined through the multiple case analysis explorative method. The research not only highlights the regional character of the phenomena, but also delves into the role played by certain external factors (which affect the different attractiveness of foreign markets compared to the domestic one). A further significant aspect emerging from the investigation, relates the founders' previous working experiences (as an employee/manager), representing a time of learning and development of personal relationships which are able to facilitate the process of accelerated internationalization of the new firm.

Keywords: Born regional firm; Founders' work experience, Industrial district; Personal relationships; Spin-off.

1. Introduction

This paper fits into the scientific debate that started in the 1990s on companies that follow strategies of rapid internationalization, which means that they internationalize already at the time of birth or immediately afterwards (Rennie, 1993). These firms (defined "born global" for the first time in a McKensey study) are able to sell their products in international markets immediately after their birth and to realize a significant share of turnover in foreign markets in a short period of time following their constitution (Knight and Cavusgil, 2004). In the last

decade, several internationally published studies have shown that “immediate internationalization” is a development path pursued by firms in all countries and in all industrial sectors (i.e., both high-tech and low-tech industries).

The empirical evidence on the widespread growth of this kind of company has highlighted some limitations of the traditional theories on firms’ internationalization processes, theories which were unable to explain how some small young companies could rapidly grow in foreign markets despite the limited resources they possessed (McDougall et al., 1994). Therefore, a wide-ranging debate on the specific characteristics and determinants of this internationalization opened up in the early 1990s (Zucchella, 2006; Zander et al., 2015; Dzikowski, 2018; Romanello and Chiarvesio, 2019; Jiang et al., 2020).

Although the number of studies on this topic have grown exponentially in the last three decades, the matter of born international firms is still very relevant today (Cavusgil and Knight, 2015; Oyna and Alon, 2018). Indeed, several scholars believe that an adequate understanding of this phenomenon has not yet been achieved (Cesinger et al., 2012; Zander et al., 2015; Knight and Liesch, 2016; Rodriguez-Serrano and Martin-Armario, 2019; Paul and Rosado-Serrano, 2019).

This paper aims to contribute to the scientific debate by analyzing the peculiarity of the processes of “early internationalization” of two firms located in the range hood manufacturing district of Fabriano (in central Italy). Another objective is to detect the main factors that may have facilitated the processes of rapid internationalization in the observed cases, distinguishing between those that are related to the firms’ localization within an industrial district and those that are unrelated to belonging to a cluster.

The location of firms within an industrial district can influence the internationalization of SMEs, as district firms are in a good position to access and develop the necessary resources for their foreign expansion (Musso, 2006). Within such a context, geographical proximity encourages frequent contact among firms, which facilitates knowledge production, dissemination, development, and accumulation (Kowalski, 2014, 184). Imitating any one firm’s strategies and exchanging knowledge about foreign markets could be instrumental to the rapid internationalization of small district firms. For example, a study by Weerawardena et al. (2007) highlighted that literature on the accelerated internationalization of firms has neglected the aspect pertaining to “learning that is undertaken by these firms and their founders prior to the firm’s legal establishment”. Later, De Clercq et al. (2012) stated that the issues of learning and knowledge are central components underlying the causes, processes, and outcomes of early internationalization.

This work contributes to accelerated internationalization research, by studying those industrial district processes that can influence the rapid internationalization of firms. In particular, *the focus is on born international companies originating as spin-offs from other district companies*. This study adds new knowledge on accelerated internationalization, by analyzing the role of the learning processes, as well as the knowledge and networks of relationships developed by the founders of born global spin-offs in their previous work activities within an industrial district.

Spin-offs are new firms formed by entrepreneurs who previously worked at other firms in the same industry. As the majority of spin-offs begin their venture in similar areas to their previous one, this kind of new firm start-up represents a powerful source of industry agglomeration (Becattini, 2000; Klepper, 2009; Buenstorf and Costa, 2018; Furlan and Cainelli, 2020). Within industrial districts spin-offs are a significant means of knowledge transfer from “an existing firm, which operates as an incubator for entrepreneurship, to a newly born firm” (Camuffo and Grandinetti, 2011, 822). Therefore, the knowledge useful for the firm’s internationalization, as well as the human resources’ international orientation could both be transferred through spin-off processes from a highly internationalized district firm to a new one (Klepper, 2009; Buenstorf and Costa, 2018; Masili and Curina, 2018).

This work differs from other studies on firms' early internationalization for two main reasons. Firstly, the phenomenon of accelerated internationalization is analyzed by adopting a qualitative method based on a multiple case study of an explorative nature. Colovic and Lamotte (2014, 450) consider qualitative case studies more suitable than quantitative methods as they can provide a more detailed explanation of how industrial districts can facilitate the early internationalization of SMEs. Second, the study focuses on the international development of two small firms located in a specific small industrial district (in Fabriano, situated in central Italy), characterized by a specialized production of range hoods.

According to Lopez et al. (2009) the analysis of born global firms in specific industrial sectors could be a useful approach in the aim of gaining a deeper knowledge of the factors that can favor or hinder the rapid internationalization of the firm.

2. Literature review

2.1. *The growth of small and medium-sized firms in foreign markets between “stage models” and “accelerated internationalization”*

As effectively noted by Coviello and McAuley (1999), the internationalization of small and medium-sized enterprises (SMEs) has been previously addressed by three main theoretical research streams: the Foreign Direct Investment theory, the “stage” models of internationalization and the Network perspective, which focuses on the behaviors of firms within networks of interorganizational and interpersonal relationships. From this study it emerged that the stage models were the most used theoretical framework and that scholars proposed several different stage models. However, the most influential has been the one developed by Johanson and Vahlne (1977, 1990), often referred as the Uppsala model.

According to the Uppsala model, internationalization is a process of gradual capacity building, through which companies slowly accumulate the necessary resources to face the uncertainty of foreign markets (Eriksson et al., 1997). These models assume that, before starting to significantly export, companies implement a growth process on their domestic market. Such gradualness depends on a learning process, which aims to develop the specific knowledge and resources that are essential to successfully face the uncertainties of foreign markets.

First of all, knowledge and resources are progressively developed through experience in the domestic market (which is known by the company) and then, in the larger foreign markets (Leonidou and Katsikeas, 1996). According to this model, internationalization occurs incrementally and is influenced by *increased market knowledge and commitment*. It is described in terms of market selection and mechanisms used for market entry, in this way (Coviello and McAuley, 1999):

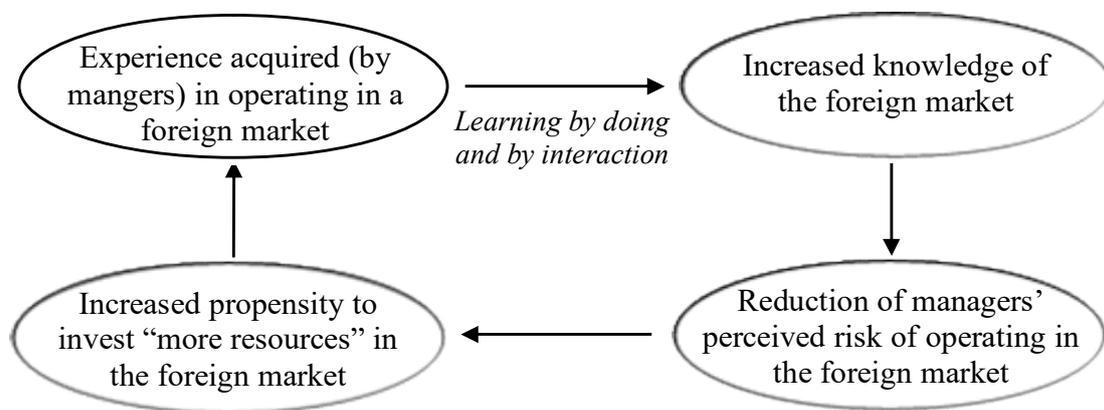
For example, firms improve their foreign market knowledge through initial expansion with low risk, indirect exporting approaches to similar, psychically close markets. Over time and through experience, firms increase their foreign market commitment. This in turn, enhances market knowledge, leading to further commitment in more distant markets, including equity investment in offshore manufacturing and sales operations.

As illustrated in the ‘logical “scheme” in Figure 1, gradual internationalization models show that the direct experience of individuals who manage activities in a foreign market triggers a “learning” process, which allows the company to deepen its knowledge of the foreign market and to develop those skills required to operate successfully within that market (Silvestrelli, 2008). This decreases the management’s risk perception of operating in the foreign market and

increases their willingness to invest more resources, by creating, for example, a direct sales operation or a manufacturing activity (Michailova and Wilson, 2008).

One of the main merits of the stage model is that it highlights the relevance of experience and knowledge as the basis of every firm's internationalization path (Musso, 2006). In this perspective, the learning process is the mechanism by which tacit knowledge is generated, through the transformation of experience (Kolb, 1984; Hånell et al., 2020). In particular, experiential knowledge is the form of tacit knowledge that individuals within a firm learn directly from past outcomes and decisions (and then apply to present-day choices) or indirectly by observing others' experience in an organizational network (Reuber and Fischer, 1997; Eriksson et al., 1997; Bruneel et al., 2010; Fletcher and Harris, 2012; De Clercq et al., 2012). Experiential knowledge is mainly acquired through learning-by-doing, and it is not easily expressed formally nor is it easily transmitted to others (Michailova and Wilson, 2008).

Figure 1 – Logical “scheme” of the interaction among the elements underpinning the model of a firm's gradual internationalization (adapted from Silvestrelli, 2008, 4)



In the gradual theory of internationalization, the learning process allows companies to overcome the difficulties related to the geographical distance and to the “psychic distance”. The latter implies a greater difficulty in interpreting a reality which could be very “distant” from the one of the company's country, from a cultural, linguistic, social, and institutional point of view (Mezias, 2002). Much of the research published on SMEs internationalization has confirmed these difficulties faced by firms in their international expansion and it has also identified the need to generate specific skills to overcome them and operate properly on foreign markets.

In recent decades, however, an increasing number of studies have spotlighted how, despite being young and having very few resources, some small enterprises begin exporting immediately after their start-up (McDougall et al, 1994). “Born global” companies sell their products abroad since their inception and they are able to penetrate foreign markets that are geographically, culturally and socio-institutionally distant without following the process of *knowledge accumulation*, typical of firms that follow the stage model of internationalization (Rennie, 1993; Lopez et al., 2009).

2.2. The born global firm: a yet-to-be defined conceptual category that contains heterogeneous situations

Despite the large number of studies on the topic of firms' early internationalization, scholars have not yet reached a uniform and shared definition of the *born global* concept (Cesinger et al., 2012). This type of company's internationalization process is more focalized on exports and it differs from the “international new venture” type of company that develops international

activities, already at a young age, that concern different phases of the value chain (Oviatt and McDougall, 1994; Zander et al., 2015). However, from a scientific point of view, the main challenge for reaching a consensus is determined by the variety of criteria used by several studies to distinguish born global firms from other categories of firms.

Among the wide range of studies on this form of internationalization, in most cases born global firms have been identified using one or more of the following criteria (Madsen, 2013):

- a) The *speed* (or *precocity*) of internationalization, which has been measured by the time that elapses between the establishment of the firm and the first sales on foreign markets. Some scholars consider born global those firms that have internationalized within two years of their establishment (Rennie, 1993), others look at three years (Knight and Cavusgil, 2004), and others still consider a timeframe of up to six or even ten years.
- b) The *intensity* of internationalization, which relates to the minimum share of exports on total turnover that the firm must achieve (within a certain time period from its establishment), in order to be considered “born global”. Some studies used a threshold of 25% (Knight and Cavusgil, 2004), others of 50%, and some, even of 75% (Rennie, 1993).
- c) The *extent* (or *breadth*) of the firm’s geographical international expansion, i.e., the minimum number of foreign markets which the company must enter (by a certain time from its establishment), in order to be considered born global. In some cases, only those firms exporting to at least three foreign markets were considered born global; in others, only those operating on a plurality of foreign markets or on continents other than that of origin of the company were given the *born global* label.

As pointed out by Lopez et al. (2009, 1230), the theoretical foundation of these thresholds is not clear, and their inhomogeneity, which, in certain cases could be justified by the size of the company’s country of origin, makes it difficult to compare the results of research carried out by different scholars on firms in different regions, countries, or industrial sectors (Knight and Liesch, 2016, 98). In recent years, in fact, scholars have proposed a more precise framework of analysis to distinguish the different paths taken by companies in their pursuit of rapid internationalization. Gabrielsson et al. (2004) distinguish, for example, the *born global* firm, which quickly achieves more than 50% of its turnover in foreign markets localized on continents other than that of the firm’s country of origin, from the *born international* firm, which attains (in a short period of time after establishment) more than 50% of its turnover abroad, but in foreign markets localized within the continent of origin. Kuivalainen et al. (2007, 254) also distinguish between the “real” born global firm and the “only apparent” born global firm (also called “born-international” firm).

According to Lopez et al. (2009), the hypothesis that the number of truly born global firms is increasing is hardly defensible in the face of the empirical evidence pointing to a very low share of the world largest multinationals that meet all the criteria for having a real global market presence and with a turnover spanning all the continents¹. Indeed, these scholars showed that in the software industry of Costa Rica most of the companies analyzed followed a gradual approach to internationalization. Moreover, the majority of the few companies that exported soon after their establishment were not actually *born global*, but *born regional*, because they exported their products to foreign markets within the continent of origin.

¹ The study by Rugman and Verbeke (2004) showed, for example, that out of 380 multinationals (among the world’s largest ones), 320 made more than 80% of their sales in countries within their home regions. Therefore, if one considers the geographical extension of the sales markets, most of these firms cannot be considered global, but regional.

Very similar findings were obtained by Sui et al. (2012): their study on a sample of Canadian small and medium-sized exporters (SMEs) showed that born global firms represented a smaller proportion (of the whole) than born regional firms (16% vs 27%).

Worthy of note is that, according to a recent study of Swedish start-ups in the manufacturing sector, in the decade 1998-2008, born global companies were a very rare event and interestingly, their incidence appears invariant over time (Braunerhjelm and Halldin, 2019)

2.3. Factors influencing the accelerated internationalization of SMEs

Several scholars have identified which factors can favor a rapid internationalization of the company. They are classified as either “exogenous”, i.e., related to the environment in which the company operates, or “endogenous”, i.e., connected to the characteristics and the actions of the decision-makers internal to enterprises (Zucchella et al., 2007).

A compilation of the factors that have been most frequently considered in the literature was recently provided by Jiang et al. (2020). The *exogenous ones* included: the industrial sector peculiarities, where the company operates, the characteristics of the market, and the geographical area in which it is located. One relevant aspect is, for example, the size of the company’s domestic market, compared to that of (its) foreign markets. A firm may decide to enter one or more foreign markets immediately, when it has a production capacity that exceeds the absorption potential of the domestic market (Rennie, 1993).

Instead, among the *endogenous factors*, Jiang et al. (2020) consider the firm’s strategy, the values and perceptions of the founder, the characteristics of the team of individuals who founded the company, and the characteristics and competence of the company as a whole.

However, it should be noted that in the early phase of setting up a new business, difficulties in distinguishing between these two categories might emerge. Indeed, the competitive strategy pursued by the born global firm, which is often based on differentiation and on the decision to meet the needs of a specific “market niche” (Musso, 2006; Baronchelli and Cassia, 2014), is a reflection of the strategic decisions made by the entrepreneur and the group of individuals who contributed to setting up the company (Zucchella et al., 2007; Musso and Francioni, 2013).

The location of the firm within an industrial cluster is considered an exogenous factor that can facilitate the adoption of rapid internationalization strategies. In the last two decades, several empirical studies have tested the claim that firms located within the same industrial district benefit from a complex system of factors (skilled and specialized labor, knowledge exchanges, easy access to information, innovative propensity, etc.) that can help the internationalization of firms (Brown and Bell, 2001; Musso, 2006; Belso-Martinez, 2006; Pla-Barber and Puig, 2009; D’Angelo et al., 2013; Andersson et al., 2013; Kowalski, 2014; Bettiol et al., 2019).

A firm’s location within a cluster influences not only its industrial processes, but also its commercial ones, which concern the relationships with foreign markets and the related distribution channels (Musso, 2006). By contrast, only few of studies focused on the link between a firm’s location within an industrial district and the accelerated internationalization of the firm (Sopas, 2001; Zucchella et al., 2007).

A high presence of foreign companies within a district, for example, has been considered a factor that can accelerate the internationalization of district firms because it exposes them to international competition (Jiang et al., 2020). However, studies on the role of spin-offs on the accelerated internationalization of industrial district firms are still limited.

Spin-offs represent a mechanism that is closely tied to geographical clustering (Furlan and Cainelli, 2020). Indeed, inside the cluster entry barriers tend to be lower than elsewhere because “needed assets, skill, inputs, and staff are often readily available at the cluster location, waiting to be assembled into a new enterprise” (Porter, 1998, 84). However, the widespread phenomenon of spin-offs arising within industrial districts emphasizes the role of the learning

process accomplished by the founders of the new firm prior to its legal establishment (Agarwal et al., 2004; Camuffo and Grandinetti, 2011; Dahl and Sorenson, 2014).

Through the spin-off mechanism, industry-specific knowledge and international experience are transferred from a parent company to a newly established one, and this transfer could be conducive to an accelerated foreign expansion of the new firm. Klepper (2002) showed, for example, that the firms best equipped to cope with the competition were those founded by people who had gained lengthy experience in leading companies within the same sector. Brugnoli (1990, 82) also highlighted that the previous occupations of the founders can contribute to the success of a new firm, when the experience accumulated allows the new entrepreneur not only to learn industry-specific knowledge, but also to consider the entrepreneurial activity both “feasible and attractive”, to acquire a “reputation and credibility” within the sector, and to develop adequate functional and general management skills.

In line with Kingh and Liesch (2016), who consider the *integration of different scientific fields* a good strategy for improving understanding of the born global phenomenon, the present work has built on the findings of the literature on industrial districts and on spin-offs in order to improve understanding of accelerated internationalization processes.

In sum, it is the intent of this study to underline that the strategic decisions of companies wishing to pursue rapid internationalization do not arise from nothing, but are often based on in-depth tacit knowledge of the sector, accumulated by their founders in previous work experiences as employees or managers of other district companies that operate in the same sector or in a related industry.

3. Methodology

On a methodological level, the study of a single sector is justified by the fact that the internationalization process may not have the same complexity in all industries (Lopez et al., 2009). In the present study the choice of the sector is justified by its specific characteristics.

The Italian firms operating within the range hood sector have a very high propensity to export their product, and they are concentrated in a limited territorial area (the district of Fabriano), where accelerated internationalization represents the rule, rather than the exception.

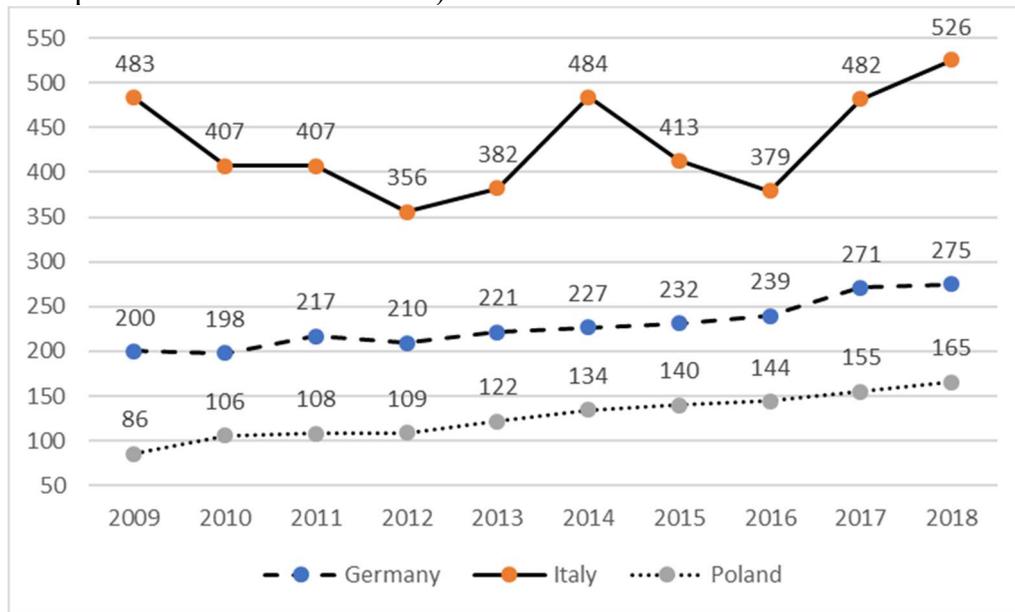
The research followed a methodology of exploratory cases with the scope of achieving a more in-depth and detailed understanding of the phenomenon of born global firms within a specific sectoral and territorial context (Yin, 2014). The analysis is based on one interview of almost three-hour with the founder and the administrative manager of the first firm, two interviews of two-hour with the founder and the administrative manager of the second firm.

The goal of the interviews was to understand how each company developed its first contacts with foreign customers, what kind of entry strategy it adopted, why it decided to immediately enter foreign markets, what role the previous work experiences of the founders played in the international firm’s development, and how the local context may have influenced the strategic decision to pursue rapid internationalization.

4. Main characteristics of the range hood sector in Italy

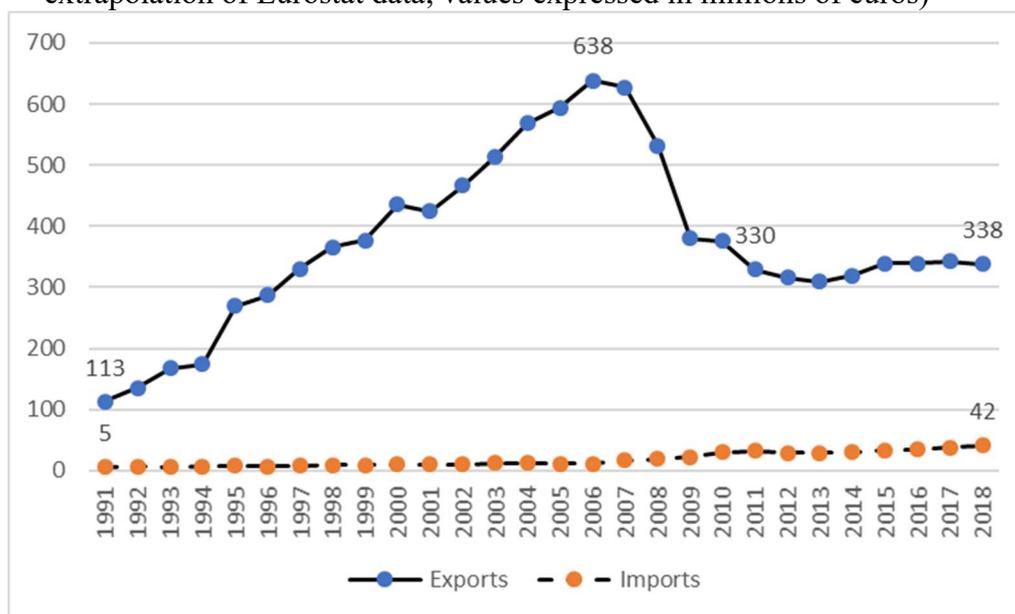
Data on the value of range hoods production from the main European producing countries is shown in Figure 2. In this sector, Italy is in a leading position, with much higher production values than those of Germany and Poland. According to 2018 Eurostat data, 46% of European production of range hoods, in value terms, was concentrated in Italy.

Figure 2 – Evolution of production values of the main European countries, specialized in the manufacturing of range hoods (our own extrapolation of Eurostat data; values expressed in millions of Euros)



Instead, Figure 3 shows the value figures relating to the dynamics of Italian exports and imports of range hoods from 1991 to 2018. It is plainly evident that the value of exports in 2009 fell to half of what they were in 2006. It should be noted that this huge drop in exports was not only due to the sharp decline of product demand, caused by the international financial crisis (which began in 2007/2008), but also to the decision made by the larger companies located in the Fabriano district to transfer production of their cheapest lines of range hoods to low-cost countries (Bellagamba, 2018).

Figure 3 – Evolution of Italian exports and imports of range hoods from 1991 to 2018 (our own extrapolation of Eurostat data; values expressed in millions of euros)



However, in the years following 2012, exports have tended to stabilize at levels that are significantly higher than those of imported hoods. As a result, the trade balance of the Italian range hood sector is still strongly positive and, according to Eurostat data, exports account for more than 80% of production in aggregate terms, even in more recent years (2017, 2018).

Moreover, according to Istat data, about 31-33% of Italian hood exports are directed towards non-European countries. This denotes the ability of Italian producers to export toward geographically distant markets, despite the increasing competition coming from low-cost producers, such as Poland, Mexico, Turkey, and China².

Another salient feature of the sector is *the strong geographical concentration of manufacturers in the Fabriano district*. In 2010, more than 85% the sector turnover at the national level came from companies located in the Marche (region) production pole (StudiaBo, 2012, 86). This characteristic is not accidental. It can be traced to the fact that in the late fifties, in this production area, an innovative firm introduced the first range hood for domestic use on the market (Bellagamba, 2018).

This company and the others (that arose around that first one) have been able to significantly improve the product offered, from both a functional and aesthetic point of view; the range hood was transformed into an object of design, which today represents a constant and indispensable element of the home kitchen's décor.

As noted by Fortis (2016, 153), the expansion of the companies in this industrial district "was particularly impressive in the late nineties". In 1999, exports of range hoods from the Ancona province (where the district is located) represented 55% of world exports and this figure was higher than that of the other two major exporters, Germany and Spain.

In recent years, the structure of this sector has undergone profound changes, and there has been a concentration of the supply by just a few leading firms, which have created very internationalized groups (Bellagamba, 2018). These groups operate both as sub-contractors of large manufacturers of household appliances (and in this case, they sell their products under the customer's brands) and as independent producers of own-brand products. According to some estimates, in 2010 just three companies controlled about 50% of the global range hood market (StudiaBo, 2012, 86).

Despite the two firms under investigation are small in comparison to the industry leaders, they differentiate themselves for design, technology, and quality of their offering. For confidentiality reasons, we called the two firms 'Alfa' and 'Beta'.

5. The Alfa case

5.1. Previous work experiences of the founder

Alfa was founded in 1997 by a former employee of the main range hood manufacturer in the Fabriano district, which employed (at that time) more than 900 workers and 85% of its turnover came from exports. The founder of the new business had joined the firm of origin in 1975, with a three-month technical assignment that consisted in assembling a rather complex painting plant. He had been chosen by the employer firm for his specific skills as a blacksmith and electrician that he had developed in his previous work as a craftsman.

At the end of the technical assignment, he was hired as a factory worker. Subsequently, the company owners entrusted him with increasing responsibilities: from department head he became factory manager, then head of purchasing and technical development and, finally, he

² Since 2019, China has become the world's largest exporter of range hoods, in value terms. Indeed, in the last 15 years Chinese hood exports have tripled from EUR 181 million in 2008 to EUR 548 million in 2019. (source: www.exportplanning.com).

took on the role of general manager from 1985 until 1995. At that point, the direction of the company was taken over by the owner and the assignment as general manager ended.

In the following year, he worked for another range hood manufacturer, localized in Jesi (a town near Fabriano). Then, in 1997, he decided to start a new business for the production of range hoods, with a small capital (equivalent to 103,000 euros of today) and with the support of three female collaborators for the administrative, commercial, and production areas respectively. Worthy of note is that the administrative director had also had previous work experience on which to draw. Indeed, she had worked for a paper manufacturer first and then, for a construction company, before embarking on the new entrepreneurial venture.

5.2. Features of the firm's international development

The company started its business selling its products exclusively to customers in foreign markets. It was twenty years after its establishment, i.e., in 2017, that it only then began to sell its range hoods on the domestic market.

It should be noted that this decision to enter the Italian market was the direct consequence of the company's response to the requests of a Ligurian distributor, who, after seeing and appreciating Alfa's products at the *Eurocucine* kitchen trade show convinced the founder to consider the possibility of selling range hoods in Italy, too. Thus, Alfa began an activity aimed at identifying distributors in the main Italian regions, who were not only willing to sell the products, but who also had the adequate skills and marketing competence to correctly sustain and promote this typology of product.

However, it should be stressed that the company's recent entry on the Italian market has in no way changed its basic connotation which remains strongly internationalized. Indeed, sales of Alfa products on the domestic market currently do not exceed 4% of the total turnover, which is still almost completely achieved on foreign markets.

The first foreign markets were chosen for their size, in terms of inhabitants. As pointed out by the founder during the interview: the company's expansion logic was to look for customers in those countries where they were more numerous. As he put it, "Where, perhaps, a few crumbs had escaped the big range hood producer and allowed the small one to enter the market."

Considering the number of inhabitants, Italy could also be an interesting market. However, the decision to exclude this country was made for two main reasons.

a) *The geographical dispersion and the fragmentation of Italian kitchen manufacturers and retailers.* Italian manufacturers of kitchen furniture (that is, the main customers of range hood producers) are dispersed over several regions (such as Tuscany, Veneto, and Marche) and they are also very small. This second element implies orders of small quantities of many different models of range hoods. The configuration of this industry in other, large European countries is very different. For example, in Germany there is a much higher concentration of producers and the top four make up a high share of the sector's total turnover. It is obvious that the establishment of business relationships with these customers offers the seller the opportunity to satisfy larger orders, often focused on just a few models of hoods.

b) *The huge differences in the terms of payment.* The founder pointed out that the terms of payment from Alfa's foreign customers, compared to those from Italian customers, are still very short today, ranging from 5 to 15 days after delivery of the goods. The practices of Italian customers are very different: often between missed initial payments, reminders, of post-dated checks, the actual payment could end up being made 150 days after delivery of the product.

Therefore, Alfa started to export to Germany and France and the target customers in these foreign markets were, essentially, kitchen manufacturers and importers of household appliances and household items. The company has never been interested in large-scale retailers because, although these operators are able to buy in large volumes, they usually

pay little attention to the quality of products and sell them at very low prices. Furthermore, it has never tried to sell its products to large appliance manufacturers because they were the main customers of the range hood manufacturer where the founder had worked for a long period of time, before establishing the new company.

Alfa developed its first relationships with customers in foreign markets in different ways. For example, the first contact with an important kitchen manufacturer in the French market happened thanks to a chance meeting with a salesman from a local range hood manufacturer (known to the founder in a previous occupation). This person put him in touch with an Italian buyer, commissioned by the French manufacturer to identify potential suppliers of kitchen components in the Italian market.

Instead, the initial relationships with some potential customers in the German market were developed by the founder thanks to a business trip, organized in 1997, to visit and show the first models of hoods to different customers distributed throughout Germany. The next step was participating in the biennial trade show in Cologne. However, one of the best opportunities to meet the most important kitchen manufacturers in Germany (such as Nobilia, Elke, and Nolte) came from attending a trade show (specialized in components and accessories for the kitchen sector) that Alfa's founder discovered thanks to the indications of a German agent. This fair takes place every year in northern Germany, where the largest, German kitchen manufacturers are located. It should be noted that at this particular trade show, Alfa was in an advantageous position, as it was the only range hood manufacturer to exhibit its products.

The founder gave another example of a fortuitous relationship that was forged with an important Dutch customer, thanks again, to a chance meeting, this time at an airport with an agent for a hood manufacturer located in northern Italy. This agent in charge of the Dutch market had just lost a major customer, as a consequence of the director's decision to fire his purchasing manager because he did not select suppliers with transparent approaches. As the agent became aware of the desire of the ex-manager (founder of Alfa) to set up a new business, he put him in touch with a Dutch customer, who would then place an order for 1200 hoods, assuring the company three months of production in the first year of activity.

Today most of the company's turnover comes from customers in major European countries and especially, from Germany (which generates 40% of the company's sales). In recent years, a commercial presence has also grown in farther markets, such as Egypt, Vietnam, Jordan, Dubai, Singapore, Tunisia, and Israel. Nevertheless, exports to these distant markets account for only a little more than 2% of turnover.

5.3. Main elements of the company's competitive strategy

The company was established with limited resources and a high use of production outsourcing. The founder already knew the main local suppliers of components and processing technologies and was also known by them. At an early stage, to enter the first foreign markets, the company designed hoods, which were positioned in the mid-range of the market and sold under its own brand. It then developed product lines with high-end items, focusing on product differentiation, through the offer of technologically advanced decorative hoods, with an innovative design.

However, the firm's differentiation strategy is not limited to the products but involves services, as well. Indeed, Alfa offers its foreign customers immediate availability of all products in the firm's range. More specifically, this service consists of making available a warehouse to each foreign kitchen manufacturer (or distributor), from which this customer can pick up the product according to his/her needs. Under this agreement, the range hoods are formally purchased (and paid for) by the customers when they are picked up from the warehouse that is conveniently located to them.

Another service that is part of the firm's differentiation strategy is rapid development of new hood models, particularly important in meeting the heterogeneous needs of individual customers. This service is made possible by the "platforms of products" used in the design of new kitchen hoods; this concept was developed by the founder, who relied on the technical skills he had gained in his previous occupations.

The use of platforms not only facilitates the production and assembly of components, to obtain the final product, but also simplifies the activity of technical service centers, accelerates the development of new hood models, and makes it easier to approve products that comply with the regulations of individual foreign countries that the company intends to enter. It should be noted that these same technical skills were then transferred to newly hired engineers directly by the founder himself, through internal training.

Today the company has a turnover of about 24 million euros, employs 110 people, and the organizational structure consists of a commercial office, with seven employees (who speak 11 different foreign languages), a customer service manager, a logistics coordinator, a designer (who is responsible for the rendering of products and the production of videos to explain to the customer how to install the products), and a technical office, consisting of eight highly qualified people and a laboratory.

6. The Beta case

6.1. The previous work experiences of the founders

Beta was established in 1996 by three former managers who had previously worked for a range hood company in the Fabriano district, which, at that time, was the second largest producer in terms of employees (with more than 400 employees) and the third largest, in terms of turnover. The founders' company had a strong international vocation and exported 98% of its turnover to more than 80 countries, located in all continents.

The majority shareholder of the new company had been the chief accountant of the company of origin. He had been hired at the time of its establishment in 1976 and, over the twenty years spent there, he was given increasing responsibilities, until he became general manager and partner of a subsidiary of the company, specializing in the production of electric motors. The second partner of the new company is German, and his previous experience involved range hood marketing in the German market. In the new firm, he was entrusted with the responsibility of Central European markets. The third partner (a minority stakeholder of the new firm) had occupied the position of production manager in the company he had originally worked for; in the new one he assumed the role of technical director. In addition to these three core figures, from the very beginning an accounting manager implemented an effective accounting system to control the costs and the revenues of products (on a quarterly basis) and a monthly economic plan to control the profitability of sales.

It is interesting to note that all three former employees decided to each leave the company where they were employed, when the owners ceded control of the company to a US multinational, which wanted to strengthen its commercial presence in European markets, where the acquired company had a consolidated position. This change had not compromised the positions of the three employees/managers, who had all been reappointed to new roles by the new owners. Therefore, the new company, Beta, was not born from a deliberate ousting strategy of the parent company, but from the autonomous impulse of the three employees to become entrepreneurs. This impulse may have been fueled, too, by a disagreement over the lines of strategic development of the parent firm, after the acquisition.

6.2. Features of Beta's international development

During the first years of activity (after its establishment) Beta exported 100% of its turnover and sales were directed toward two European countries: Germany, accounting for 80% of turnover and Spain, accounting for the remaining 20%. The absence of sales on the Italian market is tied to the founders' previous work experience. They seized on the opportunity to satisfy a foreign demand for the product, thanks to the foreign customers that the two founders already knew from their previous commercial experience.

These same founders set up a small company in Germany in 1996, which was responsible for the activities of marketing and technical assistance for the main markets of Central Europe. This commercial unit was headed by the German partner. The turnover initially achieved in Germany was developed essentially by this partner, who had overseen this area in his previous occupation, as well.

Moreover, the turnover generated from Spain derived from the contacts developed by the majority shareholder who, as general manager of the company of origin, had dealt with the Iberian market; in that capacity, he had personally met a distributor who would then be important for the start-up of the new company.

Thus, at the beginning, the German company followed the customers in Central European countries, while the Fabriano-based company, in addition to taking care of the production activity, followed the needs of the customers from the rest of the world. There is no doubt that the relationships developed by the founders in their previous work experience were vital for the start-up of the new firm. However, many new customers were later met, and relationships established in various ways, such as participation in trade fairs, through services offered by the Italian offices of foreign countries' Chambers of Commerce, on the Internet, etc.

The importing wholesaler is Beta's preferred channel of distribution. At the beginning, more than 50% of the turnover came from a German wholesaler. As the number of customers increased, the German wholesaler's share gradually decreased. Moreover, to serve the French, US, and UK markets more attentively, the company created three small (micro) companies consisting of the owner and one employee.

Beta entered the Italian market a few years after its establishment. By the year 2000, the company's range hood sales in Italy accounted for approximately 30% of total sales. Today, the company reports a turnover of about 13 million euros and 41 employees.

6.3. Main elements of Beta's competitive strategy

Since its inception, the company's competitive strategy has been based on two fundamental elements:

- a) the search for a distinctive competitive positioning, aimed at meeting the needs of the mid-high and very high end of the market, which were not adequately met by the other local competitors;
- b) the choice to maintain a very lean production system, that is, with a low level of vertical integration.

The founders have always sought to differentiate their products from the competitors', especially to avoid directly competing with the company in which they had previously been employed. In fact, because of this differentiation, several foreign customers who had started to buy the hoods from the new company continued, nevertheless, to buy from the company of origin of the founders, because the product ranges of the two companies addressed different market groups and had distinctive characteristics. Only later did the company expand the range of products offered, introducing cheaper models to meet the needs of customers in emerging

markets, such as India, Eastern Europe, Russia, and South America. In these geographical areas, customers were less likely to buy luxury hoods.

The company has always been characterized by a high propensity to innovate. In 1997 it launched an aspiration hood with an aluminum fan and shell, which featured very low noise, despite its very high suction capacity. Another innovative product was the “compatible modular system”, which allowed the customer to compose up to 250 different product options, by combining the various models of the two components of the hood. Today, the company continues to show a high innovative propensity and a tendency to offer high-end products, such as the new downdraft hood models.

The previous occupation(s) of the founders was relevant, not only for the international firm’s expansion, but also in the design and development of the first models of range hoods. Indeed, in their previous experience they had the opportunity to assess which products were received most favorably by the market. As stated by one of the founders during the interview, the company of origin offered a wide variety of models, but only a few “actually” made up a significant share of the turnover. This knowledge was particularly useful in the development of the first hood models. Moreover, previous experience was also instrumental in reducing problems and flaws in the design of new hood models.

7. Conclusions and implications

From the analysis of the two cases of rapid internationalization it clearly emerged that the observed companies cannot be considered “born global” but rather, “born international” or “born regional”. Despite exporting a high share of turnover, in fact, it occurred only in markets within their continent of origin.

More specifically, immediately after their establishment Alfa and Beta, instead of selling their products on the domestic market, exported substantial percentages of their turnovers toward other European countries (and especially to Germany). This empirical evidence is coherent with the thesis of the regionalization of a company’s internationalization processes and the consequent rarity of truly born global firms (Rugman and Verbeke, 2004; Braunerhjelm and Halldin, 2019).

The decision to sell first in foreign markets and only later in the Italian market was motivated by the greater attractiveness of the former compared to the latter. Indeed, these markets had more favorable structural characteristics than those of the Italian market and were much more advantageous in terms of payment lead times.

The two companies in this study were born as spin-offs of highly internationalized medium-sized companies. As evidenced in many prior studies, this way of creating new businesses represents the basis for the formation of the industrial districts’ entrepreneurial fabric. Moreover, spin-off is also an important conduit for the transfer of tacit knowledge between companies. In both spin offs, the founders’ previous employments were a significant factor developing in-depth knowledge of the opportunities present in foreign markets, to assimilate an “international vision” of the business, to form functional and general management skills, and to acquire a certain reputation and credibility within the sector.

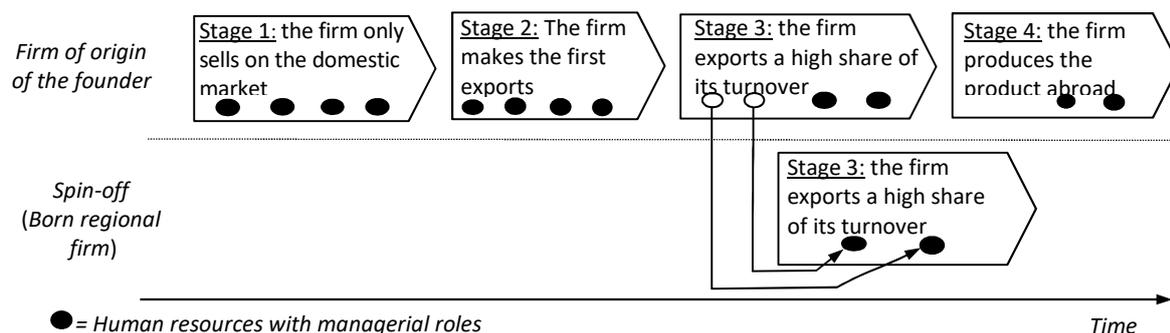
In addition, the personal relationships developed in the founders’ previous work were instrumental to identifying their first trading partners in the foreign markets (Sharma and Blomstermo, 2003). Furthermore, former experience also conditioned the strategies pursued by the new firms too. In fact, both firms tended to adopt product strategies and entry modes that aimed to avoid situations of direct competition with the founders’ original employers.

In conclusion, as shown in Figure 4, in the case of spin offs, it can be assumed that born regional firms are able to skip the first phases of the traditional international stage models, when the founders (or the components of the company’s management team) have already experienced

these stages and the related learning processes inside the firm where they had worked, before starting the new business (Reuber and Fischer, 1997). In the two cases observed in this study, the new firms were ‘new’ in relation to their establishment date but were ‘old’ in terms of the experience of their founders (Michailova and Wilson, 2008)

This study has important implications for companies and for policy makers. At the managerial level it highlights the relevance of tacit experiential knowledge, acquired by the founders of the born regional firms through prior working experience within the district, for rapid penetration of the new firm in foreign markets. However, the knowledge needed for early export success is not limited to that gained by the founders in foreign market activities, but also includes know-how and experience in product innovation and operation management - essential for making innovative products with high quality standards - and in the administrative field - important for controlling costs, revenues, and profitability of products, customers, channels, etc. (Laanti et al, 2007). Moreover, new firm founders should not only strengthen pre-existing personal relationships within the industrial district but should also proactively develop new external relationships to acquire the knowledge needed to successfully design, manufacture, and commercialize their products in foreign markets (Freeman et al., 2010).

Figure 4 – Simplified scheme of the international “stages” followed by the company of origin of the founder and by the born regional spin-off (our own extrapolation based on the empirical analysis).



In relation to public policies implications, they should aim at preserving the economy of those industrial districts severely affected by the competition coming from products manufactured in low cost countries. In this context, born international firms could revitalize the cluster and public policies could encourage a new generation of spin-offs through training programs that would enhance the entrepreneurial capacity of talented employees with a strong international orientation (Eurofound, 2012). Experienced managers, possessing in-depth knowledge of the industrial sector and of the main foreign markets, are critical resources for the creation of new, highly internationalized firms. The birth of these firms can have a positive effect on the cluster’s capacity to cope with international competition, especially when its firms try to differentiate their products and market targets from the parent companies in order to fill gaps they have perceived in current products or services (Porter, 1998).

The main limitation of this work concerns the results that can only be applied within the industrial sector examined and cannot be generalized. However, the study has some valid cues for future research developments.

First of all, future analysis should measure the firm’s internationalization in term of geographical extension as well as intensity, clearly distinguishing born regional from born global firms, because the determinants of the two paths could be very different. The regional

path, for example, has been strongly encouraged by integration policies implemented by governments over the last few decades (D'Angelo et al., 2013).

Another interesting aspect to be further developed concerns the distinction of firms based on the dynamics of their international expansion (Hagen and Zucchella, 2014). For example, the observed firms showed an “inverted internationalization” dynamic, as they entered the domestic market only after they consolidated their sales in foreign countries.

Third, future research should consider the influence of different typologies of start-up firms, clearly distinguishing between industrial district spin-offs and other types of start-ups. This distinction is relevant because of the influence of the diverse learning mechanisms accessible to them which consequently impacts their internationalization paths. Industrial district spin-offs, for example, can rely on congenital and local knowledge to expand rapidly in foreign markets, while other start-ups must leverage on other learning mechanisms (Pellegrino and McNaughton, 2017).

Fourth, future research could also investigate how the different characteristics of industrial districts (size, type of specialization, structure, etc.) either promote or hamper firms' rapid internationalization (Pouder and John, 1996; Grandinetti, 2019).

Finally, future quantitative studies should measure a company' experience considering both the number of years since its establishment as well as the number of years' experience gained by the founder(s) (or by the components of the firm's management team) during previous work activities within strongly internationalized firms.

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