

Where Do Born Globals Come from? A Neoconfigurational Institutional Theory

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Abstract. Born globals, recently established firms that obtain a substantial share of their revenue from foreign markets, can help strengthen countries' economic vitality and increase innovation levels. The extent of born global formation varies considerably across countries, yet it is unclear why this is the case. Drawing on the neoconfigurational institutional perspective, we develop a typology of institutional contexts associated with high born global formation rates. We posit that high rates of born global formation occur where institutional features favorable to border-spanning activities complement institutional features conducive to entrepreneurial activity, thus forming an institutional configuration that enables, equips, and motivates more societal members to launch born globals. Accordingly, we hypothesize a primary institutional configuration where international transaction facilitators, entrepreneurial educational capital, and entrepreneurial norms combine to propel born global formation. Further, we draw on the internationalization literature to propose two alternative types of institutional configurations conducive to born global formation. These two types provide functional substitutes for the primary type and are distinctly propelled by (1) escapism from low-quality public governance institutions or (2) immigrant entrepreneurship. Fuzzy-set qualitative comparative analysis on data from 66 countries supports our typology and illustrates why born global activity may thrive even in contexts with institutional weaknesses. Our study develops a neoconfigurational model to advance a holistic understanding of the born global phenomenon's theoretical drivers, contributing to research on comparative capitalism and international entrepreneurship.

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Keywords: born global • international entrepreneurship • national institutional context • neoconfigurational approach • fuzzy-set qualitative comparative analysis

Introduction

Born globals, “young companies that derive a significant portion of their revenue from international sales” (Cavusgil and Knight 2015, p. 4), have become prevalent worldwide. This form of international entrepreneurship can help boost countries' economic vitality, employment, and innovation levels (Moen 2002, Hessels and Van Stel 2011). Although early internationalization entails an “exponentially more complex and vastly expanded” economic and political landscape to navigate for entrepreneurs (McNaughton and Pellegrino 2014, p. 235), noteworthy numbers of young ventures from many countries overcome these challenges to pursue business opportunities abroad from inception or very shortly thereafter. However, the extent of born global formation varies significantly across countries, and there are unanswered questions as to why (Reuber et al. 2017). For instance, why does the Netherlands' born global formation rate more than double Denmark's and Peru's more than

quadruple Ecuador's?¹ Indeed, there is substantial variation among all income levels and regions; this variation is not incidental and cannot be adequately explained by economic wealth levels.²

A limited stream of research argues that the national institutional context is important in influencing young ventures' propensity to create value across borders (Fan and Phan 2007). This notion is consistent with the view that the broader institutional context plays an important role in “shaping who decides to found an organization, the types of organizations that are founded, and their structures” (Sine and David 2010, p. 2). Yet, theory on institutional drivers of early internationalization remains nascent (McNaughton and Pellegrino 2014). Although international business literature is replete with theories of internationalization, they are not well suited to born global firms (Cavusgil and Knight 2015). Such firms rely more heavily on the institutional context for resources and are more susceptible to its adverse conditions (Bruton

et al. 2010). Unfortunately, it is particularly for these firms that we have less understanding of the role of institutional context.

In this study, we help address this shortcoming in the literature by developing a typological theory of the ways in which the national institutional context propels born global formation. We depart from prior, linear methods-based work on the institutions-entrepreneurship link (Stenholm et al. 2013) and draw on a neoconfigurational institutional approach (Misangyi et al. 2017), whereby different features of the national institutional context are examined in concert. That is, features that combine into equifinal institutional configurations, complementing or substituting for each other to channel societal member effort toward born global formation.³ Such an approach is particularly appropriate to examine born global formation because of the inherent complexity and multiple challenges involved in early internationalization (Madsen and Servais 1997).

Building from groundwork laid by Thornton (1999) and based on our synthesis of existing research, we hypothesize a primary type of institutional configuration whereby countries combine (1) demand-pull institutional features facilitating international commercial and financial transactions with institutional features favorable to the supply of high-potential new ventures, specifically (2) educational systems that promote entrepreneurial skills (Levie and Autio 2008) and (3) entrepreneurial norms in society (Alvarez et al. 2011). Although the presence of each of these three features of the institutional context, in isolation, falls short in propelling high born global formation rates, when all three are present together, it creates a tripod that enables, equips, and motivates societal members to form born global firms.

However, this is not the only type of institutional configuration conducive to high born global formation rates. Born globals are also flourishing in countries with weaknesses in at least one of the institutional features of the primary type (Tiwari et al. 2016). This presents a challenge to existing literature, which has focused mostly on firm-and individual-level explanations in advanced economies (Sapienza et al. 2006) and has, consequently, been piecemeal and atheoretical (Knight and Liesch 2016). Accordingly, we draw from adjacent internationalization literature to propose two additional types of institutional configurations favorable to high rates of born global formation. These two types provide functional substitutes for the primary type and are distinctly propelled by the respective mechanisms of *escapism* (Noorderhaven et al. 2004, Dickson et al. 2013) and *immigrant entrepreneurship* (Drori et al. 2009). In the former, low-quality public governance institutions motivate societal members to resort to launching new ventures

oriented toward foreign markets (Witt and Lewin 2007), thus acting as a functional substitute for the motivation that comes from entrepreneurial norms in other contexts. In other contexts where entrepreneurial norms and/or educational systems promoting entrepreneurial skills are weak, entrepreneurs from immigrant communities may offset such weaknesses (Drori et al. 2009). We find support for our proposed typology using fuzzy-set Qualitative Comparative Analysis (fsQCA) and data covering 66 countries. In addition, our analysis yields another unexpected institutional configuration anchored in high-quality public governance, allowing us to refine and extend the typology.

Our study bolsters understanding of the foundations of born global formation by introducing a typology encompassing both developed and developing economies. This typology explicates the key complementarities and substitutions among features of the institutional context driving born global formation, and it demonstrates why born global activity thrives even in contexts with institutional weaknesses. Departing from piecemeal approaches characterizing prior research, our neoconfigurational approach leverages the notions of conjunctural causation and equifinality to demonstrate the importance of institutional bundles in born global formation, extending the neoconfigurational perspective to international entrepreneurship research (Tolbert et al. 2011, Hiatt and Sine 2014). Further, we advance research on the institutional drivers of different *types* of entrepreneurship (e.g., Bowen and De Clercq 2008, Stenholm et al. 2013), thus contributing to a more accurate understanding of how national institutional features may propel one type of entrepreneurial activity but not others (Bowen and De Clercq 2008, Terjesen and Hessels 2009, Stephan et al. 2015).

Institutional Context and Born Global Formation

The consensus of systematic reviews on the drivers of internationalization of smaller and younger firms has been that the literature is fragmented and lacks conceptual clarity (Knight and Liesch 2016). This is particularly the case at the country level, despite the wealth of research on country-level drivers of entrepreneurship in general (Bruton et al. 2010). For instance, McNaughton and Pellegrino (2014) note that the literature on institutional drivers of the formation of international entrepreneurial firms remains scant, and Keupp and Gassmann (2009, p. 602) point out that prior studies “have not used any specific theoretical framework at all, neither from IB [international business] nor from entrepreneurship theory” in examining why some countries are more internationally

entrepreneurial than others.⁴ This is a major shortcoming of the born global literature because institutions have a disproportionate impact on smaller and younger firms (Li Puma et al. 2013), but institution-based theorizing on internationalization has primarily focused on larger and older firms.

Despite these shortcomings, there have been important findings that can serve to identify key features of the institutional context for born global formation. Thornton (1999) argues for the need to combine supply- and demand-side explanations to offer a complete understanding of variation in entrepreneurial phenomena. The supply-side perspective “focuses on the availability of suitable individuals to occupy entrepreneurial roles” (Thornton 1999, p. 20), whereas the demand-side perspective focuses on the contextual features that shape the economic payoff for entrepreneurial activity (see also Casson 1995, Choi and Phan 2006). In our model of born global formation rates, institutional features that relax international transaction barriers, or *international transaction facilitators*, present individuals with international opportunities and pull these entrepreneurs across borders on the demand side. Alternatively, *entrepreneurial educational capital* supported by formal educational institutions and entrepreneurial motivations stemming from societal norms, *entrepreneurial norms*, act on the supply-side to push individuals to create new ventures.⁵ We discuss each of them in turn.

International Transaction Facilitators

A key feature of the institutional context that emerges from the literature is regulatory institutions shaping the demand side of, or opportunities for, born global formation (Fan and Phan 2007, Mudambi and Zahra 2007, Efrat and Shoham 2012, Cavusgil and Knight 2015). Two such international transaction facilitators are highly relevant in allowing young ventures to create value in foreign markets.

First, evidence shows that there are more opportunities for early internationalization in economically open countries where the regulatory burden on *cross-border flows of goods and services* is low (De Clercq et al. 2008). Limited governmental intervention in crossborder flows reduces transaction costs and allows small new ventures to benefit from foreign opportunities (Portes and Rey 2005). A survey in Canada showed that 78% of ventures reacted positively to free trade agreements, although it took them a few periods to internalize the shift in government policy into their organizational processes (Julien et al. 1994). Minimizing crossborder barriers can also facilitate access to international knowledge flows (Grossman and Helpman 1991) and thus, the ability to identify business opportunities in foreign markets. Indeed, a critical way in which born global ventures can leapfrog slower

internationalization approaches is by relying on networks and strategic alliances to leverage the resources and capabilities of other firms (Freeman et al. 2006). Such a strategy requires that the ventures have the opportunity to engage and transact with stakeholders across borders. Acs and Szerb (2007, p. 113), for instance, argue that entrepreneurs who aspire to compete globally require “the ability to move quickly and contract for the least cost, highest quality inputs, wherever they may be found. They also need to sell to purchasers wherever they may be located.” This is not feasible in economies in which there are government-imposed barriers that inhibit the international flow of economic inputs and final products.

A second international transaction facilitator that can aid in increasing the born global formation rate is the degree to which a country’s financial system is integrated into the global financial system. *Financial integration* increases foreign venture capital investment (Alhorr et al. 2008), thus promoting born global ventures, which require capital for rapid scaling (Gabrielsson and Kirpalani 2004). At the country level, fragmented financial systems “constrain the range of financing sources and investment opportunities, limit scale economies and leave possible liquidity advantages unexploited” (Hartmann et al. 2007, p. 14). Conservative measures such as bootstrapping or borrowing funds from friends and family may be inadequate for the scale and capabilities required for early internationalization. A globally integrated set of financial institutions allows risk sharing, as financial institutions cooperate and compete across borders (Alfaro and Charlton 2006), which in turn, decreases the cost of capital and financial exchange abroad. Having such financial allies may also help safeguard new ventures from bankruptcy and reduce concerns about expropriation or contract repudiation by the government or other powerful actors both at home and in foreign locations (Li Puma et al. 2013).

However, exclusively focusing on international transaction facilitators of the institutional context is insufficient. South Korea and France exhibit international transaction facilitators, yet these countries yield relatively low born global formation rates. If the supply of abilities and motivation to launch ambitious new ventures among societal members is not prevalent, these international transaction facilitators may not result in increasing born global formation rates. A more holistic conceptual framework of complementary institutional features is warranted.

Entrepreneurial Norms

Existing research suggests that another key piece is *entrepreneurial norms* fostering motivation among societal members. Forming new ambitious ventures, such as those aiming to cross national borders, involves

high risk and large amounts of time, effort, and resource commitment. Commitment to go “all in” on the venture is often critical, but such motivation may vary across countries. Terjesen and Hessels (2009) find that young firms in Asian countries, even those with high-quality formal institutions (i.e., laws and regulations favoring the creation of new ventures), are less likely to internationalize, possibly because of weak entrepreneurial norms acting as deterrents. Prior work points to normative societal characteristics that influence the willingness of societal members to engage in entrepreneurship (Steensma et al. 2000), namely “the extent to which existing social and cultural norms encourage, or do not discourage, individual actions that may lead to new ways of conducting business or economic activities” (Alvarez et al. 2011, p. 124).

Entrepreneurial norms provide cues of taken-for-granted behaviors that may include a fondness for risk, proactiveness, and optimism. At the country level, the prevalence of such dispositions and their associated behaviors varies significantly. For instance, Simmons et al. (2019) argue that societal stigmas surrounding entrepreneurs who fail can negatively influence entrepreneurs’ entry decisions. Furthermore, the relative unwillingness of societal members to take risks may mean that those who do fail suffer significant negative repercussions (Simmons et al. 2019). All of this reduces motivation to take business risks. According to Turró et al. (2014), “business formation rates vary from society to society ... these differences occur because different cultures hold different beliefs about the desirability and feasibility of beginning a new enterprise” (Turró et al. 2014, p. 362). For instance, in 2014, 79% of the Dutch viewed entrepreneurship as a good career choice compared with just 30% of Japanese (Global Entrepreneurship Monitor 2014). Entrepreneurial norms are thus a critical feature of the institutional context surrounding the launching of ambitious ventures, including born globals (Mueller and Thomas 2001).

Again, however, this explanation of born global formation rates is insufficient. Several countries with prevalent entrepreneurial norms do not have societal members who engage extensively in born global activities. Uganda and Ecuador display strong entrepreneurial norms, evident in their high total entrepreneurship rates, but neither have high born global formation rates. For born global formation to occur at a relatively high rate in a country, motivation stemming from entrepreneurial norms is likely a key ingredient, but it must be examined in conjunction with complementary features of the institutional context that provide international transaction opportunities and instill abilities to identify and seize such opportunities (Shane et al. 2003), thus channeling effort into born global formation.

Entrepreneurial Educational Capital

Prior research suggests that entrepreneurs’ knowledge and capabilities are also salient for launching ambitious new ventures (Madsen and Servais 1997, Oviatt and McDougall 2005, Acedo and Jones 2007, McGaughey 2007, Weerawarden et al. 2007, Zhou 2007, Prange and Verdier 2011, Del Sarto et al. 2021). Work on entrepreneurial scripts and other cognitive structures indicates that these abilities can be developed via training, deliberate experiences, and education (Mitchell and Chesteen 1995, Van der Sluis et al. 2008, Smith et al. 2016). Education specifically focusing on the promotion of entrepreneurship is instrumental in driving a country’s entrepreneurial effort (Solomon et al. 1994, Bowen and De Clercq 2008) because educational systems that allocate specific consideration to entrepreneurship are more likely to generate individuals who can identify and pursue promising market opportunities (Chen et al. 1998). Similar to Bowen and De Clercq (2008), we term this institutional feature *entrepreneurial educational capital*. As human capital theory notes, the expected yield on investment in human capital is greater when such investment is more tailored to its planned use (Becker 1975).

The comparative capitalism literature provides ample evidence for the substantial crosscountry differences among human capital formation systems (Goergen et al. 2012), including differences in the extent to which the educational system encourages entrepreneurship and instills knowledge pertaining to market principles and the starting of a new business to exploit market opportunities (Knight and Cavusgil 2004, Bowen and De Clercq 2008). The educational system also plays a critical role in shaping the entrepreneurial abilities of societal members by diffusing logics that shape societal member cognition toward entrepreneurial opportunities. Countries where the educational system emphasizes entrepreneurship are more likely to produce entrepreneurial educational capital, a supply of individuals with an entrepreneurial mindset calibrated toward sensing and acting on market opportunities (Haynie et al. 2010).

However, an explanation for differing born global formation rates across countries that relies solely on entrepreneurial educational capital is again insufficient. Norway and Finland, for instance, have relatively low born global formation rates despite their advanced entrepreneurial educational capital. Yet, other countries with very similar wealth, size, and entrepreneurial educational capital (e.g., Austria and Switzerland) have much higher born global formation rates. Consistent with the idea of resource churn (Lazzarini 2015), Wennekers (2006) argues that institutional features such as entrepreneurial educational capital may propel the supply side of entrepreneurial

activities, but features that shape the demand side, such as those affecting the cost of doing business, are just as important. Stenholm et al. (2013) argue that “even in an otherwise fertile environment for born global formation, there may be institutional limits that further promote or inhibit productive, growth and innovation oriented entrepreneurial activity” (Stenholm et al. 2013, p. 182). If these limits are sufficiently high, like in the case where societal norms discourage risk taking or the regulatory environment does not provide opportunities for crossing national borders, born global formation may not be realized in high quantities (Langlois and Robertson 1995).

A Neoconfigurational Institutional Explanation of Born Global Formation Rates

The theoretical issues and examples detailed suggest that to account for country-level differences in born global formation rates, we should consider the three features provided by the institutional context simultaneously. The comparative capitalism literature indeed highlights that the choices of economic actors are shaped by varying gestalts of interacting institutions (Jackson and Deeg 2008). Accordingly, we use a neoconfigurational approach to piece together various conceptual fragments at the country level in a way that both reflects the empirical reality and provides a parsimonious and generalizable institution-based model. A neoconfigurational perspective on institutions implies that these institutional features are complementary and combine to form an institutional context that propels born global enterprise formation. Further, institutional features conducive to born global formation in some contexts “may be irrelevant in other contexts because of alternative pathways that involve a (partially) different set of institutional features” (Pezeshkan et al. 2020, p. 9) that act as functional substitutes. These neoconfigurational notions of conjunctural causation and equifinality allow us to build a typology of how the key features of the institutional context identified complement or substitute for one another in producing born global-propelling types (Misangyi et al. 2017).⁶ We propose three types and label them.

Institutional Configurations and Born Global Formation Rates: A Polythetic Typology

Type 1: The Loam Soil. We label the first primary type of institutional configuration *Loam Soil*. Loam soil is the ideal combination of the three main types of soil (sand, silt, and clay) that is ideal for fostering most plant life. Analogously, this foundational type of institutional configuration conducive to high born global formation rates stems from our overarching theoretical

premise that countries combine the three key features (1) international transaction facilitators, (2) entrepreneurial norms, and (3) entrepreneurial educational capital to yield high rates of born global formation.

To enable new ventures to cross borders, the Loam Soil type features international transaction facilitators: crossborder economic freedom to allow for the flow of economic inputs and outputs (Portes and Rey 2005) and financial system global integration enabling the flow of critical financial capital to new ventures as well as the movement of capital to finance foreign operations (Alhorr et al. 2008). Additionally, the Loam Soil type exhibits entrepreneurial norms. The higher risk associated with launching new ventures into foreign locations (Zahra et al. 2005) makes them much more likely to emerge in countries where norms such as risk taking and self-efficacy are prevalent (Busenitz et al. 2000, Thomas and Mueller 2000, Zhang and Dodgson 2007) and thus, reduce its members’ hesitancy to find innovative economic solutions in unfamiliar yet promising markets (Hechavarría 2016). Indeed, in countries where entrepreneurial norms are dominant, engaging in new ventures is often perceived as an ordinary and even laudable pursuit (Greenman 2013). As successful individuals and groups are observed and celebrated, society becomes more positively inclined toward launching ambitious ventures. Finally, in Loam Soil-type institutional configurations, the country’s educational and training system generates entrepreneurial educational capital by providing instruction in market principles, adequate attention to processes involved in new firm creation, and the ability to recognize opportunities (Baron 2006).

In the Loam Soil type, institutional features reinforce each other. For instance, the educational system and entrepreneurial norms instill societal members with the abilities and motivation to launch high potential new ventures. Yet, if international transactions are burdensome or costly, societal members will be more likely to allocate their entrepreneurial efforts domestically. Alternatively, high entrepreneurial educational capital may be insufficient if societal norms do not support entrepreneurial behaviors. In such cases, the supply of entrepreneurs sufficiently motivated to engage in born global formation may be limited, and societal members might channel their efforts toward intrapreneurship as employees of larger, existing organizations. In sum, by combining the complementary features discussed, the Loam Soil institutional configuration provides for high rates of born global formation.

Hypothesis 1. *The Loam Soil national institutional configuration will be conducive to high rates of born global formation at the country level.*

The Loam Soil represents a logical and internally coherent institutional configuration for fostering high

Q:10

Q:11

born global formation rates. However, recent literature and notable anecdotal evidence suggest that many countries with weaknesses in some of the institutional features discussed also exhibit substantial levels of born global formation (e.g., Dib et al. 2010, Varma 2011). For instance, a number of countries from Africa, Latin America, and Eastern Europe show relatively high levels of born global formation rates despite institutional features that are inconsistent with the Loam Soil type, which is more prevalent in advanced economies (Peng et al. 2010). Accordingly, we build on prior research to propose two alternative types of institutional configurations conducive to born global formation. These institutional configurations provide functional substitutes to some features of the Loam Soil type, thus forming alternative gestalts that propel the formation of born globals.

Type 2: The Coiled Spring. Coiled springs store potential energy that may be released. This energy seeks to escape but only does so under the right conditions, the removal of constraints. Analogously, the *Coiled Spring* type of institutional configuration produces high born global formation rates via escapism. The notion of escapism stems in part from the international business literature, which increasingly recognizes that firms and entrepreneurs resort to the internationalization of business activities to escape challenging institutional contexts (Witt and Lewin 2007). For instance, Fan and Phan (2007) find that international new ventures in the airline industry are largely a product of constraining home country institutional features. Dickson et al. (2013) suggest that traditional models of internationalization may not apply well to young, small firms because they rely more heavily on the external environment than larger, more munificent, and capable firms. In a sample of small firms from nine countries, they find that internationalization is driven by seeking economic environments with better property protection frameworks. In the Coiled Spring type, we argue that the absence of high-quality public governance serves as a push motivational factor, thus substituting for entrepreneurial norms by increasing willingness to launch born globals where such norms are weak. Public governance quality refers to the degree to which government institutions are reliable, maintain public order, and promote the rule of law (Fainshmidt et al. 2016). Anecdotaly, Romania, Panama, and South Africa all have relatively weaker entrepreneurial norms but high born global formation rates, which may be fueled by entrepreneurs' desire to escape weak public governance institutions.

There are at least three interrelated weaknesses in public governance that may motivate entrepreneurs to explore international rather than domestic markets.⁷ First, political instability increases uncertainty

about the continuity of laws and regulations. Unstable regimes lead to cynicism about the future (Pelletier and Bligh 2006). Indeed, a strong likelihood of political turmoil can shape resource allocation decisions (e.g., Hoffmann et al. 2009, Huang et al. 2015), with individuals less likely to invest in their respective futures, directly reducing entrepreneurship and other risk-taking behaviors locally.

A second major channel in which weakness in public governance reroutes domestic entrepreneurship into foreign markets is through poor property rights protection, which can drastically increase transaction costs because of high levels of uncertainty and opportunism (De Soto 2000, Williamson 2000). That is, fear of expropriation or broken contractual obligations makes entrepreneurs hesitant to form lasting local commitments. In response to this climate, entrepreneurial individuals may channel their effort into foreign markets (or even into illegal activities).

Third, corruption causes a litany of problems for individuals seeking to create businesses locally. In societies with high levels of corruption in the public sector, entrepreneurs face a substantial risk that local partners, state officials, and powerful business elites will behave opportunistically (Anokhin and Schulze 2009). This makes attaining important permits and patents difficult. "Since demand for these endorsements is high, their dissemination tends to be marked by corruption in many societies" (Fainshmidt et al. 2016, p. 87). Corruption also reduces information flows, jeopardizes contracts, and creates uncertainty in strategic planning (Gabrielsson and Kirpalani 2004, Freeman et al. 2006). In such circumstances, more entrepreneurial talent and effort may be allocated internationally.

Despite the outward push that low-quality public governance institutions may exert, we argue that for substantial born global formation to take place in such contexts, both entrepreneurial educational capital and international transaction facilitators are also needed. Without a system to instill entrepreneurship abilities and mindset in a society, fewer societal members will be able to leverage their motivation into border-spanning ventures because they lack foundational knowledge regarding market principles and the entrepreneurial process (Van der Sluis et al. 2008). Entrepreneurial educational capital makes more societal members likely to seek and identify business opportunities (Mitchell and Chesteen 1995), thus channeling their frustration with domestic public governance into business opportunities abroad. Similarly, international transaction facilitators allow potential entrepreneurs to interact and efficiently transact with stakeholders abroad, thus drawing more societal members to channel domestic institutional obstructions into born global ventures (Maas et al. 2015). In such situations,

societal members may seek suppliers, customers, and business partners in foreign locations. Furthermore, free trade allows born global firms to connect with, in many cases, superior institutional frameworks outside their own country and further aid in their escape even as they benefit from cost advantages in their home countries (Ginsburg 2005). Weak public governance is not necessarily internally consistent with these positive aspects of the institutional context, but when it configures with entrepreneurial educational capital and international transaction facilitators, it spurs adaptive behaviors conducive to high born global formation rates.

Hypothesis 2. *Weak public governance can act as a functional substitute motivating born global formation under conditions of low entrepreneurial norms; hence, the Coiled Spring type of national institutional configuration will be conducive to high rates of born global formation at the country level.*

Type 3: The Magnet. In another situation where not all features of the Loam Soil are present, the Magnet type of institutional configurations is a viable alternative with features that *pull* would-be international entrepreneurs (i.e., immigrants) from the outside. Prior research highlights the important role that immigrant populations can play in the formation of border-spanning ventures (Drori et al. 2009). Yet, countries differ in the prevalence of immigrant populations (Salaff et al. 2002). In Qatar, Israel, Singapore, and Kazakhstan, among others, immigrants make up over 20% of the population, and these countries exhibit high born global formation rates.

The Magnet configuration relies on populations embedded in dual contexts to substitute for entrepreneurial educational capital and entrepreneurial norms. In terms of entrepreneurial ability, immigrants can identify market inefficiencies and international opportunities not recognized by natives (Drori et al. 2009, Dutia 2012). According to Achidi Ndofor and Priem (2011), large portions of immigrant entrepreneurs possess substantial social and human capital conducive to ambitious forms of entrepreneurship. Social capital grants immigrant entrepreneurs contact with various information streams about entrepreneurial opportunities, and their dual embeddedness affords unique human capital, including cultural skills that increase their latitude in pinpointing crossborder prospects and negotiating with intermediaries. Immigrant entrepreneurs use ethnic networks to locate suppliers, customers, employees, and capital in order to launch born global companies (Salaff et al. 2002) as well as leverage contacts overseas and within the local diaspora to manage the business formation process (Dutia 2012). Morgan et al. (2018) found that

immigrant entrepreneurs have enhanced cognitive resources stemming from prior knowledge and international experiences, which allow them to identify opportunities that they are well suited to seize (i.e., first person rather than third person opportunities) (Haynie et al. 2009). The human and social capital of immigrants often enables the sensing and pursuing of opportunities to internationalize back to the home country or region (Casson and Giusta 2007). Consequently, the abilities of immigrant populations increase their likelihood to form a born global firm and may thus serve as an alternative to a country's entrepreneurial educational capital.

A substantial immigrant population may also serve as a substitute for a country's entrepreneurial norms in that immigrants tend to be more inclined toward risky, entrepreneurial behaviors. Two arguments are relevant here. First, populations that are willing to start a new life in a new country are more likely to be risk neutral or even risk seeking (Busenitz and Lau 1996). For instance, Vandor (2021) found that immigrants' proclivity for entrepreneurship occurs in large part because of their greater willingness to take risks and need for achievement. Furthermore, because of this willingness to take risks, immigrant entrepreneurs are more likely to pursue risky opportunities in competitive environments (Kerr and Kerr 2016), including international markets (Morgan et al. 2018). That is, immigrant populations are likely self-selecting, possessing the kinds of motivational dispositions conducive to born global formation. Second, in many cases, it is more difficult for immigrant populations to find local jobs because of language and cultural barriers, lack of locally valued educational credentials, and the relatively slow process of integration (Bailey 1987, Sanders et al. 2002). Thus, immigrants often have greater motivation to identify other means of self-support, rendering immigrant populations predisposed toward and supportive of entrepreneurial pursuits, even in contexts where local entrepreneurial norms are weak.

However, the unique abilities and motivation to form born globals that immigrants possess cannot be implemented in a stultifying context that erects financial and trade barriers to born global formation. In such an environment, the abilities and motivation of would-be entrepreneurs may be negated as the economic attractiveness of international opportunities is reduced. Consequently, immigrants would likely channel their entrepreneurship toward serving the local diaspora or general population rather than venturing abroad. Accordingly, we argue that in the Magnet type, the combination of a substantial immigrant population and international transaction facilitators, will yield high born global formation rates.

Hypothesis 3. *A substantial immigrant population can act as a functional substitute under conditions of low entrepreneurial norms and entrepreneurial educational capital; hence, the Magnet type of national institutional configuration will be conducive to high rates of born global formation at the country level.*

Method

Sample and Data

Like much prior research (e.g., Anokhin and Wincent 2012, Autio et al. 2013), data for born global formation rates are derived from the Global Entrepreneurship Monitor (GEM) survey. GEM samples from a representative portion of the population and uses demographics-based weights to collect reliable country estimates. As such, “the broad and randomized nature of sampling in GEM ... greatly improves the trustworthiness, generalizability, and repeatability” of studies using that database (Young et al. 2018, p. 417).

GEM is the only extensive crosscountry source for a wide variety of entrepreneurship-related data

including born global activity—data on international entrepreneurship were not available for a large number of countries before 2010–2011. We use the responses from the latest survey year of each country from 2012 to 2014 to obtain data for 66 countries from six continents covering a wide range of income levels. Countries in the sample accounted for 88% of the world’s GDP and 84% of the world’s population in 2015. Each country surveyed had at least 2,000 respondents, and the average number of respondents per country was 2,932. Table 1 presents descriptive statistics and born global formation rate data of the sample countries.

Following comparative institutional studies focused on entrepreneurship rates (e.g., Busenitz et al. 2000, Arenius and Minniti 2005, Bowen and De Clercq 2008) and studies in the born global literature, we measure *born global formation rate* within a given country by coding the estimated percentage of societal members between the ages of 18–64 who have started a venture in the last three years where the venture has at least 25% of its customer base from foreign countries. Using

Q:21

Table 1. Key Statistics for Sample Countries

Country	New venture startup rate, %	Born global formation rate, %	Born global formation rate calibration	Country	New venture startup rate, %	Born global formation rate, %	Born global formation rate calibration
Latvia	13.25	4.29	1.00	Turkey	9.95	1.40	0.51
Qatar	16.38	4.16	1.00	Bolivia	27.40	1.35	0.45
Singapore	10.96	4.07	1.00	Poland	9.21	1.35	0.45
Chile	26.83	4.05	1.00	Pakistan	11.57	1.32	0.42
Nigeria	39.86	4.00	1.00	Czech Republic	7.33	1.12	0.23
Zambia	39.91	3.60	1.00	Indonesia	14.20	1.12	0.23
Peru	28.81	3.48	1.00	Costa Rica	11.33	1.10	0.22
Romania	11.35	3.19	1.00	France	5.34	1.10	0.22
Angola	21.50	3.08	1.00	Germany	5.27	1.05	0.18
Panama	17.06	2.72	0.99	Thailand	23.30	0.92	0.11
Canada	13.04	2.60	0.99	Italy	4.42	0.84	0.09
Israel	10.04	2.40	0.98	Korea	6.85	0.84	0.09
United States	13.81	2.40	0.98	Finland	5.63	0.78	0.07
Uruguay	16.08	2.38	0.98	El Salvador	19.48	0.76	0.06
Colombia	18.55	2.28	0.97	Uganda	35.53	0.72	0.05
Austria	8.71	2.25	0.96	Argentina	14.41	0.70	0.05
Portugal	9.97	2.20	0.96	Spain	5.47	0.70	0.05
Switzerland	7.12	2.17	0.95	Ecuador	32.61	0.66	0.04
Hungary	9.33	2.07	0.93	Denmark	5.47	0.65	0.04
Kazakhstan	13.72	1.96	0.9	China	15.53	0.64	0.04
Slovenia	6.33	1.92	0.88	Egypt	7.82	0.64	0.04
Jamaica	19.27	1.90	0.87	Guatemala	20.39	0.60	0.03
Sweden	6.71	1.89	0.87	Norway	5.65	0.60	0.03
Ghana	25.82	1.82	0.83	Algeria	4.89	0.55	0.03
South Africa	6.97	1.82	0.83	Iran	16.02	0.48	0.02
Mexico	18.99	1.71	0.77	Japan	3.83	0.44	0.02
Ireland	6.53	1.68	0.75	India	6.60	0.35	0.01
Belgium	5.40	1.65	0.72	Vietnam	15.30	0.30	0.00
United Kingdom	10.66	1.65	0.72	Russia	4.69	0.25	0.00
Australia	13.14	1.56	0.65	Tunisia	4.78	0.20	0.00
Georgia	7.22	1.47	0.57	Brazil	17.23	0.17	0.00
Greece	7.85	1.44	0.54	Ethiopia	14.73	0.15	0.00
Netherlands	9.46	1.44	0.54	Philippines	18.38	0.10	0.00

a 25% cutoff of foreign sales is consistent with prior literature (Knight and Cavusgil 2004) and with the definition of born globals as “young companies that derive a significant portion of their revenue from international sales” (Cavusgil and Knight 2015, p. 4). A self-reported measure of societal members’ current pursuit of a new, internationally oriented venture is appropriate for our study because it captures the extent to which societal members aim for a particular unrealized, intangible opportunity (Ramoglou and Tsang 2016). Such data as opposed to, for instance, measuring the rate of successful born global ventures avoid bias toward only born global ventures that are visible ex post (Young et al. 2018).

Additionally, our measure of the born global formation rate is an estimated proportion of the population rather than the proportion of entrepreneurs. This approach avoids coding countries as highly internationally entrepreneurial when the overall level of entrepreneurial activity is low. Rather, it captures the country’s propensity of individuals to launch born globals. The measure ranges from a high of 4.3% in Latvia to a low of 0.1% in the Philippines. Note that in a country with a population of 24.3 million people, the median country size in our sample, an increase of 0.1% indicates nearly 25,000 additional individuals who are forming born globals economy wide.⁸ The born global formation rate in our sample correlates modestly with a country’s export to GDP ($r = 0.17, p < 0.05$) and outward FDI to GDP ($r = 0.10, p < 0.10$) ratios, lending further support to its validity.

To operationalize the explanatory factors in our conceptual framework, we use data from the International Monetary Fund (IMF), Global Entrepreneurship Monitor’s National Expert Survey (NES), and the World Bank’s Doing Business Survey (DBS) and World Governance Indicators (WGI). The NES, DBS, and WGI data sets are based on large-scale surveys that capture expert judgements of national conditions. We acknowledge that making strong causal claims without a multiyear panel is not ideal, but the data for causal conditions are taken one year prior to the data for born global formation rate, except for in four countries for which lagged data were not available. This approach allows us to make “qualified causal inferences” (Young et al. 2018, p. 418). We revisit this issue as part of several robustness tests. Table 2 summarizes the data source, measures, and calibration procedure for born global formation rate and each causal condition.

Data for *crossborder economic freedom* are taken from the “trading across borders” component of the DBS. This composite index assesses the degree to which a country’s regulatory framework supports international business, including observations for the number of days for and costs of engaging in international trade

activities. Data for the degree of *financial system global integration* come from the IMF’s Financial Integration Index (see Fernández et al. 2016). This index measures the degree to which the inflow and outflow of equity, debt, money market instruments, and other financial transactions are permitted in countries around the world.

Following prior literature, we measure *entrepreneurial norms* using five, on average, five-point items in the NES (Alvarez et al. 2011, Bosma et al. 2013). These items measure the degree to which societal members of a country value individual success, autonomy, risk taking, creativity and innovativeness, and personal responsibility, capturing normative support for entrepreneurship as reflected in entrepreneurial trait research (*c.f.*, Suddle et al. 2006). Hence, the items capture well the essence of national entrepreneurial norms as conceptualized in our framework (Alvarez et al. 2011). The items exhibited acceptable reliability (Cronbach’s $\alpha = 0.944$). Additionally, scores on this construct exhibited a negative, modest correlation ($r = -0.25, p < 0.10$) with uncertainty avoidance, providing further evidence of criterion validity consistent with theoretical expectations that uncertainty avoidance in society tends to discourage entrepreneurship (Hayton et al. 2002).

To measure *entrepreneurial educational capital*, we use the same items as Levie and Autio (2008) and average two subindices based on five items on the five-point Likert scale from the NES. These items assess the degree to which universities and other parts of countries’ education systems prepare societal members for starting and growing new firms (Bowen and De Clercq 2008). Consistent with prior research, these items were weighed equally and exhibited acceptable reliability (Cronbach’s $\alpha = 0.899$).

For *public governance quality*, data are taken from the World Governance Indicators. We averaged three items, measuring the control of corruption, rule of law in society, and political stability. Consistent with prior research (e.g., Fainshmidt et al. 2016), these items were weighed equally and exhibited high reliability (Cronbach’s $\alpha = 0.976$). Higher scores reflect more sound formal institutions governing economic activity.

First-generation *immigrant population* as percentage of the general population is taken from the World Bank. Although human capital from immigrants often extends beyond the first generation, this variable is a good indicator of the inflow of this unique form of human capital and its prevalence in society (Friedberg and Hunt 1995). It reflects a set of underlying policies and institutions facilitating the inflow of immigrant populations.

Finally, prior literature suggests that societal members in larger economies may have less incentive to

Table 2. Data Sources, Measures, and Calibration Procedure for Each Condition

Condition	Source	Measure(s)	Calibration
Born global formation rate	Global Entrepreneurship Monitor Adult Population Survey	The percentage of individuals between the ages of 18–64 in the general population who have started a venture in the last three years that has at least 25% of its customer base from other countries	Full membership: 75th percentile of population (not sample); crossover point: mean of population; full nonmembership: 25th percentile of population
Entrepreneurial educational capital	Global Entrepreneurship Monitor National Expert Survey	Average of two 5-point Likert scale items: (1) the degree to which colleges and universities provide adequate preparation for starting and growing new firms; (2) the degree to which vocational, professional, and continuing education systems provide adequate preparation for starting and growing new firms	Full membership: 75th percentile of population (not sample); crossover point: mean of population; full nonmembership: 25th percentile of population
Entrepreneurial norms	Global Entrepreneurship Monitor National Expert Survey	Average of five 5-point Likert scale items: the degree to which societal norms (1) support individual success, (2) encourage autonomy, (3) value risk taking, (4) foster creativity and innovativeness, and (5) emphasize personal responsibility	Full membership: 75th percentile of population; crossover point: 3, the midpoint of the Likert scale; full nonmembership: 75th percentile of population
Crossborder economic freedom	World Bank's Doing Business Survey	Scaled composite index (0–100) combining data for the number of days, number of procedures, and costs of engaging in international trade	Full membership: 95; crossover point: 50; full nonmembership: 5
Financial system global integration	International Monetary Fund, 2010–2012	Scaled composite index (0–1), where 0 is best and 1 is the worst, assessing the degree of inflow and outflow of equity, debt, money market instruments, and other financial transactions in countries around the world	Full membership: 0.05 (reverse coded to be 0.95); crossover point: 0.50; full nonmembership: 0.95 (reverse coded to be 0.05)
Public governance quality	World Bank's World Governance Indicators, 2012–2014	Average of three of the six world governance indicators: control of corruption, rule of law, and political stability	Full membership: 75th percentile of population (not sample); crossover point: 0, the midpoint of the WGI scale; full nonmembership: 25th percentile of population
Immigrant population	World Bank's World Development Indicators	First-generation migrants as percentage of the population	Full membership: 75th percentile of population; crossover point: mean of population; full nonmembership: 25th percentile of population
Relative adjacent markets size	World Bank's World Development Indicators	The ratio of neighbors' combined GDP to domestic GDP	Full membership: 75th percentile of population; crossover point: mean of population; full nonmembership: 25th percentile of population

cross borders with new ventures, as in such contexts the domestic market offers more opportunities, and early internationalization might be less compelling (De Clercq et al. 2008). Furthermore, if a country is surrounded by large economies, there may be easier access to foreign markets. Accordingly, we include a causal condition capturing the ratio between (1) the sum of the GDP of all bordering nations using both land and maritime borders and (2) the domestic market size. We label this condition *relative adjacent market size*.⁹ The idea is that the higher the ratio, the greater likelihood that an entrepreneur will look abroad rather than within his or her own domestic context for market opportunities. We measure both the numerator and denominator of this ratio using country GDP in constant 2010 dollars from the World Bank.

Fuzzy-Set Analysis and Calibration

We use fsQCA to test our hypotheses (Ragin and Fiss 2017). fsQCA is rooted in Boolean algebra and examines how the membership of cases (i.e., countries) in causal conditions (i.e., features of the institutional context) is related to their degree of membership in the outcome (i.e., born global formation rate). As a set-theoretic technique, fsQCA accommodates *conjunctural causation*, whereby causal conditions are examined simultaneously as combinations. Further, it allows more than one combination of causal conditions to be associated with the outcome: that is, equifinality. These features of fsQCA accommodate the systemic nature of our polythetic typology and yield institutional configurations that emerge from the data, both of which make fsQCA particularly well suited to our study. fsQCA considers all possible combinations, subject to select specifications we discuss. The inductive aspect of fsQCA is a strength of the technique and enables us to detect novel patterns (combinations) that we did not theorize a priori.

fsQCA operates on conditions and therefore, requires that raw data be calibrated into membership scores over the interval [0, 1]. A calibrated score of 1.00 indicates full membership in a set (i.e., presence of a condition), a calibrated score of 0.5 indicates the crossover point where there is ambiguity regarding the presence or absence of a condition (e.g., relatively high or low), and a calibrated score of 0.0 indicates full nonmembership in a set (i.e., absence of a condition). Following Ragin (2008), we employ the “direct method” for born global formation rates, relative adjacent market size, and immigrant population (see Table 1), as these variables are continuous and do not exhibit natural anchors. Specifically, we utilize the 75th percentile, the 25th percentile, and the mean based on available data in each variable’s data source (Greckhamer 2016), including countries that are not part of final sample of 66 (except for relative adjacent

market size), to denote full membership, nonmembership, and the crossover point, respectively. Our approach increases generalizability of patterns, as it ensures that calibration is not driven by the sample; rather, it is reflective of each nation’s membership in conditions relative to all or most countries around the world.

For the scaled data that integrate multiple archival sources, we utilized the absolute positions of countries on each scale. For instance, for the crossborder economic freedom condition, a score of 100 translated to 1.00, a score of 90 translated to 0.90, and so on (see Table 2 for more details).

As for two of the survey data items (public governance and entrepreneurial norms), the instruments provide natural anchors that can substantiate calibration decisions (Fiss 2011). For instance, a score of four on a seven-point Likert scale is typically characterized by ambiguity such that it is not clear if a condition is present or absent. We use the midway scale score between the minimum and maximum in the original data sets for each variable as the crossover point. The 75th and 25th percentiles serve as the full membership and full nonmembership points, respectively.

Finally, we calibrated entrepreneurial educational capital somewhat differently because of the structure of that data.¹⁰ Rather than using the Likert-scale anchors, we used all of the countries GEM sampled and designated the 75th percentile, the 25th percentile, and the mean to denote full membership, nonmembership, and the crossover point, respectively. To simplify interpretation, we describe the presence of a condition as “high” or “strong,” depending on the condition discussed.

Next, fsQCA requires that we determine the consistency threshold, which demarcates the consistency level at which a configuration is considered to exhibit a high born global formation rate. We use 0.80 as the consistency threshold (Bell et al. 2014). Additionally, all rows in the truth table designated as consistent with the outcome were required to have a PRI consistency greater than 0.60 (Schneider and Wagemann 2012, Greckhamer et al. 2018). Finally, we determine a frequency cutoff for the minimum number of cases needed for a configuration to be retained for analysis. We set the frequency threshold to one, meaning that one representative country is required for each logically possible configuration to be considered in the analysis. In our data, 35 possible combinations are exhibited by at least one case, and 10 of these combinations are consistent with a high born global formation rate (see Table 5A in the online appendix for a truth table). One reason we did not use a higher frequency threshold is because any frequency threshold must result in the inclusion of at least 75% of the cases (Ragin 2005). Increasing the frequency threshold from one to

two would have decreased the proportion of cases analyzed to 57%.

Results

Prior to testing our hypotheses, we conducted a Necessity Analysis on all causal conditions in our model. Necessity is determined by a consistency score capturing the degree to which the outcome is a subset of the causal condition. Schneider and Wagemann (2012) suggest that a consistency score above 0.90 suggests a causal condition is “almost always necessary.” None of the conditions, present or absent, were necessary for a high born global formation rate.

Next, we conducted the Sufficiency Analysis. Sufficiency relations are determined by a consistency score capturing the degree to which a configuration is a subset of the outcome (Ragin 2006). Results for the presence of high born global formation rates are presented in Table 3. We display the intermediate solution because it allows us to specify “easy” counterfactuals or remainders consistent with theory and substantive knowledge of the born global phenomenon (Ragin and Sonnett 2005). In this study, we follow our theorizing and specify the presence of six of the seven causal conditions as “should be” associated with the outcome. Specifically, *public governance quality* may have a negative impact on some entrepreneurial phenomena, but we hypothesize that it would contribute to high born global formation rates for the Coiled Spring type. For this reason, we are ambivalent regarding its relationship with born global formation rates.¹¹ We further distinguish core conditions with larger circles to incorporate information from the parsimonious solution.¹²

fsQCA results yield five institutional configurations associated with a high born global formation rate. The solution consistency is 0.84, and solution coverage is 0.58, suggesting that membership in the

configurations is highly consistent with membership in the outcome, and the configurations account for the majority of set membership in the outcome.

Hypotheses Testing

The first configuration is mostly consistent with Hypothesis 1, but it introduces some nuance. We label it Loam Soil A. It contains financial system global integration and entrepreneurial norms as core conditions, entrepreneurial educational capital as a peripheral condition, and although we did not hypothesize its presence, public governance quality as a core condition. Interestingly, this configuration did not include crossborder economic freedom (it may or may not be present), suggesting that financial system global integration is the key international transaction facilitator in this configuration. Consistent with our theorizing about conjunctural causation, all three features should be present to promote born global formation: (1) international transaction facilitators, (2) entrepreneurial norms, and (3) entrepreneurial educational capital. For example, if financial system global integration is not in place, individuals with sufficient ability and motivation will likely allocate their entrepreneurial efforts domestically. In Loam Soil A, it is also likely that high public governance quality is a complement. It provides for sociopolitical stability such that international transactions are more reliable both from the standpoint of the entrepreneurs and the overseas market. It encourages market activity, which reduces transaction costs and incentivizes individuals to make investments in resources and capabilities conducive to entrepreneurship (Fainshmidt et al. 2016).

Following Greckhamer et al. (2018), we return to the cases in order to uncover novel theoretical insights and facilitate a richer interpretation. With regard to Loam Soil A, advanced economies such as the United States as well as rapidly emerging markets like Latvia

Table 3. Sufficiency Analysis Results for the Presence of High Born Global Formation Rate

Causal condition	Loam Soil A	Loam Soil B	Coiled Spring	Magnet	Ant Colony (emergent)
Crossborder economic freedom			•	•	•
Financial system global integration	●	•	●	•	●
Entrepreneurial norms	●	•			●
Entrepreneurial educational capital	•	•	●	⊗	
Public governance quality	●		⊗	•	●
Immigrant population		•	•	●	
Relative adjacent market size		•	●	●	
Exemplar countries	United States, Latvia	Sweden, Canada	Peru, Romania	Austria, Uruguay	Chile, Singapore
Raw coverage	0.36	0.20	0.13	0.16	0.38
Unique coverage	0.01	0.02	0.06	0.09	0.03
Consistency	0.85	0.88	0.82	0.87	0.84
Solution coverage			0.58		
Solution consistency			0.84		

Notes. We indicate the presence of a causal condition with a bold circle (●) and the absence of a causal condition with a crossed circle (⊗). A blank space indicates that a condition is either present or absent (i.e., “doesn’t matter”). Larger circles denote core conditions.

are examples of countries exhibiting this type of institutional context. For instance, Latvia has been spotlighted for its rapid implementation of entrepreneurship-friendly economic policies in the early twenty-first century, leading to an entrepreneurial push across many sectors of Latvian society. As part of their Loam Soil configuration, Latvia has made significant inroads integrating with the European Union (Brás 2020), which further contributed to public governance improvements and market access. Significantly, Varblane and Mets (2010) noted over a decade ago that 71% of Latvian higher education institutions had entrepreneurship curriculum, roughly doubling the commitment of their Baltic counterparts, Lithuania and Estonia. Finally, the Baltic States have been among the leading postcommunist states in embracing a market-oriented culture, a staple of which is entrepreneurial attitudes and behaviors (Bohle and Greskovits 2012).

Loam Soil B, a configuration closest to Loam Soil A based on shared conditions and the presence of the key three institutional conditions in our hypothesized primary type, did not have a single core condition, meaning that the analysis could not highlight any condition that was indispensable. Countries mapping closely with Loam Soil B include Sweden and Canada. However, these countries, as well as all other cases with membership in Loam Soil B, are also members of Loam Soil A. It appears that Loam Soil B is a potential subtype of Loam Soil A, but its lack of any core condition that suggests that it is a more tentative configuration in nature. The combined Loam Soil configurations cover the largest proportion of countries with high levels of born global formation rates.

Sweden is noteworthy because it contrasts with close geographic and cultural neighbors, Denmark, Norway, and Finland, in its ability to spawn high rates of born globals. All three counterparts have lower levels of entrepreneurial norms, and both Denmark and Finland also have lower entrepreneurial educational capital than Sweden. With regard to entrepreneurial norms, the literature notes that Sweden has a more significant tradition of family-owned businesses and self-employment than its neighbors (Johannisson 2002). Further, prior research shows that Sweden emphasizes entrepreneurial education more than other nations, such as Germany (Fuchs et al. 2008). This finding is echoed by Dahlstedt and Fejes (2019), who note an increasing proclivity among students in Sweden for market-oriented problem solving and adaptability.

Consistent with Hypothesis 2, the Coiled Spring type was also detected by the analysis, combining financial system global integration, entrepreneurial educational capital, and the *absence* of public governance quality as core conditions. Additionally, the presence of large adjacent markets also serves as a core

condition. In the Coiled Spring type, exemplified by Peru and Romania, we observe how high levels of born global formation can be a silver lining in contexts with weak public institutions. That is, with institutional features that drive entrepreneurial ability (entrepreneurial educational capital) and facilitate international transactions (financial system global integration and crossborder economic freedom) in place, the absence of public governance quality functionally substitutes for entrepreneurial norms. Thus, because of frustration with local institutions, weak public governance seems to increase motivation to engage in entrepreneurship that spans borders. Although we did not explicitly theorize it, a large adjacent relative market also plays a key role in motivating born global formation, complementing weak public governance to further pull entrepreneurs into neighboring markets with more abundant opportunities. Finally, the Coiled Spring suggests that international transaction facilitators should span both trade and finance to provide opportunities for high born global formation rates.

Peru's 3.5% born global formation rate contrasts starkly with Ecuador's 0.66%. Both have relatively weak public governance, the primary mechanism for escapism, which is not uncommon in the Latin American region. They are somewhat similar across most relevant features. However, Ecuador lags behind Peru in most categories. In crossborder economic freedom, importantly, Peru scores moderately high, and Ecuador scores moderately low. These differences in international opportunities are likely significant, despite similarities in other institutional features, and demonstrate the notion of conjunctural causation. Cardoza et al. (2016), for instance, showed that for SMEs seeking to internationalize from Latin America, less cumbersome paperwork related to exports, lower fees for exporting, and fewer regulatory barriers at the border were decisive for an export orientation. Thus, by providing higher relative crossborder economic freedom, Peru is able to channel frustration with public governance outward and in turn, outperform its neighbors' ability to spawn born globals. This suggests that whether weak public governance translates into born global formation is highly sensitive to the opportunity and transaction costs of crossborder ventures. It is further possible that, because many of Peru's regional neighbors are not able or willing to devise transaction-facilitating institutions that leverage escapism into born global formation, Peruvian born global ventures enjoy a comparative advantage in the region because of reduced foreign competition.

We also found support for Hypothesis 3. The Magnet configuration substitutes a large immigrant population for the ability (entrepreneurial educational capital) and willingness (entrepreneurial norms) features, in departure from the more archetypal Loam

Soil. Uruguay and Austria are prime examples of this configuration. Complementing the immigrant population, crossborder economic freedom and financial system global integration serve as international transaction facilitators. A large adjacent market serves as a third core condition. Possibly, a relatively smaller domestic economy provides additional motivation to internationalize early in search of market opportunities, thus complementing the international transaction facilitators and multinational demography of this institutional context. A final peripheral condition is high-quality public governance, suggesting that in the Magnet type robust formal institutions might be needed to instill confidence in governmental institutions, such as property protection, that could otherwise deter immigrants from risky entrepreneurial endeavors.

Some countries in this configuration, like Uruguay, have enacted specific government policies designed to bolster international entrepreneurship by attracting and specifically targeting *skilled immigrant entrepreneurs* and stipulating that they must create businesses that are international in scope (Frontera 2014). Austria, another exemplar country of this type, exhibits some of the highest immigration inflows in Europe and contains several enclaves of immigrants that are highly entrepreneurial (Kurtoglu 2007). Although these two example countries differ somewhat in their approach to foreign entrepreneurial talent, the Magnet configuration demonstrates how they are similar yet different from many other nations with relatively large immigrant populations (e.g., Costa Rica and France) in leveraging that talent into born global ventures. Their transaction facilitators, proximity to large markets, and high-quality public governance offer stability and reduce costs for immigrant entrepreneurs, thus outperforming in born global formation other nations with similarly large immigrant populations.

Set-theoretic analysis allows for the rigorous evaluation of formal Boolean expressions against observed configurations (e.g., Frambach et al. 2016). We utilize this test to further evaluate our hypotheses. In our study, the outcome is high rates of born global formation (Y), and the primary causal conditions of interest are crossborder economic freedom (A), financial system global integration (B), entrepreneurial norms (C), entrepreneurial educational capital (D), public governance quality (E), and immigrant population (F). We exclude relative adjacent market size because it is not part of our predictions. Further, we denote the “or” operator with the “+” sign and logical implication with the “→” sign. Capital (lowercase) letters indicate presence (absence) of a condition. Thus, we can express our predictions (T) as follows:

$$(T) : ABCD + ABDe + ABF \rightarrow Y.$$

The agreement between (T) and the results (R') is then the intersection (Ragin 1987), as follows:

$$\begin{aligned} (T)(R') &= (ABCD + ABDe + ABF)(BCDE + BCDF \\ &\quad + ABDeF + ABdEF + ABCE) \\ &= ABCDE + ABCDF + ABDeF + ABdEF + ABCEF \end{aligned}$$

Theorizing ABCD leads to ABCDE or ABCDF, subsets of the configuration in Hypothesis 1. Theorizing ABDe leads to ABDeF, which is a subset in line with Hypothesis 2. For Hypothesis 3, theorizing ABF leads to ABdEF or ABCEF, both of which are subsets of the theorized configuration. Similar to Frambach et al. (2016), results demonstrate Boolean expressions in subset relations to the hypothesized configurations. We discuss the additional conditions indicating subsets later in the paper, as our main results similarly indicate their role in the configurations associated with a high born global formation rate.

Extending the Typology

The first three institutional configurations largely support the types we theorized; however, an additional configuration emerges from our analysis. This configuration shares much of its conditions with the Loam Soil, but it seems to be sufficiently distinct to warrant further discussion. We label it the Ant Colony. Ant colonies exhibit very orderly societies where behavior is highly predictable and prosocial, fostering strength in numbers and risk taking in hunting often much larger prey. In the Ant Colony institutional context, exemplified by Chile and Singapore, we tentatively suggest that the presence of strong public governance quality may substitute for entrepreneurial educational capital by stabilizing the environment. This stability reduces the level of difficulty in identifying and exploiting opportunities, decreasing the need for entrepreneurial educational capital. In such an environment, individuals may also be more likely to proactively glean the necessary capabilities from the dominant market logics (Thornton et al. 2015), even where entrepreneurial educational systems are weak. Additionally, entrepreneurial norms are likely channeled in a positive direction by systems that reward productive rather than unproductive or even destructive entrepreneurship (Baumol 1996). These conditions are complemented by financial system global integration as a final core condition, which presents prospective entrepreneurs with opportunities to create value across borders.

Notably, as an example of the Ant Colony, Chile achieves high born global formation despite low levels of entrepreneurial educational capital. Other countries that are members of this configuration do exhibit

high levels of entrepreneurial educational capital, but many of them are also members of other configurations such as the Loam Soil. Importantly, Chile exemplifies how it is possible to do so with higher-quality public governance than other countries in Latin America. Chile enacted a number of controversial yet market-focused reforms in the 1980s and 1990s that enabled and protected private property rights, reduced corruption, and eased regulations on (international) business activity (Barro 1999). By doing so, Chile’s government has reduced the cost and uncertainty of entrepreneurship, which has attracted human capital and incentivized knowledge accumulation in the Chilean economy, thus promoting the entrepreneurial skills otherwise promulgated by entrepreneurship education. This combines with entrepreneurial norms and opportunity facilitating institutions to spur high levels of born global formation in Chile. Interestingly, in 2010, Chile’s government launched Startup Chile, which has further propelled the country’s entrepreneurial activity. Startup Chile is a globally acclaimed seed accelerator with a considerable emphasis on international entrepreneurship (Moed 2018). As a state-led initiative aimed at providing entrepreneurs stability and skills, it reflects Chile’s approach to instilling entrepreneurial skills outside the formal education system.

Additional Analyses

fsQCA allows researchers to explore configurations associated with the absence of an outcome: in our case, the absence of high born global formation rates. Sufficiency Analysis results for this outcome are displayed in Table 4. We identify five configurations, covering a smaller portion (0.37) of the outcome. Notably, none of the five configurations contain a set of

three institutional features that need to each be in place for born global formation to occur in our theorizing. These patterns have a few important implications. First, institutional development does not inevitably lead to higher born global formation rates. There are several situations where the presence of key institutional features is associated with low born global formation rates. For instance, in Configuration 2, entrepreneurial educational capital and crossborder economic freedom are part of a recipe contributing to low born global formation rates. Second, the patterns bolster the notion that only very specific sets of institutional conditions set in motion the internationalization of many entrepreneurial firms. Thus, it is not surprising that the configurations associated with a low born global formation rate exhibit little internal coherence.

Finally, we conducted several other tests to assess the sensitivity of our findings. These tests are summarized in the online appendix.

Discussion and Conclusion

Existing reviews have documented the limited research exploring comparative international entrepreneurship (Jones et al. 2011, Terjesen et al. 2016), recently lamenting how international entrepreneurship has tacitly been assumed by most prior research to be *acontextual* (Reuber et al. 2017). Using a neoconfigurational, institutional approach, we address this shortcoming by developing a polythetic typology capturing the national institutional configurations that shape the context for born global formation. We uncover five configurations associated with high born global formation rates. In doing so, our study advances the conceptual basis of the born global phenomenon and engages more deeply with the conceptual apparatus of institutional theory, thus going beyond prior research, which has focused on macroeconomic indicators such as wealth (e.g., Acs and Amorós 2008) and net trade and FDI flows (De Clercq et al. 2008). We also expand on work that examines a narrow scope of developed economies and country characteristics by studying a far broader spectrum of countries and a *system* of institutional features. Our findings have important implications for research on born globals and international entrepreneurship more broadly.

Implications

A key theoretical implication that emerges from our study is that the institutional foundation of born global formation rates is configurational, as we highlight the key interactions among national institutional features. Specifically, a high born global formation rate occurs when the national institutional context

Table 4. Sufficiency Analysis Results for the Absence of High Born Global Formation Rate

Causal condition	C1a	C1b	C2	C3	C4
Crossborder economic freedom		⊗	●		⊗
Financial system global integration	⊗	⊗	⊗	⊗	
Entrepreneurial norms	⊗	⊗			⊗
Entrepreneurial educational capital			●	●	⊗
Public governance quality	⊗	⊗	⊗	⊗	⊗
Immigrant population	⊗		⊗	⊗	⊗
Relative adjacent market size				⊗	●
Raw coverage	0.20	0.18	0.17	0.15	0.09
Unique coverage	0.04	0.01	0.04	0.05	0.03
Consistency	0.89	0.87	0.86	0.88	0.92
Solution coverage			0.37		
Solution consistency			0.86		

Notes. We indicate the presence of a causal condition with a bold circle (●) and the absence of a causal condition with a crossed circle (⊗). A blank space indicates that a condition is either present or absent (i.e., “doesn’t matter”). Larger circles denote core conditions.

includes *both* features conducive to entrepreneurial activity *as well as* features conducive to border-spanning activities. With the Loam Soil type being the most common, these institutional features reinforce each other. Entrepreneurship takes place within complex institutional contexts, so a neoconfigurational theory that integrates supply-related with demand-related mechanisms (Thornton 1999) can significantly further our understanding of entrepreneurial phenomena. This conceptual notion extends prior work that explores the impact of international economic openness (De Clercq et al. 2008) but does not account for its interplay with other prominent institutional features. Similarly, Terjesen and Hessels (2009) utilize the holistic Varieties of Capitalism approach as the theoretical lens for selecting institutional indicators; their reliance on linear methods does not fully capture the richness of that approach because it cannot effectively account for its complexity.

However, Loam Soil configurations are not the only ways in which causal conditions combine. That is, there are several configurations of institutional features propelling born global formation, highlighting the notion of equifinality within the neoconfigurational approach. Prior studies have employed unifinal approaches, which have likely contributed to the lack of a consistent institutions-based theory of born globals (Knight and Liesch 2016). Our study helps address this lacuna by theorizing the equifinal pathways to a high born global formation rate. By relaxing the constraint that causal conditions have a direct relationship to born global formation rates and allowing for alternative pathways, we add accuracy and comprehensiveness to existing explanations.

Specifically, in addition to complementarities, we also observe important functional substitutes. As a prime example, when comparing the Loam Soil with the Coiled Spring and the Magnet, we find three different motivational mechanisms that are functional substitutes: entrepreneurial norms (Loam Soil), escapism from low-quality public governance (Coiled Spring), and immigrants (Magnet). Similarly, when comparing the Loam Soil configurations with the Magnet configuration, it seems that the unique human and social capital embedded in a substantial immigrant population can substitute for entrepreneurial educational capital and even for entrepreneurial norms. These institutional interplays are in keeping with theory that views economies as bundles of institutional features rather than as assortments of institutional variables competing for variance explained in outcomes (e.g., Jackson and Deeg 2008, Pajunen 2008).

A corollary of our findings is that the drivers of advanced entrepreneurial activities, such as born globals, often arise from less intuitive sources. For instance, escapism is not ideal for entrepreneurial

activity, but within particular institutional combinations, it can propel certain types of productive entrepreneurship, such as born global formation, and perhaps ultimately stimulate economic development. Loam Soil institutional combinations are the primary way to achieve high born global formation rates, but they are also difficult to achieve, so many countries may exhibit a relatively high rate of born global formation as a suboptimal equilibrium emerging from institutional weaknesses. This notion is consistent with the notion of Rodrik (2008) of “second best” institutions, as improving the quality of public governance is a challenging task. Our study demonstrates that accounting for how such institutions interact with other features of the institutional environment can enable countries to reap the benefits of entrepreneurship. Attracting immigrant populations, relaxing crossborder regulatory barriers, and infusing the educational system with a focus on entrepreneurship are notable steps countries with formal institutional weaknesses can take toward propelling born global formation.

Another key insight is the trade-offs implied by the results. That is, a change in one casual condition may lead to different economic outcomes. For instance, in the Coiled Spring, weak public governance helps yield high levels of born global formation. However, many positive economic outcomes, like domestic high-growth entrepreneurship and property rights protections for established companies, are made difficult by this weakness. If public governance was strong, in these situations, the economic activity in such countries would be qualitatively different and probably more developed, but it might not include high levels of born global formation. Another example of these trade-offs is situations where societal norms do not support entrepreneurial behaviors, but other features of the Loam Soil are in place. In such cases, like Germany and Czech Republic, there are few born globals, but there is a good deal of intrapreneurship as employees of larger, existing organizations channel their entrepreneurial abilities within existing organizational structures (Brem and Borchardt 2014). The converse of this would be countries with strong entrepreneurial norms yet weaknesses in entrepreneurial education capital and international transaction facilitators, like India and Nigeria. In these places, the norms serve to spur the overall rate of entrepreneurship, but efforts are consequently channeled toward less productive forms of entrepreneurship. The exploration of such counterfactuals in international entrepreneurship research is a valuable use of the neoconfigurational approach.

A fourth implication for theory of international entrepreneurship comes from the importance of financial system global integration to born global formation rates. Although a neoconfigurational approach is

good for identifying alternative “recipes” for an outcome, the analysis could not identify a path for achieving a high born global formation rate that did not include high integration with the global financial system. This is not to say that it is impossible to have a high born global formation rate without the transaction-facilitating impact of financial system global integration, but without it, we could not identify a *systematic* way for countries to achieve the outcome. Plausibly, a globally integrated financial system eases repatriation of funds, capital movement to set up operations, and access to external financing, all of which are vital for born globals and perhaps comparatively more challenging than trade barriers, which can be baked into the business model. Future empirical research could further probe into the importance of financial system global integration as well as examine the specific mechanisms by which more societal members can access these financial services.

Fifth, the results suggest that our predictions might require some nuance, highlighting the complexity of the institutional determinants of born global formation and hence, the need for the neoconfigurational lens. For instance, in several cases a relatively small local economy (near large neighboring economies) can play a central role in increasing born global formation rates, although there are systematic pathways for high born global formation without this geographic advantage. Further, the role of public governance in the making of born globals is quite diverse and intriguing. In the Coiled Spring, its absence serves as a motivator for escapism out of exasperation with local formal institutions. However, in the emergent Ant Colony, we propose that the presence of high public governance quality can be a functional substitute for entrepreneurial educational capital via better functioning markets. High-quality public governance decreases uncertainty about the economic environment (Fainshmidt et al. 2016). This stability leads to greater clarity for more individuals to identify and seize opportunities, and it provides an incentive for individuals to accumulate knowledge that fosters opportunity recognition, even where a more formal entrepreneurial educational system is weak (Zahra 2014, Walter and Block 2016). This dovetails with past findings, which have shown that high-quality public governance fosters absorptive capacity and consequently, human capital accumulation among societal members that is conducive to entrepreneurial skills (Busenitz et al. 2000, Rodrik et al. 2004, Agostino et al. 2020). These patterns suggest a complex role for public governance quality; when absent, it can serve as motivation, but when present, it can lessen the exigency of formally acquired entrepreneurial educational capital. Finally, its presence in the Loam Soil configurations may help stabilize a healthy flow of border-spanning economic

activities in cases where crossborder economic freedom is not present. We tentatively speculate that it may do so via its uncertainty-reducing mechanisms. That is, born globals from these countries may rely on consistent, even if moderately high, crossborder transaction costs and “bake” them into their business model’s cost structure. That is, even in cases where trade barriers may be high, they are still predictable, and stability promotes investment (Bleaney 1996). The ways in which public governance quality relates to born global formation are clearly a fruitful avenue for furthering theory on international entrepreneurship.

Finally, we provide insights to international business theory on the drivers of early internationalization. Most firm internationalization has been traditionally explained by characteristics that can be subsumed under the OLI paradigm (Dunning 1980). Although the home institutional context can foster the accumulation of ownership advantages, our model goes beyond traditional interpretations of that framework and enriches the ownership component. For instance, entrepreneurial norms and public governance quality have not been associated with ownership advantages in the past. However, these are indeed normative drivers that can facilitate the motivation to create border-spanning new ventures. Considering institutional contexts outside the realm of existing theory allows us to advance the conversation about early internationalization.

Limitations and Future Research

Our study has several limitations. First, comparative country-level research often encounters potential endogeneity, but our robustness tests in the online appendix do help assuage some concerns about this possibility. Additionally, although it is doubtful that born global formation is driving the institutional features, we do lag the outcome variable. However, because fsQCA does not easily permit the analysis of longitudinal data, we acknowledge that it is difficult to eliminate all endogeneity-related concerns.

Second, the born global formation rate as well as some of the institutional features we examine may well vary among industries within a country. Some of the types we identify may be more conducive to high-tech born global formation than others. This nuance was impossible to explore within one study. Therefore, future research that examines *within-country* variability will likely be fruitful. Similarly, given the focus of born globals on *selling* to foreign markets, a natural extension of our study would be to study the institutional drivers of early internationalization by engaging with input markets abroad.

Third, how the institutional configurations in our study come together over time to propel born globals is beyond the scope of this manuscript, but this would

be a very interesting research program within the international entrepreneurship as well as development economics literatures. Along similar lines, the extent to which these born globals survive over time (e.g., Del Sarto et al. 2021), especially in contexts where crossborder transaction facilitators may intensify competition, requires further research.

Finally, our study suggests some less intuitive paths for high rates of born global formation, especially in developing countries. One potential explanation for this is that new ventures from countries with institutional weaknesses may internationalize to locations where they have a relative rather than an absolute advantage. Future research could examine the role of relative advantage and whether there are different drivers for market-pull versus technology-push born globals. In a similar vein, it would be valuable to analyze what institutional configurations foster developing-developing, developed-developing, or developed-developed born globals.

Conclusion

Our study helps solve some of the challenges that have plagued research on born globals and international entrepreneurship more generally. We draw on the neoconfigurational institutional perspective to develop a typology of national institutional features shaping born global formation. We explicate and document institutional configurations that span both developed and understudied developing economies. In response to repeated calls for scholars to better examine the many differing ways in which entrepreneurship is practiced (e.g., Bowen and DeClercq 2008, Tolbert and Coles 2018), we also contribute to a growing literature that examines the crosscountry institutional drivers of different types of entrepreneurship rather than just a generic self-employment rate. Finally, we answer the call of Misangyi et al. (2017) to more fully exploit the neoconfigurational space to detect novel patterns and thus, advance new typologies. In doing so, we further advance the use of the neoconfigurational institutional perspective in uncovering how institutions combine to spur economically important phenomena.

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Endnotes

¹ All born global formation rates referenced in this paper are calculated using Global Entrepreneurship Monitor (2012–2014) data.

² The correlation between GDP per capita (PPP) and born global formation rate is 0.26 for the year 2014 (based on the authors' calculation).

³ Complementarity in the neoconfigurational perspective occurs when the copresence of conditions is associated with the outcome, akin to a contingency. These instances are described as conjunctural causation in prior research (Schneider and Wagemann 2012). Further, functional substitution effects occur when causal conditions compensate for each other in different configurations bringing about the outcome (Crouch 2005).

⁴ This is partly because of the focus of prior research on country case studies, usually conducting in-depth examinations of a single advanced economy (e.g., Andersson and Evangelista 2005, Loane and Bell 2006, Simões et al. 2015).

⁵ The Ability-Motivation-Opportunity framework developed from human resource management scholarship provides a helpful analog in delineating the mechanisms driving individuals' action. It argues that employee initiative depends on the *simultaneous* presence of ability, motivation, and opportunity (Jiang et al. 2012). The institutional features we outline suggest a similar approach: a system of mutually reinforcing institutional features fostering born global formation.

⁶ A key feature of the neoconfigurational approach is the flexibility to develop polythetic typological theories (Fiss 2011, Misangyi et al. 2017). Polythetic typologies use criteria (i.e., the presence or absence of conditions) without considering all criteria as necessary or sufficient for membership. Conversely, monothetic typologies require that each type exhibits values on all dimensions of the typology and specify that exhibiting particular features is sufficient for membership (Bailey 1973). In polythetic typologies, a given attribute may be important to some types but may not necessarily matter for others. A closely related feature of polythetic typologies allows for types that combine institutional features that are not necessarily coherent. Witt and Jackson (2016, p. 782) note that requiring types to combine only internally consistent features "implies a very restrictive view of how institutions combine," as institutions that are not necessarily internally consistent may still collectively generate particular outcomes.

⁷ This is not to say that weak public governance institutions are a net positive for a society; rather, their ability to propel born global formation is simply a positive externality of having weak institutions. The more prevailing negative impact of weak public governance generally reduces domestic entrepreneurship and even leads to destructive entrepreneurship (Baumol 1996). Even in the case of born global formation, as we note, weak institutions propel high levels of born global formation only in conjunction with other contextual features. Pinpointing when such a normally detrimental condition can have positive impact on a given outcome is one of the strengths of the neoconfigurational perspective.

⁸ This survey item potentially includes instances where foreigners buy from an entrepreneur in his or her home country. For instance, it is plausible that a shopkeeper or restaurant entrepreneur might say that more than 25% of his or her customers come from abroad. However, because the GEM survey is a random sample of the entire country, it seems unlikely that such responses could substantially bias the measure. The correlation between born global formation rates and the number of tourists per capita was 0.15 ($p > 0.10$). By comparison, the correlation between tourists per capita and GDP per capita was 0.48 ($p < 0.05$).

⁹ We thank an anonymous reviewer for this suggestion.

¹⁰ The global average of this construct was 2.42, and 97% of observations fell below the scale midpoint of 3. Many countries that have a reputation for having an educational system that equips societal members to become entrepreneurs (e.g., Switzerland scoring 2.80,

the United States scoring 2.59) fall below 3 on the Likert scale. The Netherlands, with a score of 3.16, had the world's highest rated entrepreneurial educational capital. Hence, it appears that the data systematically rate countries low on this institutional feature despite apparent validity with respect to the ordering of the countries. Given our interest in conducting a comparative institutional analysis and our access to data on this variable essentially for the world population of countries, we deemed a simple anchoring in the Likert scale problematic. This approach is consistent with the recommendation of Ragin (2008) that researcher utilize substantive, empirical, and context-specific knowledge to calibrate conditions.

¹¹ As two robustness checks, we specified public governance quality as “should be” absent in one and present in another. We attained similar results across these specifications.

¹² The parsimonious solution is further simplified by considering “difficult” counterfactuals that may or may not be consistent with researchers’ assumptions (Grandori and Furnari 2013). Core conditions, those included in the parsimonious solution, are considered to have a stronger set relationship with the outcome.

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