Internationalization strategy of born global firms

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Number of characters (no spaces): 73,681

August, 2014

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1. Introduction

International entrepreneurship is an emerging field of international business research and has received a lot of attention in recent years (McDougall & Oviatt, 2000; Zahra & George, 2002). This field brings theories from international business and entrepreneurship together and combines them to respond to the increasing globalization. In today's economies not only multinational enterprises have the opportunity to enter international markets, but we see small and medium-sized enterprises (SMEs) more frequently on the global market. Even so, a special group of SMEs has been noticed that internationalize nearly or right after their inception. McDougall (1989) call them international new ventures, while in other research they are called as born globals (Knight & Cavusgil, 1996; Madsen & Servais, 1997), early internationalized firms (Rialp *et al*, 2005), or global startups (Oviatt *et al*, 1995). For the sake of simplicity and uniformity in this paper these companies will be called born globals. Born globals are defined as *"a business organization that, from inception, seeks to derive significant competitive advantage from the use of resources and the sale of outputs in multiple countries"* (McDougall & Oviatt, 1994, p. 49). In the next chapter born globals will be described more in detail regarding special characteristics, reasons for their emergence, and why their resources and capabilities are especially important.

The internationalization process of these companies is greatly different from other types of firms, mainly because of reasons originated in their young age. One of the most important reasons is their lack of resources, for example financial resources (Freeman *et al*, 2006). A great number of research have been made comparing the internationalization of born globals and the traditional stage theories (McDougall & Oviatt, 1994; Chetty & Campbell-Hunt, 2004; Madsen & Servais, 1997). However, less attention has been paid to the internationalization strategy of born globals and how it is formed. I will define internationalization strategy as decisions about market selection, expansion pace, and entry mode choice. This paper intends to explore this topic.

The theoretical background of the study starts with an overview of the internationalization theories with special attention to the four perspectives on internationalization of the firm by Rask *et al* (2008) and the Uppsala model by Johanson & Vahlne (1977). A detailed description of born global firms follows with their special characteristics, their available and crucial resources and capabilities, and their internationalization process compared to the traditional models. The theoretical background ends with a section about internationalization strategy and its three cornerstones: market selection, expansion pace, and entry mode choice. An empirical study of born global's internationalization strategy reflects to the overviewed theories. The qualitative research features five case studies of born globals and their internationalization strategy. The paper ends with a discussion based on the results of the empirical research.

1.1. Problem statement

As it has already been pointed out the internationalization of born global firms cannot be explained by traditional theories. Researchers approach the new phenomenon using different perspectives, such as the network view (Sharma & Blomstermo, 2003) or the dynamic capabilities perspective (Weerawardena *et al*, 2007). Most studies have been focusing on the comparison of the stages models to the born globals' internationalization (McDougall & Oviatt, 1994), however, only a few of them involved strategy as part of their analysis (Chetty & Campbell-Hunt, 2004). The reason for the lack of research about internationalization strategy of born global firms is probably the fact that most of them cannot follow a strict strategy, rather have an emergent one due to their lack of resources and vulnerability to their environment. However, having an emergent strategy does not mean not having a strategy at all. The purpose of this paper is to fill this void and understand the strategy born global companies follow while going international (i.e. at an early stage in the company's life). Hence, I will work with the following research question:

How is born globals' internationalization strategy formed?

In order to answer this question I will review the existing literature to describe born globals, overview the internationalization of traditional and born global firms, define internationalization strategy, and understand the internationalization strategy formation and the affecting factors. Building on the theoretical foundation I will conduct an empirical study to discover the above mentioned areas at actual born global firms.

The answer for the research question is expected to present future research areas that have not been investigated and raise questions that have not been answered. It will also provide important insights about the internationalization of born global firms that can be used for research or managerial purposes. Finding the most important affecting factors for the internationalization strategy formation could direct possible born globals' attention towards the crucial areas in order to survive on the global market.

1.2. Delimitation

Internationalization of the firm is a very broad topic with extensive research and theories trying to explain it. In this paper I will approach internationalization from three aspects: first, as an overview of the existing perspectives I will present Rask *et al*'s (2008) framework; second, I will describe the Uppsala model as the most frequently used internationalization theory; third, the born global phenomenon as a challenging theory for the traditional models will be introduced and discovered. Hopefully narrowing down internationalization for born global firms will help to study their internationalization strategy formation more in depth. I will keep the focus on the strategy aspect, although internationalization strategy has not been defined clearly.

In the empirical part of the study a qualitative research will be conducted with five case studies of born global firms. It has to be noted that each company has some connection to Hungary, but not all of them is based there. They also all are from high-tech industries, which is very usual with born globals (Bell, 1995). These companies achieved global presence rapidly and operate in numerous countries around the world. Through their case studies I will search for the answer of my research question.

2. Theoretical background

International business and international entrepreneurship is an emerging topic for researchers and there is a great amount of literature and many theoretical models and frameworks. Internationalization in particular has been approached and viewed from numerous perspectives, however, many of them does not have an answer to the complexity of today's globalized and technologically advanced economy. Throughout this theoretical overview internationalization perspectives will be reviewed, then the internationalization of born globals will be compared to the Uppsala-model, and the rapid internationalization of born globals will be expounded. Born globals will be explained in detail next describing their special characteristics, the reasons for their emergence, and why resources and capabilities are especially important for them. Finally the theoretical background for internationalization strategy will be discovered explaining types of strategies and the decisions that have to be made while going international.

2.1. Internationalization theories

2.1.1. Theoretical perspectives

In this part I will make and overview of the theoretical perspectives on internationalization of the firm following Rask *et al* (2008). They grouped internationalization theories into four perspectives in an attempt to present a clear overview with an integrated framework. Following Strandskov's (1995) framework the perspectives are categorized based on two dimensions: drivers and nature of decision. Drivers are the factors that initiated the internationalization process at the firm, the reason for entering international markets. Drivers can be internal (e.g. achieving economies of scale), or external (e.g. foreign market opportunities). The other dimension of the framework is the nature of decision, which indicates whether the decision for internationalization was planned or emergent. Based on Mintzberg's (1985) strategy theory about deliberate and emergent strategies, this dimension shows what kind of decision-making process resulted in the internationalization of the firm. The four options of the two dimensions make up a two-by-two matrix (Figure 1), in which the internationalization perspectives can be places.

		Drivers	
		Internal	**External**
Nature of decisions	**Planned**	Institutional-economic perspective	Strategic competition perspective
	Emergent	Learning perspective	Inter-organizational perspective

FIGURE 1: THE FOUR THEORETICAL PERSPECTIVES ON INTERNATIONALIZATION OF FIRMS
Source: Strandskov (1995)

In the upper left square the **institutional-economic perspective** can be found, which characterizes it with internal drivers and planned decisions. Theories within this perspective are mainly concerned with the transaction cost regarding the internationalization. These costs include ex ante (searching and contracting) and ex post (monitoring and enforcement) costs. Based on traditional economic theories the goal is to maximize economic efficiency choosing between internalization and externalization. This process is similar to the "make or buy" decision in sourcing, which is not surprising because they both rely on the transaction cost theory. As for the strategy of internationalization according to this perspective, the main concern is transaction cost, hence the companies internalize international operations if the cost of controlling external transactions is higher than integrating it in the hierarchical system of the firm. Strategic decisions are based on solely economic measures (transaction costs) and are planned thoroughly, as the framework also shows it. The only behavior assumption is opportunistic behavior, which occurs due to the self-interest of managers and increases the costs. (Hollensen, 2011)

The **strategic competition perspective** is in the upper right corner of the framework representing external drivers for internationalization and planned decision making. The perspective is based on industrial economic theories and strategic management. This approach focuses on the competitive advantage of the firm and how it can be managed on the international markets with the comparative advantages of different countries. The goal of the firm is to maximize profit and survive on the market, which is achieved by analyzing the environment and create a strategy according to that. The industry, where the company operates, is the unit of analysis, and that is where the firm has to be positioned by its competitive advantage. Internationalization is planned and based on company specific advantages and comparative country advantages. The strategy planning according to the firm's environment explains the position of this perspective in the framework.

The **learning perspective** is placed in the lower left corner categorized with internal drivers and emergent decision making. Rooted in the behavioral decision theory, this perspective focuses on the market selection and the entry mode choice of the internationalization process. The core notion of the perspective is "learning by doing", which is described by experimental knowledge, i.e. international experience of the managers of the company. This experience can be country specific or general knowledge of internationalization, and it affects the market selection and entry mode choice. According to the Uppsala model, the experimental knowledge also affects market commitment: the more they know about the market the more commitment they make. Another affecting factor when selecting the market is psychic distance, which is a broad term for the different factors that make information flow between markets difficult, e.g. language, business practices, culture. Firms chose to enter markets with lower psychic distance first and incrementally expand towards countries with higher psychic distance. (Johanson & Vahlne, 1977)

The **inter-organizational perspective** is characterized by external drivers and emergent decision making, therefore it is placed on the lower right quadrant of the framework. Relationships between companies are in the center of this approach and how these networks affect the internationalization of the firm. The complex networks create blurred boundaries between firms, which is necessary because of the high uncertainty companies have to face. Decisions on internationalization are also based on relationships in order to lower the uncertainty and the risk. Market selection is often based on which country the company has any ties or partners in. Domestic relationships are also used as a bridge to networks in other countries.

It has to be noted that these perspectives are only theoretical approaches, there is no clear and definite line between them, nor is a case of any company to perfectly apply to any of the perspectives. However, each one has a special approach to the question of internationalization and answers different problems.

2.1.2. The Uppsala-model

The Uppsala-model was introduced by two Swedish researcher, Jan Johanson and Jan-Erik Vahlne in their most cited article The internationalization process of the firm—a model of knowledge development and increasing foreign market commitments (Johanson & Vahlne, 1977). The basis of their study was an empirical research by Johanson & Wiedersheim-Paul (1975), in which four Swedish manufacture company's internationalization was analyzed. They identified four stages of the internationalization process that followed successively:

1. No regular export activities,
2. Export via independent representatives (agent),
3. Sales subsidiary,
4. Production/manufacturing.

Every stage represents a higher degree of commitment to the market. Companies increase their involvement stage by stage in order to keep the level of risk as low as possible. They do that by small steps as they have more knowledge about the market. According to Johanson & Vahlne (1977) firms also select their target markets incrementally based on the psychic distance; they start with the countries with the lowest psychic distance compared to the home country, and slowly move towards countries with higher level.

The starting point for the Uppsala-model is that the uncertainty in the internationalization comes from the lack of market knowledge (Johanson & Vahlne, 1977). Therefore, the commitment to foreign operations depends on the level of knowledge the company has about a particular market. As a learning process companies acquire more knowledge through the lower stages of foreign operations keeping the risk at an acceptable level and they increase resource commitment when their market knowledge gets higher. This model perfectly matches the learning perspective from the previous part which is why the Uppsala-model is the most commonly used to demonstrate that perspective.

After 32 years Johanson and Vahlne revisited their model and shifted their focus from market knowledge to relationships (Johanson & Vahlne, 2009). They say the firm's network is the most important thing in internationalization because it provides opportunities to learn, build trust and commitment. The company has to face liability of outsidership if it tries to enter a country where it has no connections, hence, they argue that insidership is necessary for success. General internationalization knowledge is introduced in their new study besides general relationship knowledge, both mentioned as important factors affecting internationalization. In order to create and maintain relationships trust and commitment towards international counterparts are stated as crucial to succeed, while the importance of psychic distance has weakened since the original model. The revisited views on the Uppsala model are much more consistent with the inter-organizational perspective in the framework of Rask *et al* (2008).

2.2. Born globals

Born globals have been defined by many researchers incorporating the most important characteristics of this special type of firm according to their approach. The starting point in every definition is that these firms internationalize right after, or near their start. Knight & Cavusgil (2004) added that they use knowledge-based resources in order to do so, while McDougall & Oviatt (1994) emphasized the competitive advantage these companies seek in multiple countries. Knight & Cavusgil (2004) also set out a 3 year period from the founding, in which born globals start exporting. In the study of McKinsey & Co. (1993) born globals are characterized as firms that export at least 75% of their total sales and started in their first 2 years of operation.

The reasons why born globals exist have also been investigated by many. Madsen & Servais (1997) identified three important factors why the number of born global firms increases. The first reason is the changed market conditions, in which some companies are highly specialized and their domestic niche market is too small, so they need to go abroad. The globalization of sourcing activities and financial markets also facilitate the emergence of born global firms. The second reason is the technological development in recent years, which also made possible globalization on many field. Production, transportation, communication, and information technologies have developed in a way that helped the rapid globalization of born globals. The last reason is the fact that human resources became much more capable of doing international business. Founders who start a born global firm now know how to exploit the possibilities between international markets and use modern technology to do that right from their start. Andersson & Wiktor (2003) have also studied the influences on born global firms and found similar reasons: the globalization, which includes the technological development; the entrepreneurs and founder of born globals; the international networks; and the industrial factors.

In this chapter I will describe born global firms more in detail and what characterize them, explain why resources and capabilities are especially important for born globals, and compare their internationalization to the above described Uppsala-model.

2.2.1. Characteristics

One of the most important characteristics of born global firms is their lack of resources (McDougall & Oviatt, 1994; Knight & Cavusgil, 2004; Freeman *et al*, 2006). It is a natural trait for a startup to lack financial resources, and it makes young companies operate in a different way compared to MNEs or more mature SMEs. Not only financial resources that born globals do not have, they also lack of knowledge on the international markets. Most of them overcome this problem with having close relationships and strategic alliances and reach markets through their networks (Freeman *et al*, 2006).

Another factor that has a large influence on born global firms is the background of the founder (Madsen & Servais, 1997). Their educational background, previous professional and international experience affects the decisions made regarding the internationalization of the firm. The founder of a born global company does not see borders as an obstacle but an opportunity to exploit (Madsen & Servais, 1997). They view the whole world as their market place from the beginning (McKinsey & Co., 1993). The entrepreneurial behavior and the international background of the founder are assumed to be antecedents for born globals (Madsen & Servais, 1997). Their risk aversion can be originated from the vulnerability of the firm due to the lack of resources.

McDougall & Oviatt (1994) identified four types of born globals based on number of countries involved and the number of activities coordinated across countries. They called new international market makers those born globals that have a few activities coordinated across countries. If they serve few countries they are called export/import start-ups, in case they serve more countries they are called multinational traders. Born globals that coordinate many value chain activities across countries are called geographically focused start-ups, if a few countries are involved and global start-ups if these activities are coordinated across many countries. International market makers usually do not commit huge amount of resources to foreign markets, while geographically focused start-ups and global start-ups are more likely to do so. The latter two types use their foreign resources to exploit the differences across countries and gain sustainable competitive advantage.

2.2.2. Resources and capabilities

Resources and capabilities are important foundations of firms, and it is important to distinguish between them. Resources are productive assets of the firm including tangible (e.g. money), intangible (e.g. brand), and human resources. While resources represent what a company own, capabilities are what a company can do (Grant, 2010). According to Barney's (1991) resource-based views, resources can provide sustainable competitive advantages if they are valuable, rare, inimitable, and non-substitutable. In contrast, Grant (2010) says resources cannot provide competitive advantages by themselves, they must work together to create organizational capabilities, i.e. using resources to achieve a certain goal.

Born globals are lack of tacit resources, which makes them focus more on other resources and capabilities. Knowledge has been named one of the most important resources for born globals by many researchers (McDougall & Oviatt, 1994; Knight & Cavusgil, 2004) due to their continuous learning process, which enables them to expand internationally on a fast pace. The knowledge they possess helps them overcome foreign obstacles, particularly the private knowledge of human resources and the mobility of knowledge (McDougall & Oviatt, 1994).

The early internationalization of born globals is facilitated by innovation (Knight & Cavusgil, 2004; Madsen & Servais, 1997), which is why knowledge-intensive industries globalized rapidly (McDougall & Oviatt, 1994). Innovation culture is vital for born globals as research suggest that firms with strong innovation culture tend to internationalize earlier (Knight & Cavusgil, 2004). They also claim born globals are inherently innovative explaining why they can internationalize at an early stage. Another reason for their rapid internationalization is that they can replicate their organizational capabilities in other countries and markets (Teece *et al*, 1997)

According to Weerawardena *et al*'s (2007) dynamic capability model of born global firms, the capability building process is driven by entrepreneurial founders with global mindset, international experience and learning orientation. In their model Weerawardena *et al* (2007) distinguished four capabilities that affect (directly or indirectly) the accelerated internationalization: market-focused learning capabilitiy, internally focused learning capability, networking capability, and marketing capability. The marketing capability helps them to find global niche markets in order to continue their international expansion, while the other three capabilities enable born globals to create knowledge-intensive products.

2.2.3. Internationalization of born globals

Born globals internationalize right at or near their inception (McDougall & Oviatt, 1994). This unique character makes them stand out of other young firms. The changed environment helps them to do so, but it is not the only reason. Their internal characteristics also support rapid internationalization, as it has been explained in the last section. Valuable unique assets give advantages to born globals to internationalize in this manner. Compared to traditional firms and their way of internationalization following the stages of the Uppsala model born globals are more innovative in this regard. Johanson & Vahlne (1977) say firms with large resources internationalize, but born globals prove them wrong since they are actually lack of resources. The Uppsala model also suggests that firms need to enter homogenous foreign markets in order to learn them easier, while the markets born globals enter are among the most volatile ones (McDougall & Oviatt, 1994).

Decisions about market commitments do not have to be incremental and slow since the founder has international experience and knowledge. Born globals can easier commit to a market than traditional firms because their founder has experiential and market knowledge that decreases the risk of the entry (Madsen & Servais, 1997).

Psychic distance became less relevant since the Uppsala model, which Johanson & Vahlne (2009) also admitted, but not for the same reason that born global researchers. In their Uppsala model revisiting Johanson & Vahlne said the firm’s relationships create less uncertainty regarding psychic distance. Others say, however, that psychic distance is not important for born globals because of the background of the founders. They have previous experience and international knowledge that lowers the uncertainty of international markets.

Born globals usually internationalize on a focused market finding the niche on the global market place (Knight & Cavusgil, 2009). These narrow segments can be found in numerous countries speeding up the internationalization of the company. Technological development and the globalization of markets helped small firms to serve cross-country niches and become born globals.

2.3. Internationalization strategy

The topic of internationalization strategy is not one that has gotten a lot of attention in the literature. There are plenty of research about international and global strategy of a firm, but not so many about their strategy of internationalizing. Why there are no studies on this field and what this field really entails – that will be discussed in this section. It is crucial for this paper to clarify this matter because it is part of my research question and the basis of the thesis.

First of all, strategy needs to be explained in order to be able to answer what internationalization strategy means. Mintzberg (1994) defined strategy as a plan that organizations create and a pattern that evolves from their past. Forming a strategy is an analytical work based on the firm's resources and capabilities that support its competitive advantage (Grant, 2010). In strategic management the analysis part includes the evaluation of the internal and the external environment compared to the firm's goals, and the strategic options are based on that analysis (Lynch, 2011). This is followed by the selection and implementation of the strategy, which will not be discussed here. The analyses of the internal and external environment not always affect the strategy in equal weight. In Porter's (1979) industry-based strategy formation the environment and the competition has a greater effect on the firm's strategy, while in Barney's (1991) resource-based view the firm's resources determine the strategy. Mintzberg (1994) suggests a synthesis between the two views in order to create a successful strategy. However, we also need to consider his previous paper with Waters, in which they discuss deliberate and emergent strategies (Mintzberg & Waters, 1985). While the planned strategy many times in real life does not get realized other patterns might emerge. In his learning school Mintzberg (2009) also claims that strategy is not a linear process and there is no point in being too analytic when the firm always needs to react to its changing environment. These also apply for the strategy of internationalization, which has even more environmental effects and firms often follow emergent strategies. Regarding born globals this is also supported by my previous statement that born globals fit with the learning or inter-organizational perspective in Rask *et al*'s (2008) framework, where firms in these two perspectives are characterized by emergent decisions.

I argue that the internationalization strategy of a firm has to reflect to three important decisions: first, what market do they want to enter; second, how do they want to operate on that market; and third, in what pace do they want to enter new markets. These decisions naturally change by time making the internationalization strategy somewhat emergent, but as Mintzberg (1994) has explained, there is no pure deliberate, nor pure emergent strategy at a firm. Therefore, the dynamic change of these points does not mean that internationalization strategy does not exist, but it is continuously changing. These are especially true for a born global that is usually really dependent on its environment.

2.3.1. Market selection, expansion

Firms have to select which markets they want to enter as part of their internationalization, which is an important strategic decision. In existing research following the stages model for internationalization three main approaches have been identified: the systematic, the non-systematic, and the relationship approach (Anderson & Buvik, 2002). In the systematic approach international market selection (IMS) is considered as an isolated decision where market potential and competitive advantages are analyzed in order to find the optimal market to enter. Following the non-systematic approach firms enter markets largely based on psychic distance, just like Johanson & Vahlne (1977) suggested in their Uppsala model. In this case experiential learning is the key that enables the company to have higher commitment and later enter a market with higher psychic distance. In the last, relational approach firms select markets based on relationships to avoid high uncertainty. The selected partner determines the market as well as the future entry mode.

From another approach we can distinguish market selection for SMEs and MNEs. While large multinational companies carefully and precisely plan their market selection, for SMEs often internationalization only occurs because of an external impact (e.g. unsolicited order). SMEs usually select markets with low psychic distance and low geographical distance, while for MNEs virtually any country is reachable. This difference is mainly because of resource and knowledge availability. However, if we take a look at born globals' international market selection we can see that small firms not always base their decision only on these dimensions. For born globals also many markets are reachable because of the knowledge of the founder and their unique assets that give them a competitive advantage that helps overcome their lack of financial resources. The developed information and communication technology also helps them to enter countries far away from their own.

Another question connected to market selection is the speed of the expansion, i.e. how many markets are going to be developed at the same time. In stages theories the incremental (or waterfall) entry from country to country is the path firms need to follow, while born globals often develop markets simultaneously. This mode is highly resource demanding, but the above mentioned ICT help firms to follow this approach. It provides born globals a fast pace during their internationalization, which is necessary due to their focused product market.

2.3.2. Entry modes

After the market has been selected the firm has to choose an entry mode. Entry modes differ in the level of internalization, which means the control over foreign operations. The higher the level of internalization, the higher the control, but it also means higher commitment and risk. According to the Uppsala model firms incrementally increase their commitment on a certain market starting with an export entry mode and later advancing to a hierarchical mode as their knowledge grows (Johanson & Vahlne, 1977). In contrast, born globals base their market entry mode on their already existing knowledge and network ties in different countries (Sharma & Blomstermo, 2003). Although born globals not necessarily follow the gradual entry mode selection, their resource scarcity forces them to use low commitment operational modes. Research suggest that export modes are the most common entry modes of born globals (Knight & Cavusgil, 2004), which presumably is due to their lack of resource. Another possible reason can be that because born globals develop multiple markets at the same time this mode enables them to do that in the best possible way.

Looking at the factors affecting the entry mode selection by Hollensen (2011), we have to highlight the product factors. As it has been stated born globals enter niche markets with a focused product, which suggests a more committed and more internalized entry mode for them. However, because their rapid pace and simultaneous market entries it often is not possible. Internal factors are also worth mentioning since born globals are small firms, but their founders have international experience. While the first is a reason for an export mode the second suggests a hierarchical mode.

3. Methodology

This chapter presents the methodology of the empirical research, including the reasoning for the applied research methods, the research design, and the data collection. Details about conducting the research and analyzing the results are also part of this section.

3.1. Research design

In order to find the appropriate research method we need to look at the aim of the study and how the research question can be answered. As a reminder here I state my research question again:

How is born globals' internationalization strategy formed?

The goal with the research question and the goal of the research is to explore the process of the internationalization strategy formation at born global companies, and to see what factors affect the decisions. To explore a topic, especially if there has not been many studies published about it, the qualitative research approach is appropriate (Yin, 1994a). It also is the right choice for most of the "how" research questions. To best explore the topic I choose to do a multiple case study because it is the most appropriate qualitative research method for this research question. As Schramm said, case studies try "to illuminate decisions: why they were taken, how they were implemented, and with what result" (Schramm, 1971 in Yin, 1994a). During my research I also tried to focus on the decisions the companies made regarding their internationalization strategy. Another argument for using case study in my research is Yin's definition of the case study, which says that it "investigates a contemporary phenomenon within its real-life context" (Yin, 1994a). Born globals are clearly contemporary, so is their internationalization strategy, which best can be studied in real life, with actual companies and decisions. The case study research design will be a holistic multiple-case study because that provides the opportunity to explore the topic at more than one organization and compare the results. The unit of analysis will be the internationalization strategy of the chosen firms. (Yin, 1994b)

The research design is supposed to create a form to connect the research question with the data to be collected (Yin, 1994b). In the next section the data collection method will be explained and how it is linked to the research question through the case studies. At the end of the research the findings will answer the research question.

3.2. Data collection and analysis

Data for a research can originate from primary or secondary sources. Primary data is collected directly from first-hand experience, while secondary data has already been published or collected in the past. In this research primary and secondary data are both used. The primary sources were managers of the companies I have studied and are featured in the case studies. Secondary sources were financial reports, articles, and websites.

Primary data was collected by conducting semi-structured interviews with managers of the case companies. Interview is a qualitative research technic that helps to explore an area with the help of a real life actor, or an expert. Semi-structured interviews are useful when we look for linkage between concepts, and when comparison is needed. Asking the same questions from all interviewee makes the results compareable, but unlike the structured interviews it lets the interview go in its own course, and go through the process of internationalization. The interviewer asks open questions to keep the direction of the interview, and uses probes to cover important details. Semi-structured interviews are also practical when interviewing more people because it helps to keep the structure focused and the interviews shorter.

Before starting the research I had to make sure the data I need is available. I had looked for born global companies that are located in my area and contacted someone from the organization that I thought could answer my questions about their internationalization strategy. When choosing the companies I tried to find out if they meet the criterias of a born global firm. Financial reports, articles, and information from the company websites usually gave enough information to categorize them as born globals. I have set up five interviews with CEOs, founders, and executive managers.

When contacting the case companies I always made sure they understand my research and know why their contribution is important. I prepared them for the topics I wanted to talk about and sent them the themes of my interview guide prior to the interviews. The interview guide (Appendix 1) had been prepared before the interviews and was structured to follow the company's internationalization strategy formation from the beginning. Hence, it stats with questions about the company and its founding, then questions about the first internationalization and the factors affecting the decisions. In the next part current international operations are to be discussed followed by the strategy the company follow when internationalizing and how those decisions are made.

During the interviews I used a recording device and I always asked their permission to turn it on and told them that it is important because of the transcript, which I can use to analyze the interview. After the interview I asked the interviewees whether they are interested in the findings of the research and would like me to send them the results. I also offered anonimity, which none of them found necessary.

After conducting the interviews I made a transcript using the recordings. It has to be noted that four our of the five interviewees were Hungarian, thus the language of the interviews in those cases is Hungarian. After having all interviews transcripted I created categories according to my interview guide to make it easier to analyze. Even though the interview guide was used during the interviews many important details were spreaded through the whole dialog, therefore collecting them helped the analysis.

The analyses of the interviews aimed to establish a complete picture of the internationalization strategy of the case companies with special focus on the decision making process. In order to do that I went through the created categories and looked for related information that can be connected to the internationalization strategy. The analysis covered the affecting factors introduced in the previous chapters in order to make comparison with existing theories.

4. Case studies

This chapter presents the case companies I have studied. All five of them were open to discuss their internationalization strategy, and I have interviewed a relevant manager from every company, which is the basis of their case studies. In the cases first I describe the company, what is its profile and product(s), how was it founded, who founded it, what kind of background the founders had, and whether the company is a born global. Then I collect their reasons for internationalizing and what factors affected this decision at the time. The internationalization strategy of the firm and its three main points (market selection, expansion, entry mode) will follow with the affecting factors of its formation. At the end of each case I sum up the case and compare the most important aspects to the theories.

4.1. Distinction

Interviewee: Bálint Orosz, co-founder and CEO

Distinction is a mobile application designer and developer company based in Budapest, Hungary. They develop their own applications as well as for partner companies, such as Red Bull, Audi, Microsoft, and Nokia. The company was founded in 2010 and now has millions of users from all around the world. Their biggest market is the United States, followed by Europe and Asia. The company is growing continuously (it doubles its revenue and employee number every year), currently employs 25 people with an annual revenue of €1 million. According to their financial reports, in 2012 79%, while in 2013 96% of their revenue came from export sales. As the company was founded in September, 2010 these data confirm that they can be considered as born globals (Knight & Cavusgil, 2004).

Bálint Orosz, the CEO of the company, told me that he and his co-founders (Ákos Kapui and László Zöld) started working together while studying at the same university. After they won an international student competition in 2010 they decided to start their own company of software development. Later that year Microsoft introduced the Windows Phone operating system for smartphones and Distinction started focusing on that platform. The central points of their applications are design and quality, which made them successful. Without any active marketing or sales activities they managed to work for world famous companies such as Red Bull, Skyscanner, and Microsoft.

The three founders are all engineers, they started their business right after finishing school, thus they had no international business experience at all, however, Mr. Orosz does not think it was a disadvantage:

> *"No, it was not a problem. Basically what I see is that from Hungary you can only enter the international market with technology. The AppStore has a great advantage that it is a centralized system, and you can easily be discovered."*

And so it happened, all of their current partners found them on a centralized application store (may it be Apple's, Google's, or Windows'). They also have an angel investor, who is not involved in daily operation matters, but can be very helpful in business decisions and gives them advice.

Entering international markets on the smartphone application market is very different from traditional business models; here one does not need to be present in a market physically to sell their product. There is also no need for different distribution channels because of the already mentioned centralized application stores. Therefore, the internationalization for Distinction was not a hard decision, even though they could have developed in Hungarian for the domestic market, it would have been too small.

In this special case the components of the internationalization strategy are also quite different. By selling applications in a worldwide online store they are virtually present in every country, hence the market selection and expansion is not a question to decide, nor is the entry mode. In this case internationalization strategy can be narrowed down to localization. However, when they develop an application for one of their partners they are much more linked to a certain region. Mr. Orosz explains that on this B2B market they need to be present on the market, so whether they focus on the US or on Asia, they need to expand there. Their internationalization strategy at the moment is focused on localization of current applications, but soon they will need to open towards America or Asia, said the CEO of Distinction. He believes that opening an office in the target market is crucial for further growth.

Looking at their own applications the main affecting factor for internationalization strategy is the number of users from a certain area. They localize for the most important countries not only by translating the applications, but by customizing them for the given culture. On the B2B side of their business the most important factors are their partnerships and network connections, which might include a future investor from the target country.

This case is difficult to compare to the theories based on traditional companies, but a couple of points stand out. It can be seen that none of the original founders had any business experience, but with the help of an angel investor and the centralized distribution channel they managed to operate on the international market soon after their start. Their network and close partnerships are the most important resources along with the human resources that Mr. Orosz pointed out:

> *"The strategy very much depends on what you do, what kind of assets you have, what kind of employees you have and what are they good at."*

4.2. Arenim Technologies

Interviewee: Ákosa Kassai, managing partner

Arenim Technologies is an IT security company based in Stockholm, Sweden. Their one and only product, CryptTalk is a call encryption solution that guarantees nobody can eavesdrop on the calls and text messages. The company was founded in 2013 by two IT professionals with more than 10 years of experience in the telecommunication industry internationally on managerial levels. Right at the beginning they involved two other partners who are experts on their areas: Zsolt Cselédi is an experienced legal expert, and Ákos Kassai is an internationally experienced business manager. After one year of operation they have customers in many European countries, most from Hungary.

There are two main reasons behind the internationalization of the firm: international investors, and small domestic market. While the domestic market is small, their market is a real niche on a global scale. The company's internationalization strategy involves simultaneous market development with local partners in three main regions: Middle East, South-Eastern Asia, and South America. When selecting these markets the company had two main criteria: big number of potential customers, and a legal system that does not prohibit this kind of technology[1]. To enter these markets they decided to find local partners and start a joint venture in every region. Mr. Kassai says:

> *"The partner knows the local market and can finance the cost of entering the market and we apport the technology, plus we keep the technology updated and provide customer support on the 2nd and 3rd level."*

In order to find these partners they reached out to their connections and used their network on these markets. Thanks to their extended international network they managed to find fitting partners on every targeted market. The most influential factors on their internationalization strategy were clearly the demand and the legal environment. Their strategy formation was also affected by their investors, although Mr. Kassai did not attribute huge influence to them. Having such an extensive network as the company's founders had also influenced the market selection even though it clearly was not a decisive factor.

If we compare this case to born global theories on many areas we find exactly what is expected, however, at some important points the opposite can be seen. For example, the founders overcame the barrier of having lack of financial resources by using their international experience and networks, which is consistent with Freeman et al's (2006) findings. Their network and international experience also facilitated the rapid international growth and the simultaneous international market development, which, at the beginning of a firm's life, is also a special characteristic for born globals. On the other hand, they still lack of market knowledge on the targeted markets, which is why they start joint ventures with local partners. With this entry

[1] In some countries "dual-use technology" is only allowed for the armed forces.

mode they can tackle financial constraints and the fact that they are “outsiders” on these markets. One of the most important factor in the case of Arenim Technologies' internationalization is what Mr. Kassai pointed out:

> *“As the company’s growing the decision making becomes more professional. In our case it might be different because both the lawyer and I got involved at a relatively early stage in this process.”*

The experience, professional knowledge, and connection that came from those two people gave a huge boost to the internationalization of the company and greatly influenced the internationalization strategy.

4.3. Pocket Guide

Intreviewee: Martin Rétai, founder and CEO

Pocket Guide offers a GPS based audio tour application for smartphones with tours in over 100 cities and more than 400 guided tours. The application has three and a half million users, most of tem are from the United States and England. They have offices in Hungary and in the United States. Martin Retai, founder and CEO of the company, started Pocket Guide as local firm renting out special GPS devices with guided audio tours to hotels so that they can give them to their guests. After this channel proved unsuccessful the iPhone appeared on the market, and he realized the potential in an application that does the same thing as the previous device. This was the time when Pocket Guide entered the world market, as he said:

> *“Then we realized if this works on a phone it is great because then we can do it not only in Budapest, but everywhere on the world.”*

The company has partnerships with telecommunication operators, tour companies, and governmental tourism institutions. They focus first on the most visited places such as London, New York, second on the cities where they have a partnership. For example, Grey Line is one of the best known tour company in New York and they partnered up with Pocket Guide to offer tours after the travelers get off their buses.

Their internationalization strategy is double-sided: on one hand, they try to offer tours that the users are interested in, so they focus on big tourist destinations; on the other hand, their partnerships are sometimes more important and might create a tour for a lesser known place. In the latter case it is usually sponsored by the local tourism board. As the CEO summed up:

> *"Basically we focus on the places where we can move the most users. Sometimes we move the users and later try to find a partner, other times a local partner approaches us."*

They entered the United States by opening a local office, and other parts of the world are served by the sales team based in Hungary. The two main factors that influenced their internationalization strategy were the demand to their product and how and where they managed to build up strong partnerships. These strategic partnerships had enormous part in their fast growth internationally and will keep facilitating their business. The partnerships also helped with local market knowledge, which in the United States also was provided by their American venture capital investor. Even though the founder started the company without any previous international experience the investors helped him to overcome any barrier originating from his lack of international experience.

Overcoming lack of resources by having strong partnerships is consistent with Freeman *et al* (2006), who claim that one of the most crucial part of born global firms' strategy is *"managing relationships through partnerships and alliances"* (Freeman *et al*, 2006, p.35). However, the international background of the founder is not present in this case, as it is suggested in the literature (e.g. Madsen & Servais, 1997).

4.4. Drungli

Interviewee: Orsolya Anna Nagy, co-founder and CEO

Drungli is an online plane ticket search engine focusing on the cheapest tickets available. One can enter a departure city with a date and the site lists the cheapest tickets available to any city in the system. Both founders are frequent flyers in Europe and the idea also came up on a flight solving their own needs. The organization is international from its start: one co-founder, Orsolya Anna Nagy is from Hungary and lives in Spain, the other, Gjergij Ereid is from Albania and works in Italy, and the developer team is based in Hungary. Due to these distances between parts of the organization everything is done online. One reason for internationalization right after their start was the international trait of the company. The other one was maybe even more obvious: the airlines are from different countries in Europe and people fly most of the time on international flights. Hence, a domestic market (in any European country) would have been too small.

The company was founded in 2012 by the above mentioned co-founders and registered in Hungary. According to their financial report from 2013, all of their revenue came from foreign customers, which means they can be considered born globals. Orsolya Anna Nagy, the CEO of the company has advertisement agency background from Hungary, and Gjergij Ereid, CPO of Drungli is an engineer with international experience and extensive international network.

Being an online service the company does not necessarily need to be present physically in any markets, but they still might need to concentrate on some more than on others. As Ms. Nagy told me, they focus on the places that most people search for, so their market selection depends on the demand from their customers. They also consider financial factors because of the affiliate system. That means that they will focus more on countries where they can make more money. For example, they do not receive any affiliate payment from Ryanair even though they bring them customers. In spite of that they will still feature Ryainair's flights in their search results because they want their service to be the best and give their customers the real cheap plane tickets they want. In order to overcome this deficit they integrated accommodation search to their site, which hopefully will generate enough income to cover the loss at flight searches and to help them expand to other continents. Regarding their future plans, Ms. Nagy pointed out that low-cost airlines are special for Europe now, but in Asia more and more budget airlines are started, so that could be their next target.

Their operation modes on foreign markets (and even on the domestic) are based on strong partnerships with local airlines and social media marketing with their customers. Both of these helps them to avoid big investments and financial commitment, as well as makes it possible to work from three different parts of the continent. Having lack of financial resources also forces them to rely on strong relationships. The main affecting factors on their internationalization strategy are market factors (demand and low cost airline locations) and partnerships. Both of those influence which market/country they will focus on.

In this case Freeman *et al*'s (2006) theory of overcoming financial resource scarcity by strong partnerships is also supported.

4.5. Prezi

Interviewee: Andrew Banks, Head of International

Prezi is an online presentation tool with a virtual canvas where users can zoom in and out and move through the information placed on the canvas. The company was founded in 2009 and now has more than 40 million users worldwide. Two co-founders (Péter Halácsy and Ákos Somlai-Fisher) started to work on the project in a startup incubator and after they realized it can be a worldwide business they looked for somebody who can make it successful. This is how the third co-founder, Péter Árvai joined Prezi. He is an experienced businessman with technical background knowledge about several international markets (his parents are Hungarian, grew up in Sweden, and lived in Japan). The founders always knew this product needs to be on the international market, they never thought about keeping it on the domestic market[2]. It can easily

[2] Even so, they only localized to Hungarian after 4 years as the 8th language.

be seen in their financial reports that they are a true born global company as their domestic income is negligible (last year less than 2 percent).

In order to grow, Péter Árvai, the CEO of the company raised money from TED conferences and Sunstone Capital. These investments allowed the company to open an office in San Francisco. As the United States is their primary market it was a rather obvious choice, besides their investors being American and that as a technology company the Silicon Valley is the place to be. Mr. Banks said the same as the co-founders always point out regarding opening an office in the US:

> *"Our biggest market is the United States and we need to be present there."*

Even though Prezi is an online tool, not only the investors, but the customers and the partners also require the company to be physically in America.

They never really invested huge amount of capital to acquire users from all over the world, however, without their involvement many Prezi community have been built up in different countries (Korea, Japan, and Netherlands). They try to serve these communities with conferences and PR activities to keep their engagement. These users often affect the company's internationalization strategy: they localize where more users and more engaged users can be found. Other factors regarding the decision about localization are the size of the market (user number, GDP), the revenue from the market, and whether there is a need for localization (e.g. in Netherlands the English proficiency is so high that there is no need for localization). They also consider the complexity of the market, and the "*cultural propensity for visual communication*" (Edo van Santen, 2013). Because Prezi is a new and complex product, the company favors the countries where more experts of their product can be found so they can teach and involve other people. One example of how they popularize their product is the Ambassador Program where university students promote Prezi on their campus and encourage fellow students and professors to use Prezi when sharing ideas.

When studying Prezi's internationalization strategy localization seems to come first before every other aspect. Being a cloud-based service they do not necessarily need to be physically present on any market (despite the fact that they chose to open an office in the US), therefore the market selection virtually equals with the localization. Their product spreads around the world without having huge marketing budget and mostly using social media to engage and word-of-mouth marketing. As a result, their user number grows intensively, at the end of 2013 30 million users registered to their site, and just half a year after that they reached 40 million. Every day fifty-five thousand new user register, which ensures Prezi's growing (Varga, 2014).

Prezi is a company of a new kind, based on the internet, operating as a SaaS (Software as a Service), and using a so called freemium model (free + premium), where people can use the product for free, but for premium services they need to pay. It is a true born global from the IT sector with special characteristics, which are not all in accordance with the literature. For example, they barely had any previous experience or market knowledge in the United States and yet it became their primary market and the first one to enter. It is true that the CEO of the company is an experience international entrepreneur, which obviously helped Prezi to become an international success, but his market knowledge was limited to Europe and Japan. Another important factor that influences born globals' internationalization strategy is their lack of resources, which can be overcome by strong partnerships (Freeman et al, 2006). Today's IT companies many times look for venture capital funds and investors to fix this problem and be able to focus on scaling their product to the global market. This was the case for Prezi as well, right after their start they were looking for investors.

5. Findings

In the previous chapter five case companies and their internationalization strategy were presented. In order to summarize and compare the findings of the case studies this chapter will present them as follows: starting with the general characteristics of the companies, then the affecting factors on forming the internationalization strategy, ending with their internationalization strategy.

General characteristics

As it was mentioned earlier all of the case companies are connected to Hungary in some way, however, not all of them are based there. All five companies have offices in Hungary with different functions (headquarter or only software development). Two companies have office in the United States and one is headquartered in Sweden. Regarding their market coverage it can be said that in nearly every country on the world we can find a customer for one of the companies. This is especially true for the companies with smartphone applications. Only one company (Drungli) limits its market to the European continent, the other four are present on at least two more continents.

When comparing these companies it needs to be taken into consideration that not all of them are in the same stage of their life. Even though all of them are quite young (Prezi is the oldest with its 5 years), they grow with different pace and have different goals. Prezi and Pocket Guide are the most mature of the five companies, while Drungli and Arenim Technologies are in a very early stage in their lives (Drungli is in an open beta mode and Arenim Technologies only started last year). It is also important to look at their financial background: the two most mature companies have received investments from professional venture capital companies, while a nonprofessional investor funded Arenim Technologies, an angel investor helps Distinction, and the founders put their own money into Drungli.

Affecting factors on forming the internationalization strategy

In order to form an internationalization strategy the company obviously needs to decide to internationalize, therefore I would like to start with the reasons why the case companies entered international markets. The literature suggests born globals internationalize because their product or service is on a niche market and staying on the domestic market is not big enough to serve it profitably, so they look for markets outside their home country (Knight & Cavusgil, 2009). This theory is supported by all of the case companies in this study, presumably due to the small size of the Hungarian market on the information technology market. Other reasons for their internationalization are the model of centralized online stores for smartphone applications (Distinction and Pocket Guide), and the nature of the tourism industry, which is highly internationalized (Pocket Guide and Drungli).

The affecting factors on forming the internationalization strategy for the case companies are summarized in Table X. Three of the five factors are based on the literature and two came from the interviews with the case companies. The background of the founder as an influencing factor was suggested by Madsen & Servais (1997), who said that their educational background, previous professional and international experience affects the company's internationalization, and assumed that they have international background and entrepreneurial behavior. According to McKinsey & Co. (1993), the founder of a born global views the world as one market place. These characteristics cannot all be found in the case studies, especially the international background. That being said, other circumstances compensate for lacking these characteristics: investors usually have these competences and gladly help the companies in order to make them successful on the international markets; in addition, global markets are much easier to reach today, especially with a product/service that is provided with the help of internet. These companies all offer something that is virtually borderless and available from everywhere on the world (except for Drungli), hence the international background seems less crucial than in traditional industries.

As in the previous chapters it was stated resources are important for every company and born globals lack of financial resources. It was also suggested by referring to the existing literature

TABLE 1: AFFECTING FACTORS ON FORMING INTERNATIONALIZATION STRATEGY FOR THE CASE COMPANIES

	Founder(s) background	Resources	Network	Investor	Demand
Distinction	All engineers, no international business experience	Not the internationalization strategy (but the business model)	Their main source of new international clients	Helps in business matters	Unsolicited international orders keep the company profitable
Arenim Technologies	Engineers, a lawyer, a business manager with international experience	One reason for joint ventures	Market selection	Make decisions together	Market selection
Pocket Guide	Engineer with domestic business experience	-	International strategic partnerships	Make decisions together	Market selection
Drungli	Engineer and communication expert, little international experience	Not the internationalization strategy (but the business model) Future plans	-	-	Market focus
Prezi	Engineer, designer, international business manager	Partially	No	One reason for US office, make decisions together	Localization, US market entry

that they overcome this problem for example by having strong partnerships (Freeman et al, 2006). What I found when studying the case companies is that although these companies cannot be compared financially to MNEs, most of them are financially stable and financial resource scarcity does not determine their strategy. This can be due to the fact that they received external funding, however, half of the interviewees mentioned a positive and steady cash flow (i.e. they are profitable even during internationalization). The lack of financial commitments when entering a market explains it. This disproves the theories, which claim that born globals have lack of financial resources and only their knowledge and human resources keep them successful. Of course, this is not to say that knowledge and human resources are not crucial for the success of born globals, especially since the studied companies are knowledge-intensive firms.

Having the assumption that born global firms have lack of financial resources, Freeman et al (2006) concluded that most of them overcome this problem by having close relationships and strategic alliances. Even though having lack of financial resources was not a primary factor at most of the case companies, it still had some effect on their internationalization strategy. It can be assumed (and in some cases said) that the networks of the founders at the case companies also helped them to achieve this. In two cases (Distinction and Pocket Guide) strategic partnerships are the main generator of their income, and in the case of Arenim Technologies it helps their international expansion by making easier to find a partner for joint venture. This case is consistent with Sharma & Blomstermo (2003), who said born globals base their market entry mode on their existing network ties. In addition, we need to see that by having an investor these companies broaden their networks and it makes easier to reach certain parts of the world and make new connections (especially in case of venture capital firms).

Two factors that influence the internationalization strategy of born globals were suggested by the case studies: investors and demand. Investors have already been spoken of in this section as they are often the reasons why the theories from the literature are not true. They have a huge effect on decision making, therefore, they greatly affect the internationalization strategy as well. Every case company that has an investor pointed out that the important decisions were made together with their investors, however, they did not say how much the investor influenced decisions regarding the internationalization strategy. In Prezi's case the investor demanded that they open an office in the United States, but did not hear any similar instance from the other companies. One other, more obvious affecting factor was the market demand (or possible market demand) for the company's product. Every case company emphasized the importance of the demand as a primary factor which market to focus on and which market to enter. Even though it is an obvious and crucial factor for market selection (or perhaps that is why) little has been talked about it.

Internationalization strategies

As it has been argued previously in this paper internationalization strategy includes three important elements: market selection, expansion pace, and entry mode. After having analyzed the case studies the findings show quite different strategies, which means some cases support existing theories, while others disprove them. Table 2 summarizes the internationalization strategies of the case companies and shows what factors affected their decisions.

Regarding market selection Sharma & Blomstermo (2003) claims that existing network ties affect the decision of which market to enter. In the case studies we can see that three companies' market choice was influenced by their network. The best example is Arenim Technologies that looked for countries in regions in which they have any connections to set up a joint venture company. It helps them to expand rapidly, which is one of the key characteristics of born globals. Although above the preexisting market knowledge of the founder as a requirement for born globals has been contradicted, their unique asset can give them competitive advantages in certain countries. This could be spotted in the case studies as all companies possess unique asset that made them able to grow internationally quickly. Besides the affecting factors you can find in the literature, the earlier mentioned two additional factors (demand and investors) also have influence on the companies' market selection in some cases.

The international expansion pace of born global companies is most often faster compared to traditional companies. However, looking at the cases at hand we can see that it does not always follow a shower approach, when markets are developed simultaneously. It needs to be noted here that some companies does not consider every country a separate market, rather see for example Europe as one. This is the case for Drungli that is focused on the European market as one, but develops country markets simultaneously. Another focused expansion is Pocket Guides's that tries to have high leverage among the most visited cities and not concerned about other parts of the countries. Arenim Technologies and Prezi use different ways of market development, but they both enter markets simultaneously in order to achieve the fastest growth. Distinction had several opportunities for reaching further markets in the past with partnerships, but they decided to control their own expansion pace in order to keep the high quality they provide.

According to Knight & Cavusgil (2004), the most common entry modes for born globals are export modes. This statement is completely supported by the case studies, in which all of them used export modes for some degree. Two companies (Pocket Guide and Prezi) opened foreign office (sales subsidiary), one uses joint ventures to enter markets, and the others mainly rely on direct exports. Export modes require low financial commitment, which is why they are widely used among born globals, however, most of the case companies use them because of their way of spreading their product, which is over the internet. For example, using a centralized application store determines an export mode.

TABLE 2: INTERNATIONALIZATION STRATEGY ELEMENTS OF THE CASE COMPANIES

	Market selection	Expansion	Entry mode
Distinction	Indirect (network)	Controlled	Direct export
Arenim Technologies	Connections and market characteristics	Shower	Joint ventures, sales agents, direct export
Pocket Guide	Demand, network	Focused	US office, sales team
Drungli	Demand driven	Focused	Direct export
Prezi	Demand, investor	Fast	US office, direct export

6. Conclusion

This paper aimed to explore the internationalization strategy of born globals, how is it formed and what factors influence the decisions behind it. The paper started with an overview of the theories about internationalization according to the traditional approach and continued with theories about born globals and their internationalization. I defined internationalization strategy as the decisions of three important elements: market selection, expansion pace, and entry mode. These were in the focus of the study and I wanted to understand how these decisions are made, what factors affect them and how are these different at different companies.

I conducted interviews with five people who were either the founder of the company or an executive overviewing the internationalization strategy of the firm. Based on these interviews five case studies were written and analyzed. The findings showed some consistency with the existing theories, however, in many cases the exact opposite found to be true at the selected case companies. The most important finding that contradicted the literature was the lack of need for international background of the bounders, which were assumed to be antecedents for born globals by Madsen & Servais (1997). The studied companies have overcome the lack of international business knowledge by getting support from their investors and close partners.

Partnerships are very important for born globals and it has been found that Freeman et al's (2006) statement is supported by these case companies, according to which, strong partnerships help to overcome lack of resources. However, investors also help in this by providing financial resources, and most importantly, their business knowledge and extensive network. This is especially true when talking about venture capital firms and business angels.

Knight & Cavusgil (2009) claimed that born globals usually internationalize on a focused market finding the niche, which is also supported by the findings of this paper. It is clear that these companies all found a market where they can only be successful if they aim the global market. All of the companies realized this at the beginning and little have they focused on the domestic market.

The main factors affecting the internationalization strategy of born global companies were found to be their network, their investors, and the demand on certain markets. Close partnerships have influenced the market selection, the expansion pace, and the entry mode as well. Similarly, investors have effect on all aspects of the internationalization strategy, as these decisions are made together with them. The demand for the company's product/service determines which markets to enter. Resources have been found to have less of an importance, probably due to the fact that most of the case companies have received financial help from investors.

The internationalization strategy of the case companies differ in many ways and it does not paint an obvious picture of born global companies' internationalization strategy, however, some aspects seem to be the same. Export modes are present at every company in this study as the literature suggested – it makes internationalization faster and easier, but in these cases it is probably caused by the internet being their primary distribution channel. Another theory that is consistent with the cases is the special characteristic of born globals of operating on a focused market and finding a niche, which forces them to enter international markets because the domestic market is too small.

As it has been discussed all of the case companies are not only in a high tech industry, but they are all using the internet as their primary (in some cases only) distribution channel. This phenomenon appears to be quite new as nothing related have been written in this topic regarding internationalization strategy, or born globals. It could be the topic of a subsequent research to study internet based born globals compared to ones in traditional industries.

Finally, it has to be stated that all case companies are in the information technology industry and all of their products/services are internet based. This needs to be taken into consideration when reading the findings, however, according to Bell (1995), born global companies usually operate in the high-tech industry. This industry has special characteristics besides having the opportunity to export your product overseas in just a second, which is the innovativeness that is facilitated by knowledge. Hence, knowledge is the most important resource for these knowledge-intensive companies, which helps them greatly to innovate not only their products but the way they operate or enter international markets, i.e. their internationalization strategy. Balint Orosz, CEO and co-founder of Distinction emphasized the importance of capabilities in this industry and pointed out that they need to react fast to changes and use their capabilities the best they can to stay successful. This innovativeness can be found in their internationalization strategy as well.

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