

The Importance of Networks and Founders in Enabling Rapid Internationalization of Born Globals from SMOPECs

International Business

Master's thesis

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2010

ABSTRACT

Objective of Study

The objective of this Master's Thesis is to research what impact networking and the previously retained knowledge, experience and contacts of the founders have on the rapid internationalization of Born Globals from SMOPECs.

Methodology

The Master's Thesis is composed of a theoretical and an empirical portion. The theoretical portion of the study is based around literature on Born Globals, internationalization, and networking which were utilized to compose a theoretical framework explaining the factors related to what factors enable Born Globals to initially internationalize in a rapid fashion. The empirical portion of the study is qualitative by nature and encompasses two case companies. The information gathered from the case companies is compared and analyzed with the findings of the theoretical literature and framework included in this Master's Thesis.

Findings

The founders and their previous network contacts, knowledge and experience were found to influence the initial internationalization of Born Globals to a great extent. Also, by utilizing these competences of the founders, the Born Globals were able to expand their existing networks by gaining references from new customers and network ties which were gained from the formation of various partnerships in international markets. In addition, these new network ties provided the Born Globals with finances and access to knowledge pertaining to opportunities in various foreign markets. The role of the Internet and various social networking and communication enabling websites also proved to be an important tool utilized by BGs during their internationalization efforts, and warrants further research to gain a greater understanding of its full implications.

Keywords

Born Global, Internationalization, Globalization, SMOPEC, Networks, Knowledge-Based View, Founders

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1. INTRODUCTION

1.1 Background

The economy has become increasingly globally oriented and it is nearly impossible to seek out a firm, regardless of its size, which is not affected in some extent by globalization. Since a large portion of the global economy is made up of companies which can be classified as small to medium sized, it becomes increasingly important to understand the nuances and processes that these companies need to undertake and overcome in their course to international markets, especially with the fairly recent identification of companies that seem to internationalize in a rapid fashion.

In recent decades researchers have identified companies that seem to internationalize in a different manner than most international businesses paradigms would advocate. As Oviatt and McDougall (1994) state, these companies which are known as Born Globals have been identified as having a global mindset from inception, and tend to limit or completely omit establishing themselves in their domestic market prior to internationalizing. These Born Globals and have become a focal point of study amongst a number of researchers (Gabrielsson & Kirplani 2004; Oviatt & McDougall 1994; Luostarinen & Gabrielsson 2002; Freeman et al. 2006; etc.), and the Born Globals warrant additional attention as there are more studies being conducted about them.

More specifically, this research will focus on what kinds of alliances and networks the Born Global companies rely upon during the first steps of internationalization and how these networks affect the entry modes, relationships, and tangible/intangible resource acquisition of the firms. Also this research will focus on whether Born Global companies can gain value added advantages from their founders experience and network connections in terms of knowledge development during internationalization and how this knowledge enables these relatively internationally inexperienced companies to expand beyond their domestic borders. In order to gain a deeper

understanding of these network dynamics, a closer look will be taken at different networking and internationalization theories. Along with this, several key distinguishing factors of Born Globals will be discussed as to what characteristics these companies typically encompass and how these firms may be affected from the perspective of small and open economies (SMOPEC) as their domestic markets.

Since Born Global companies make up a large portion of varying SMOPEC nations economies', it is vital to gain a better understanding of which distinguishing variables related to networking enable a Born Global to sustain a chance of succeeding globally (Borghoff 2005), and since BGs are typically operating in knowledge intensive industries it is important to gain an understanding of what role knowledge acquisition and utilization plays in this (Freeman et al. 2010).

1.2 Research Gap

While Born Globals and networking have received a large amount of interest from numerous researchers (Luostarinen & Gabrielsson 2002; Knight, et al. 2004; Freeman et al. 2006; etc.), a need has been identified to conduct more research relating to the role that networking and the founders stock of knowledge plays in enabling the rapid internationalization of Born Globals in terms of resource acquisition from strategic alliances and network partners (Freeman et al. 2010; Brennan & Garvey 2009; Sharma & Blomstermo 2003). It has been suggested that in addition to tangible resource acquisition, the role of intangible resources should be explored further in relation to explaining the Born Global phenomenon, (Freeman et al. 2010; Hadley & Wilson, 2003; Sharma & Blomstermo 2003). More specifically, Freeman et al. (2010) suggest a need to understand the role of knowledge acquisition and how its utilization impacts the Born Global in terms of enabling rapid internationalization. Additionally, a portion of this research is focused on the enabling characteristics that Born Globals possess in order to internationalize, as well as the challenges and opportunities that Born Globals face in during internationalization. This presents a chance to explore the ways in which

Born Globals can overcome these respective challenges during the internationalization process and make use of the possible opportunities that may arise as a result of engaging in networks or business relationships. Hence, this research aims to bridge the gap of how the founders existing network ties, knowledge, and experience enable rapid internationalization of BGs from SMOPECs, and what is the impact of new network ties to the BG.

1.3 Research Objectives and Problem

The objective of this research paper is to gain a more comprehensive understanding of the often complex relationships of the network dynamics that Born Globals in SMOPEC nations are involved in during the internationalization phase, and to research the role of the network relationships and Born Global characteristics that act as an enabler for the BG to rapidly internationalize utilizing gained resources. Also, a focus will be given to study if the knowledge gained from previous experience of the founders their and network relationships will be beneficial to the Born Global during internationalization. This will be achieved via the information gathered from the literature sources read, which in turn will be compared and contrasted with the empirical findings from the case studies conducted for this research paper.

In order to reach these objectives described above, the actual research problem needs to be formed in relevance to the topic at hand. Therefore, the following research problem is geared to explain:

“How does the knowledge and experience of the founders, as well as the Born Globals network connections enable rapid internationalization?”

1.4 Research Questions

To be able to bridge the research gap in a relevant manner and to gain a focus on the research problem of this study, the following research questions have been devised;

1. How does the founders previous knowledge, experience and network ties aid the BG in the formulation of additional network ties?
2. What benefits does the BG gain from its network ties, and how do they assist in rapid internationalization?

1.5 Definitions

This section will include the key terms and theories, along with their respective definitions that are used throughout this paper. While the exact definitions are provided here, the contexts of these terms will be explained to greater depth later in the study.

Born Global: “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” (Oviatt & McDougall 1994, 27).

Networks: “A set of relationships between different parties i.e. a social structure of social and other relationships between the partners that can be split up to smaller units like nets, and categorized according to such criteria as geographical, technological, functional or perceptual” (Nikkanen 2003, 15).

SMOPEC: “An economy that is small enough compared to the world markets in which it participates that (as a good approximation) its policies do not alter world prices or incomes. The country is thus a price taker in world markets. The term is normally applied to a country as a whole, although it is sometimes used in the context of only a single product” (Deardorff’s Glossary of International Economics).

Social Capital Theory: “Players gain access to various kinds of resources that accrue to them by virtue of their engagement in various kinds of relationships. Whereas human capital refers to individual ability, social capital refers to opportunity” (Burt 1997, 347).

***Knowledge-Based View:** “..has emerged from the resource-based view focusing on intangible resources, rather than physical assets. In this perspective, knowledge is the most important resource, and heterogeneous knowledge bases across firms are the main determinants of performance differences” (DeCarolis & Deeds 1999).*

1.6 Limitations

There are several limitations that research conducted with such a limited time frame and financial constraints may come across. First and foremost, the time constraint hinders the amount of case companies which can be interviewed for the study, which in turn decreases the extent of the conclusions drawn from such a relatively small pool of Born Globals.

Another aspect to consider is the restricted amount of financial resources available to carry out this study. Limited financial resources directly affect the number of face to face interviews that can be conducted due to travel expenses, as well as hinders access to a broader pool of costly research material. An additional limitation to this research is the fact that it is conducted from the perspective of Born Globals originating from SMOPECs, hence the conclusions drawn may not be in line with the experiences and dynamics that Born Globals face in larger economies, as well as varying cultures.

Personal access to insightful insider information relating to Born Globals internationalizing may have also been interesting to explore, as well as helpful in the final analysis of the empirical findings. However since I am not employed to a Born Global company nor do I have any acquaintances that work at such a firm, the information used in this Master’s Thesis is solely based on the experiences and research conducted by others as well as the extent of information disclosed by the interviewees’.

Another limitation to this research is determining a suitable definition for a Born Global since there are numerous characterizations already existing. This means that different

researchers from varying countries have their respective qualifications for a Born Global. As a result, some of the companies identified as Born Globals according to the definition chosen for this paper may not be undisputedly accepted to qualify as one by the entire research community (Gabrielsson & Kirpalani 2004). Additionally, studying the long-term effects of networking on the BGs would be beneficial in determining if they provide additional value to the firm in the long term, or if most of the benefits are accrued in the initial internationalization phases. This would require follow-up interviews once the company becomes globally established, which is not possible considering the scope of this study.

2. LITERATURE REVIEW

2.1 Characteristics of a Born Global

The business environment has undergone numerous changes in the past few decades. In terms of economic integration, one of the driving forces behind the change has been the advent of a phenomenon known as globalization (Borghoff 2005). Some of the more significant driving forces behind globalization have been advancements in communication technology, logistics, as well as the relative ease of travel (Andersson & Wictor 2003). Globalization has also had an effect on marketing demand and strategy and trade barriers since they have become increasingly similar across geographic boundaries making an international or global approach easier to implement (Ibid). As a result of these advancements, figuratively speaking, the world has in fact shrunk in size and become a less hostile business environment. However, even though companies have more access to new markets it should be kept in mind that so does their competition.

There are some obviously fundamental effects that globalization has had on the way that business is conducted. Amongst these is the fact that globalization has opened doors for companies to internationalize in a faster time frame than previously explained by, for example, the stages model of internationalization (Sasi & Arenius 2008). Also, the availability of advanced communication technology that has increased the relative ease of communications between different actors within companies across international boundaries has aided in the formation, upkeep, and search for new business opportunities. In essence, this is related to the network dynamics that companies often rely upon. As stated by Andersson and Wictor (2003), a great amount of importance has been placed on the firm's international networks on a personal and organizational level in terms of gaining a greater understanding of their international development.

However, it is important to note that it is not only the international networks that have influence on the way that a firm is able to internationalize, but also the network

relationships formed in the firm's domestic markets which enables the internationalizing company to gain social capital. This social capital can then be an enabler for the company to achieve entrepreneurial firm mobilization, as well as better access to international opportunities and the ability to surmount the liabilities of newness and foreignness (Coviello 2006).

Internationalization has been shown to be an efficient means for many SMEs to gain access to larger market space and possible new business opportunities. This is apparent from the fact that many SMEs are either international to some degree or have aspirations to become international, and also from the extensive amounts of existing literature regarding the internationalization processes and theories of SMEs. However, a fairly recent observation made by the research community has identified a group of SMEs that do not seem to follow the previously identified pattern of succession regarding internationalization, but rather seek to internationalize from inception (Gabrielsson & Kirpalani 2004). Many researchers have become to identify these companies as Born Globals (Andersson & Wictor 2003; Gabrielsson & Kirpalani 2004; Knight et al 2004; etc). Born Globals have a propensity to share some common characteristics with each other, especially when they are involved within similar product ranges and in the circumstances that they originate from similar market environments such as SMOPECs.

2.1.1 Defining a Born Global

There are several prevailing terms used to define the group of companies that seek to internationalize from inception. These terms include Born Globals, global start-ups, instant exporters, international new ventures, instant internationals etc. (Oviatt & McDougall 1994; Knight & Cavusgil 2004). The terms represent companies that share common characteristics, and they are often used quite interchangeably. For the purposes of this research paper, the term Born Global (BG) will be predominantly used.

Although several definitions of Born Globals exist, this study will be based around the description created by Oviatt and McDougall (1994); Born Globals have an international mindset since their foundation, and they attempt to gain a competitive advantage over others by using their respective unique resources and by selling their products/services in multiple foreign markets. Also, they tend to commit larger amounts of resources to their international activities than other SMEs. Another acknowledged feature of Born Globals is the fact that they are inclined to rely upon networks, both pre-existing and newly formed, as a means to gain access to international markets (Oviatt & McDougall 1994; Coviello & Munro 1995).

In order for a Born Global to be successful, Oviatt and McDougall (1995) have identified seven different characteristics that should be present for a BG to survive and grow in the international markets. These characteristics are as follow: a global vision from inception, internationally experienced managers, global entrepreneurs have strong international business networks, preemptive technology or marketing is exploited, a unique intangible asset, product or service extensions are closely linked, the organization in closely coordinated worldwide

While these characteristics are a good guideline of what a Born Global should strive for, Oviatt and McDougall (1995) are quick to state that there is no such thing as guaranteed success and even if all of these characteristics of company are present, the Born Global will not necessarily become successful and prosper. In order to gain a deeper understanding of Born Globals, these characteristics will all be touched upon later in this research.

2.1.1 Challenges of Born Globals

As with most new SMEs, Born Globals also have several key challenges that they should address. These challenges are often unique to BG's when compared to most MNEs and other established players. Freeman et al. (2006) have identified the following challenges that Born Globals may face: lack of economies of scale and lack of financial

and international knowledge resources. Also, Oviatt & McDougall (1995) find that BGs have a penchant to risk taking which may be a challenge if the risks taken are perceived to be excessive or unprofitable in the long-term since the founders have often invested everything at stake into their company. It is important to note that Coviello (2006) associates the newness of a Born Global as yet another challenge that they may face in foreign markets. The liability of newness is described by Beamish (1998) as the process of a new organization struggling to develop legitimacy since they often do not have many pre-existing social ties to mature organizations. However, gaining social capital, which includes; management contacts, active customers, and involved suppliers, may be beneficial for Born Globals in their process to overcome these liabilities associated with their relative newness in the foreign markets (Sasi & Arenius 2008). Also, access to resources in the target markets, as well as means to enter existing networks are identified as ways to alleviate newness (Beamish 1998).

The fact that Born Globals expand to several new foreign markets simultaneously, or at least in rapid succession, presents another possible liability that they may face: the liability of foreignness. This liability can be attributed to the possibility that in some cases the entrepreneurs within the Born Global may not have the required amount of international experience to thoroughly understand how business is conducted locally in the respective foreign markets. Companies entering these foreign markets may face several kinds of barriers that hinder their ability to conduct business affectively. Such barriers may include discrimination by the different actors within the market, such as governments, suppliers, and customers (Beamish 1998). According to Ranft and Lord (2000), other liabilities of foreignness factors to consider include; the gaining of legitimacy, uncertainty of local business practices, complexity of dealing with local partners, cultural differences, diverse local preferences, language barriers, and adapting products to national requirements.

All of these liabilities relating to foreignness may provide the Born Global with various difficulties when trying to launch operations abroad, yet they are deemed worth the risk

due to the large potential returns to be achieved in the foreign markets. Also, these liabilities do not necessarily pertain to all cases of Born Globals since some of companies may have personnel with previous experience in the respective foreign markets that expansion is sought in, which may help alleviate the adjustment to local specifications (Ranft & Lord 2000).

Since the majority of Born Globals are SMEs, the size of the firms has also received attention as a possible liability. Small firms tend to lack the tangible assets possessed by larger firms, as well as intangible knowledge gained through experience (Freeman et al. 2006). Another aspect to be considered is the fact that access to labor markets in the new foreign environments may be more difficult for small companies such as Born Globals, and they may notice that in most cases they have little influence towards the way that the markets are shaped since they tend to lack any leverage (Beamish 1998). Also, the smallness of Born Globals may present itself as a problem due to what Casseres (1997) has identified as “resource poverty”. Resource poverty may include such attributes as lack of financial capital, proficient amount of personnel and global management skills. However, in order to overcome such resource poverty, a firm may resort to measures such as forming network relationships with other key people, firms, or organizations (Oviatt & McDougall 1995; Coviello & Munro 1995).

Davis and Harveston (2000) identify the use of technology as a means to overcome size related disadvantages. They state that technologies such as the Internet enable small companies to reach consumers across national borders and create consumer awareness for their products or services. It should be noted that technology as a standalone feature cannot create advantages for the BGs, but rather a correct blend of entrepreneurial and managerial knowhow should also be present.

2.1.2 Born Global Capabilities for Overcoming Challenges

There are also multiple characteristics of Born Globals that may be considered as advantageous to the firm. Amongst these is the fact that the founders of the Born Global

often have an entrepreneurial mindset, which translates into the firm exhibiting entrepreneurial behavior. Contrary to the observations of Freeman et al. (2006) concerning Born Globals sometimes lacking the characteristic of risk taking, McDougall and Oviatt (1995, 903) state that the entrepreneurial behavior exhibited at an international level may be defined as "...a combination of innovative, proactive, and risk-seeking behavior that crosses national borders and is intended to create value in organizations". However, it is to be noted that the entrepreneurial aspects of the Born Global are not limited to the individual-level of the founder, but rather may also be applied at a firm-level due to the relatively small size of most Born Globals and prevailing small power distance (Ibid).

The presence of an entrepreneurial atmosphere also brings additional benefits to the Born Global, the most prominent benefit being innovation. Innovation is identified as being in the domain of entrepreneurs, and often the result of the two following sources: internal research and development resulting from accumulated knowledge, and imitation of other firms' innovations. Innovation is commonly identified as being beneficial to companies when establishing themselves in new markets by allowing them to serve the markets to their full potential. The way this is typically accomplished is by being responsive to customer needs and expectations via new creative solutions that create value in the minds of the end users (Massini & Lewin 2003).

The small size of the BG should not necessarily be considered as a constraint. On the contrary, small size gives the Born Global companies the inherit advantage of flexibility. Flexibility allows for the Born Global to be able to adapt to new markets in a more fluid fashion, and react to market conditions quicker (Andersson & Wictor 2003). Also, due to the small size of Born Globals, there is relative ease of communication amongst employees. As described by Sharma and Blomstermo (2003), most of the knowledge in Born Globals is codified and experiential, hence the small size of the company allows employees to communicate with each other more effectively and learn from each other's knowledge base with greater ease. From the previously mentioned

facts it may be concluded that BGs share similar size-related advantages, as well as disadvantages, that other SMEs are known to face. However, the way that a “typical” home-market focused SME and Born Global differ from one another is that the Born Global relies on its characteristically high level of product specialization and the knowledge of its entrepreneurial minded personnel (Freeman et al. 2006).

As well as an entrepreneurial mindset, the founders and managers often have international experience to varying degrees which in turn may allow the Born Globals to have access to new global networks, knowledge, and markets. This means that in many cases the Born Global may possess valuable international expertise from inception that various other types of firms often spend vast amounts of time and capital resources to develop (Knight et al. 2004). Another important characteristic that may influence the Born Global’s rapid internationalization is the global vision of the founder, and in many cases, the top management as well. This allows the Born Global to effectively use all of the experience, knowledge, and international drive of its key personnel to its own advantage, thus allowing it to find avenues to internationalize at a swift pace. Also since the company will seek to hire like-minded people, it will reduce the amount of internal conflict concerning internationalization strategies that may be faced by larger companies with great stakes in their home markets and a possible resistance-to-change attitude in its ranks (Bell et al. 2003). The impact of the founders will be discussed to greater lengths in the following chapters of this study.

2.2 Rapid Internationalization of Born Globals

Now that the Born Globals characteristics, challenges and the means to overcome the challenges have been discussed, a focus will be given to the internationalization of BGs. There has been an increasing interest to understand how and why Born Globals operate and internationalize from the moment when the acknowledgment was made by the research community that these companies follow an accelerated timeframe of internationalization (Freeman et al. 2006; Gabrielsson & Kirpalani 2004). In order to gain a greater understanding as to why Born Globals choose to become international

ventures from their inception, a general comprehension of the possible benefits to be gained by choosing this strategy should be considered. Another area of interest of this research is to take a closer look at the possible obstacles that the Born Globals must overcome in their quest to internationalize rapidly in comparison to slowly expanding beyond their domestic markets. Also, since this paper has a focus on companies originating from SMOPECs, this aspect will also receive attention when considering the circumstances of the Born Globals and their domestic-business environment.

It is also important to understand how the internationalization of a Born Global differs from those of other types of SMEs that internationalize according to traditional theories, such as: Uppsala model and the I-Model. One explanation as to why the internationalization of a BG deviates from traditional internationalization theories may be attributed to the changes in the pace of business (Prashantham 2005). It has been noted that due to changes in the economic environment, the actual pace of business has been accelerating to the end that companies are forced to seek a wider market to expand into due to the shorter lifecycle of their products and services. This also means that companies may be influenced to internationalize in a faster pace than previous models, such as the Uppsala model, would suggest (Chetty & Campbell-Hunt 2003).

According to the Uppsala model created by Johanson and Vahlne, companies seek to incrementally internationalize in terms of geographical sequence and their market entry choices. The mode of internationalization typically follows a pattern of a firm commencing their internationalization via exporting, then forming a marketing subsidiary, followed by fully fledged foreign production. According to the Uppsala model of internationalization, companies essentially seek to reduce the uncertainty of a new market by using experiential knowledge gathered over long periods of time (Johanson & Vahlne 2003). While the Uppsala model may typically hold true to companies with large stakes in their domestic markets as well as some companies with fairly low-technology intensive products, Born Globals often operate within the high-technology and niche markets. In these markets, the Born Globals cannot afford to

slowly internationalize with the threat of losing potential customers, sales and market share if they do so since the pace of obsolescence of the products and services tends to be relatively rapid (Ibid).

Another theory which explains the internationalization process of many SMEs is the innovation-related internationalization model (I-model) conceptualized by Cavusgil (1997). The I-model states that internationalization is a process of five stages. These stages are as follows: domestic market stage, pre-export stage, experimental involvement stage, active involvement stage and committed involvement stage. As is evident by the existence of several phases that are attributed to the I-model, it means that this model follows set stages, which is also known as the stages theory. The stages theory conceptualizes that firms will gain ever-increasing levels of experiential knowledge from their domestic market operations over time and use this gained knowledge towards assessment and management of the risks associated with incrementally entering foreign markets (Etemad & Lee 2003).

However, when the case of Born Globals is considered, the stage theory of internationalization as presented by the I-model and Uppsala model has received criticism given that it may not be applicable to SMEs originating from SMOPECs, especially knowledge intensive BGs. As stated earlier in this paper, Born Globals tend to skip through the step of building experiential knowledge in their domestic market over time and internationalize straight from inception. In addition, Born Globals originating from SMOPECs realize that foreign markets represent an opportunity to make significantly larger earnings than those which could be gained by focusing solely on their domestic markets, and an opportunity to gain a global reach which may be used as a competitive advantage (Madsen & Servais 1997).

2.2.1 Drivers of Rapid Internationalization for Born Globals

Internationalization has been explained by several researchers via multiple models and frameworks, for example the previously referred to I-model (Cavusgil 1997), Uppsala

model (Johanson & Vahlne 2003). Another framework that aims to explain the internationalization of SMEs is the POM framework, and the proposed Helsinki model based on the POM framework as introduced by Luostarinen (1979). The POM framework is composed of three dimensions: product, operations, and market. Taking a closer look at the three dimensions of the POM framework shows that the product dimension consists of know-how, systems, physical goods, and services of the company. The operations dimension is divided into four separate stages: Non-investment marketing operations, Direct-investing marketing operations, Non-investment production operations, and Direct-investing production operations. The third dimension in the POM framework is market which determines the direction in which the company will direct their endeavor towards in regards to the specific geographic locations.

It is important to note that the POM framework was originally devised to explain the internationalization of SMEs in general, but in regards to Born Globals there are some deviations from the original framework in terms of the speed of internationalization, and product strategies. According to research conducted by Luostarinen and Gabriellson (2004) the main differences that Born Globals exhibit in relation to the POM model are that BGs have a focus on niche segments within the product dimension. This is evident when considering that Born Globals focus in niche strategies when introducing new products, or several at the same time, allowing the BG to position itself into multiple markets with relatively little resistance. The reason that BGs have a limited amount of resistance from other companies is due to the niche position that the BG places itself into, which translates into little or no competition (Rennie 1993). The driver for Born Globals to internationalize using a niche strategy is due to the fact that there has been an increased global demand for specialized products due to the gradual opening up of foreign borders for international commerce and progressively more demanding customers (Oviatt & McDougall 1995).

Also, in the product dimension BGs have taken a standardization strategy in certain disciplines, such as ICT and other high-technology focused fields. This is greatly due to the approach taken by the BGs in these high-technology fields. BGs tend to cater to a large amount of varying markets from inception, which means that standardization of their processes, marketing, and product strategies seem to be the most efficient approaches (Gabrielsson & Gabrielsson 2003). In relation to the operation strategy in the POM framework, BGs typically follow the same path as other SMEs with the exception of the BGs moving through the four stages at a quicker rate. This same phenomenon is also observed in the market strategy dimension, as Luostarinen and Gabrielsson (2004) point out, Born Globals in SMOPECs have a tendency to expand globally to new markets at a rapid pace. Specifically, Finnish BGs seem to choose to expand to other European countries, after which they typically expand to the Americas and Asia.

While the POM framework helps explain the company specific strategies, and possible drivers that influence the BG to internationalize, it is also important to recognize the influence of the changing market conditions on the BGs. One of the main drivers of this change has been globalization. In addition to making the world essentially shrink, globalization has ushered in a situation in which Born Globals, especially from SMOPECs are faced with several factors that cause them to aspire to internationalize rapidly such as market opportunities abroad, technological advancements, and less legislative restrictions (Andersson & Wictor 2003).

The drivers of internationalization of BGs are influenced by the specific industries, products, networks, and the domestic environments. Also, the mindset of the founders and other influential individuals within the company can be identified as a driver of internationalization (Oviatt & McDougall 1995). The influence of the founders on the BG will be explored in the following section.

2.2.2 Impact of the Founders

The general mindset of the founders and other important individuals in BGs' tends to be open for greater risk-seeking actions and entrepreneurial behavior than that in other SMEs. It should be noted that when such mindsets are applied to a global scale, it has a great potential to create greater value to the company (Oviatt & McDougall 1995). Furthermore, Andersson and Wictor (2003, 255) and Laanti et al. (2006) agree that the people within the Born Global are an important driver of internationalization. This is apparent in their statement that the "individuals within a firm, at management level, are the dominant determinant of a firm's pattern of entry into new markets".

As mentioned previously in this study, the experiences and mindset of a Born Global's founder and key personnel are quite important when determining the foundations of the company. Using the experiences and knowledge of personnel and founders, as well as their global mindset, the Born Global will often be properly committed to internationalization and hence should be more likely to create a strong cohesive organizational culture supporting the rapid expansion of the firm. This is concept is strengthened by the statement made by Oviatt & McDougall (1995, 35) in their article, "The founder (of a BG) must be able to communicate compellingly a global vision to everyone else associated with the venture. To be global one must think globally".

In addition, Zou and Cavusgil (1996) state that firms must set clear performance goals before formulating their global expansion, as well as constantly monitor the external environmental situations in order to accommodate them to their respective goals. These goals are typically set by the founder/s of the Born Global, highlighting the importance of the drive and vision a strong leader processes. Along with the vision and goal setting, the capabilities of the Born Global may also be tied to the international experience of the founder given that; along with a greater understanding of the global markets, the company will be able to take advantage of possible accessible foreign and domestic networks of interest and importance (Ibid). Also, since the founder of the Born Global may possess unique experiences and/or competences with foreign markets and cultures

due to prior international business experience, the firm has an opportunity to exploit these to its advantage within the foreign markets it wishes to expand into (Jones & Nummela 2008). Even if the founder has some basic international experience, it may prove to be useful since understanding the nuances of cross-border business conducted can be very beneficial to the BG. These nuances include, but are not limited to: utilizing letters of credit, the risks associated with exchange rates, and problems with cultural or communication misunderstandings. With international experience, however limited it may be, many of these problems can be prevented or resolved (Oviatt & McDougall 1995). Additionally, the founders often bring their previous network ties accrued from their previous employment through which market opportunities may be discovered. The network ties also provide BGs with potential sources of reference which may be important when seeking access to new markets and additional customers (Oviatt & McDougall 1994). The impact of the founders and their existing knowledge/experience will be discussed in greater detail in the chapters pertaining to knowledge acquisition and utilization within the BGs and the effect on the network at large.

2.2.3 The Influence of Industry and Product Offering on the Internationalization of Born Globals

There are common features that a large proportion of Born Globals originating from SMOPECs often share. Amongst the most evident features are their product offering and industry conditions. According to Rennie (1993), Born Globals tend to compete against established players via high-technology, niche markets, product design, or by introducing pre-emptive technology or marketing techniques. Through these strategies, Born Globals are able to distinguish themselves from the competition by offering added value, disruptive and/or new technology, as well as strict quality controls and assurances to the consumers. Also, in a study conducted by Meldrum (1995), it was noted that Born Globals were able to act with a certain industrial ignorance to their advantage since they were able to operate relatively uninhibited within niche markets compared to other companies competing against large multinationals in established markets. These are

amongst the main reasons that Born Globals must often rely upon innovation in order to be able to remain competitive as well as successful.

The innovative tendencies of Born Globals can be better understood by taking a look at evolutionary economics as presented by Nelson and Winter (1982). The evolutionary economics theory states that companies that are able to sustain innovation, and as a result create new knowledge, typically seem to develop organizational capabilities which consist of critical competences and embedded routines. These firm resources conversely translate into the firm achieving superior performance in highly competitive and challenging environments (Ibid). In other words, a company's ability to internationalize early and successfully compete in foreign markets can often be attributed as a direct function of the company's internal capabilities (Autio et al. 2000). Commonly, Born Globals are created in industries that have a knowledge intensive focus, and as a result they tend to be highly specialized (Rennie 1993). One can infer that such companies would be expected to be relatively narrow and focused due to the small size, industry, and limited capital of the Born Globals (Madsen & Servais 1997).

It becomes increasingly apparent why many Born Globals need to internationalize rapidly since they are formed in the high-technology industry when the rapid pace of obsolescence of new technology, and the increasing degree of homogeneity of the needs and wants of consumers is taken into consideration (Meldrum 1995; Madsen & Servais 1997). The high-specialization of many high-technology products also results in the need to spread to foreign markets where the demand is often higher. This can be conceptualized by the push and pull factors of economics. As noted in a study by Luostarinen and Gabrielsson (2004), the push factor is evident in SMOPECs for BGs where their domestic market may be too small to accommodate R&D, while the demand of large global markets may act as a pull factor for expansion. To gain a greater understanding of how a BG is affected by its domestic market, the following section of this paper will discuss and define small and open economies.

2.2.4 Environment of Domestic Market (SMOPEC)

One of the key determinants of the rapid internationalization of Born Globals in SMOPECs is the relatively small size of the firms' home markets. According to Deardorff's Glossary of International Economics (2001), a SMOPEC is described as:

“An economy that is small enough compared to the world markets in which it participates that (as a good approximation) its policies do not alter world prices or incomes. The country is thus a price taker in world markets. The term is normally applied to a country as a whole, although it is sometimes used in the context of only a single product”.

Examples of countries that are classified as SMOPECs include, but are not limited to: Finland, Sweden, Norway, Denmark, Israel and Taiwan (Gabrielsson & Kirpalani 2004). A study conducted by Andersson and Wictor (2003) determined that in countries with a small domestic market there is a greater probability for Born Globals to form than countries with larger domestic markets. In an economic sense, in these SMOPEC countries there simply may not be a large enough demand or customer base for the Born Global's services or products to sell domestically, which acts as a push force on BGs.

Another aspect that may influence the firm to expand internationally is the situation when there may be extensive competition in the domestic market, or as stated by Luostarinen & Gabrielsson (2002), a fear of increasing future competition from Born Globals originating from larger countries entering their markets. An example of the sometimes dire need for companies to have a global perspective may be found in the SMOPEC, Finland. There, as well as in other SMOPECs, slogans have been created to encourage companies to partake in international business. The current slogan carries a very effectual, if not cautionary, message “globalize or die” (Luostarinen & Gabrielsson 2002).

As there seems to be a dire need for many SMEs to internationalize rapidly, the increasing rates of Born Global formation in SMOPECs becomes easy to understand. As noted before, since BGs often have a tendency to lack resources, and in many cases knowledge of specific international markets they must regularly turn to larger companies or partners to gain the required resources and knowledge during the internationalization phase. Since other companies often also require the services or products produced by the BGs, and the BGs in turn need resources and references, they frequently form mutual relationships via an important facet in business known as networking which will be discussed in later chapters of this study.

2.2.5 Channel and Market Entry Modes

Choosing the correct channels to utilize has often been an important step for companies looking to internationalize and gain entry into new markets. This statement is especially true in the case of Born Globals since they look to internationalize rapidly, and in many cases with a limited resource pool as well as limited access to specific knowledge of foreign markets. In order for the BGs to gain access to these new markets, they should find a proper channel strategy with which it plans to gain market entry. Historically, companies have utilized a step-wise incremental strategy following the stages model, but now with BGs partaking in rapid internationalization researchers have identified several different channels utilized by these companies. Gabrielsson and Kirpalani (2004) have identified the following four channels that are needed for the Born Global firm to internationalize, and a fifth channel is comprised of a “combination of two or more” of the following channels:

1. MNCs that act as systems integrators
2. MNCs that distribute the products/services of the Born Global
3. Networks
4. The Internet
5. Combination of two or more of these channels

Born Globals typically need to use at least one of these channels when internationalizing, but it is also relevant that a combination of two or more of these channels may be used (Gabrielsson & Kirpalani 2004). The decision of which channels should be used by the Born Global seems to be fairly dependent on the specific firm characteristics: founder, organization, innovation, and product. Along with these formerly mentioned characteristics, the firms approach preferences in regards to networking may also be a determinant of channel selection (Gabrielsson et al. 2008).

In general when BGs choose to form relationships with MNCs as a system integrator or as a distributor, it is due to their respective resource poverty. Born Globals often receive reciprocal benefits from the MNC in terms of funding, employees receiving additional training, and long term supply contracts (Gabrielsson & Kirpalani 2004). Also, the Born Global may be looking to leverage the foreign MNCs distribution competencies. As Knight and Cavusgil (2004, 11) state: “Born Globals may rely on foreign independent distributors and those distributors’ specific competencies to maximize performance outcomes associated with downstream business activities abroad”. However as mentioned earlier the benefits are reciprocal to both parties, the BG and the MNC. This is evident since the MNC can outsource the BGs competencies which may be hard to imitate or even gain complementary resources to add to their own product lines (Gabrielsson & Kirpalani 2004).

The Born Global does not necessarily have to rely upon MNCs to gain foreign market entry as advancements in technology have opened up a comparatively new channel: the Internet. The applications of the Internet for Born Globals is quite varied as it may be used in an international setting for such applications as: process automation (billing, bidding purchasing, inventory management, and order/shipment tracking), as well as a tool for promotion, information, and communication (Hamil & Gregory 1997). Also, the Internet may be used as a platform for revenue generation since it allows the firms to conduct direct sales, promotions, and as a communications tool (Saimee 1998). The Internet has provided SMEs with numerous international commerce opportunities as it

enables companies with limited initial resources to have the possibility to compete against established players due to reduced barriers to entry. This is largely due to the reductions in global advertising costs via the Internet and a greater reach to a global plethora of customers (Ibid). Additionally, the benefits of scale economics are reduced allowing for more competition in international markets. The Internet also benefits BGs that have a niche product since it allows BGs to find the critical mass of customers worldwide, and also word of mouth is more rapidly spread online increasing overall product awareness (Quelch & Klein 1996).

The initial market entry modes of Born Globals often do not differ from conventionally internationalizing SMEs other than in the time frame they are executed in. Born Globals have been known to internationalize using the following market entry modes: turn-key projects, exporting, direct sales, licensing, joint ventures, establishment of wholly owned subsidiaries and in some cases foreign direct investments (McDougall & Oviatt 1995). Since a portion of Born Global companies are high-technology firms with a core competence in niche products, this rapid market entry strategy employed makes relative sense in terms of the potential to gain first mover advantages. First mover advantage can be beneficial for the BG for several reasons, in particular increased possibility for superior market share, a monopoly-position until other competitors enter the market, and a favorable market position. In addition, first movers are also inclined to advance their learning curve regarding their respective product and market and are more likely to influence the consumer preferences regarding their pioneering product (Knight et al. 2004).

However first mover advantages are not a given for Born Globals and may be very dependent on specific network connections that the firm has through its founders. In the research conducted by Mort and Weerawardena (2006) they made the observation that those small firms which have “the right man” were able to have greater success in utilizing their networks overseas. “The right man” was identified as a person that has varying strategic alliances overseas in the markets which the firms wanted to enter.

Once the BG gained a foothold in the given market, it was then more aptly able to join additional networks of their new associates, hence gaining access to even more international markets. Since networking is of such a grave importance to the Born Global, the next section of this paper will expand upon the nuances and applications of networking.

2.3 Network Utilization by Born Globals During Rapid

Internationalization

Networking has been of significant interest to many researchers; (Nikkanen 2003; Andersson & Wictor 2003; Coviello et al. 1995; Oviatt & McDougall 1995; Freeman et al. 2006), and as such, networking has many existing definitions. Johnson & Scholes (1999, 341) have conceptualized networking to be “arrangements whereby two or more organizations work in collaboration without formal relationships”. However, in contrary to Johnson and Scholes, the network theory of internationalization created by Johanson and Mattsson (1988) focuses on non-hierarchical systems in which companies strengthen and monitor their positions via international formal business networks. The network theory on internationalization is not without its critics, ex. Holm et al. (1996), since the theory has been identified as lacking to address the significance of the decision-maker in the firm. Hence, this theory may not be the most efficient in explaining the international networking of Born Global firms since, as stated earlier in this research paper, the entrepreneur and his/her decision making and entrepreneurial mindset has been identified as a crucial aspect in the formation and success of Born Globals.

Nikkanen (2003) takes a differing approach to defining networking by associating the social aspects and interactions of the actors within the companies involved in the respective network. According to Nikkanen (2003, 11-54), a network consists of;

“A set of relationships between different parties i.e. a social structure of social and other relationships between the partners that can be split up to smaller units

like nets, and categorized according to such criteria as geographical, technological, functional or perceptual”.

In an undertaking to further explain his theory of networks, Nikkanen (2003) states that:

“a network is actually a constellation of various, partly overlapping nets including tying actor bonds, which strengthen the relationships and which the roles/positions are based on.”

This later definition of a network provided by Nikkanen (2003) will be the premise on which this research will base its definition of a network on.

Networking is of crucial importance to companies, especially SMEs, and is used to gain a deeper comprehension of complicated markets and may be used by managers to advance business-to-business relationships at and inter-organizational level (Olkonen et al. 2000). The importance of networks becomes apparent when the resource constraints and limitations that many SMEs face is taken into consideration. Networking provides these SMEs, including Born Globals, an opportunity to gain much needed resources via mutual relationships with other companies (Gilmore et al. 2001). Since virtually all cases of BGs may be classified as SME in terms of their size, this same resource deficiency is applicable to them as well (Oviatt & McDougall 1995).

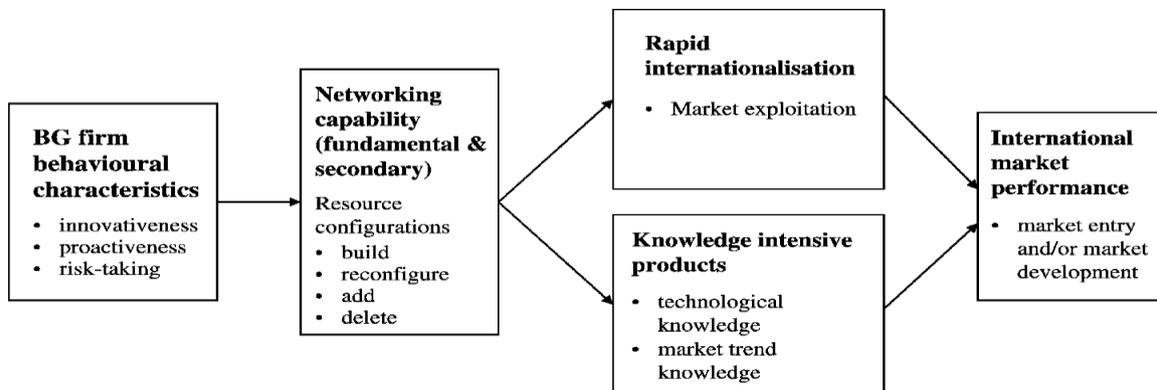
Networking may also be used as an avenue to gain new relationships and/ or access to new markets which allow Born Globals, to compete with larger, more powerful competitors effectively at a domestic and international level (Gilmore et al. 2006). Gabrielsson and Kirpalani (2004) bring up an interesting point that networking is not only an effective way to gain resources as it is also a great means to achieve simultaneous learning amongst all parties within the network. The ties that BGs form in networks are considered to be firm specific and relatively tough for other firms to imitate (Gilmore et al. 2006). Taking into consideration the definition of a network provided by Nikkanen (2003) which states that actor bonds comprise the overall

formation of networks, it becomes important to provide examples of these actors and the ties among them should be identified. Actors may consist of either organizations or individuals depending on the specific relationships. The relationships between these organizations and individuals may take many different forms such as ties involving customers, suppliers, service providers, or government agencies. These network ties may be formed among firms, between individuals, or between individuals and organizations (Coviello & Cox 2006). Also, these ties may consist of both economic and non-economic bonds as well as long or short-term periods (Johansson & Mattsson 1987).

As the following figure demonstrates, Born Globals make use of networking to overcome resource poverty and to gain entrance to global markets. Also by practicing their dynamic network capabilities the Born Globals are essentially enacting their strategic vision of becoming more likely to rapidly internationalize and to realize the full potential of selling their products internationally, all the while reducing the risks associated with internationalization by gaining resources from members within the network. According to Mort and Weerawardena (2006), the strategic role of the BG's owners/founders as well as the attractiveness of the innovation, are the main determinants of building network ties. The behavioral characteristics of BGs building a networking capability reflects their proactiveness to form new network ties, a penchant for risk taking, and an innovative atmosphere. Since the BG's are resource poor, their networking capability provides these companies with the needed sources of market knowledge by forming sales subsidiaries in international markets, and the financial and human resources to perform needed R&D functions the BG could not otherwise perform. Networks also provide the BG the capability to generate ideas for product development of knowledge intensive products, as well as specific knowledge pertaining to what the market conditions are and how the international markets can be properly satisfied. Once the BG gains this information, it is utilized to allow for rapid internationalization since the company is better able to exploit the opportunities present in the new international markets (Ibid). In terms of the international market performance

of BG's, Mort and Weerawardena (2006) argue that when examining Born Globals it is often inappropriate to use profit and return on investments as indicators since they often are not at the point of sustained growth. Their research indicate that the BGs ability to reach new international markets, and continually form new network connections from which new market opportunities can be realized are greater indicators of initial market performance of BGs. The below figure demonstrates the previously discussed findings of Mort and Weerawardena regarding BGs and rapid internationalization.

Figure 1: Conceptual model of Networking capability and IE in Born Global firms



Note: BG = Born Global

Source: (Mort & Weerawardena 2006, 567)

Since the dynamics of networking are of importance to Born Globals, the utilization of networks in the rapid internationalization process deserves a closer look in terms of the benefits associated with networking. Additionally, the following sections will provide insight regarding the distinction between different types of networks, the attributes of dyadic relationships, the influence of existing relationships of founders, and the role of knowledge in rapid internationalization since they help explain the way that Born Globals make use of networking dynamics along with their own existing capabilities.

2.3.1 Network Dynamics of Internationalization

According to the findings of Salo and Lukka (2004), two main trends have been attributed to the emergence of networking in the business environment of developed

countries. One of the trends has been focused on developing dynamic, long lasting seller-buyer relationships in order to ease the increasing competitive forces in a globalized business environment. In general, these seller-buyer relationships tend to increase the excellence of the business performance of the companies within the network. Secondly, larger companies have been focusing on their core competencies in order to create strategic advantages difficult for others to imitate, and as a result they have been outsourcing some of their support functions from SME's such as Born Globals via networks (Ibid). These trends have opened up the door for Born Globals to reach international markets via business relationships and networking ties. It has been noted that these business relationships may evolve as a result of the dealings between the respective actors conducting business. The constant evolution of these business relationships highlights the aspect that firms are adapting their modes of conducting business with each other within their respective networks while leveraging gradual change (Holm et al. 1996).

Change has been identified as being a crucial characteristic in any given economic system, even though it has been scrutinized by conventional economic theories as having a wide disparity to stability and hence; change and stability are commonly identified as not being very congruent to each other (Best 1990). However, this outlook has received a contradicting view via the network approach created by the European International Marketing and Purchasing (IMP) Group which considers change and stability to be interlaced. This is because the IMP regards networks to consist of dynamic ties and bonds between actors that seem to support the eventual formation of stable links to each other (Brito 2001). In his research, Brito (2001, 150) identifies these stable links of networks to be a result of:

“living structures in which the way the actors, activities and resources relate to each other is continuously changing not only because of the dynamics of the economic process but also on account of movements of actors attempting to increase their control over activities, resources and/or other actors.”

The dynamism of a Born Global may also be observed using elements of the resource based view (RBV) of a firm. The RBV suggests that firms may be defined as a unique bundle of resources that may be reconfigured to create a competitive advantage for the firm (Barney 1990). However, it should be noted that a firm does not have to own a resource to be able to gain access to it. This is evident from the statement made by Johanson and Mattsson (1988, 36), that “through its activities in the network the firm develops the relationships that secure it access to important resources”. Since BGs often have a deficiency or limited capacity to accumulate sufficient levels of these aforementioned resources, they use networking as a source to develop their resource base via the partners’ resources. Through these actions of engaging in networks to gain resources or gain access to them, Born Globals are effectively generating its supply of social capital. Social capital may be defined as a means through which;

“Players gain access to various kinds of resources that accrue to them by virtue of their engagement in various kinds of relationships. Whereas human capital refers to individual ability, social capital refers to opportunity” (Burt 1997, 345).

According to Coviello and Cox (2007) the resources that firms gain access to via their networks and social capital are dynamic due to the nature of resource flows in-and-out of the firm, and the evolving needs of these resources. Also, as Coviello and Cox (2007) point out in their article, this idea of changing resource needs coupled with the flow of resources reinforces Barney’s reflections of the fluidity of the RBV and the statement that resources and networks are dynamic and may be reconfigured to meet the firm’s needs. However engaging in networks is not without its respective risks and rewards, and a deeper look at these elements will receive attention in the next section.

2.3.2 Potential Benefits and Risks of Networking

There has been an ongoing shift in the economic markets in relation to how companies engage in business with each other (Etemad & Lee 2003). One may argue that traditional organizational models have lost a degree of their validity in international

economic markets as networking has become an important aspect to companies in the internationalization process (Salo & Lukka 2004). The reasoning why traditional organizational models are losing validity is due to a shift from an industrial economy to an economy based around digital technology which eases the access to networking between companies. As pointed out by Salo and Lukka (2004), in particular heterogeneous minded companies are focusing their attention to networking since they have a focus on utilizing their own existing core competences. On the other side of this paradigm, other specialized companies or companies lacking a specific competence will actively seek to form networks in order to gain access to additional assets as well as complement each other's resources (Ibid).

While networking is of great importance to the Born Global, it is essential to comprehend what possible benefits and risks may be present when BGs engage in networking with other companies, especially larger businesses. It is also important to gain an understanding from the point of view of the larger firms and what the possible concerns and benefits may be for them in regards of forming relationships through networking with BGs.

Born Globals have been noted to be more likely to engage in international business practices by collaborating with larger firms via networking rather than operating independently (Hyötyläinen 2000, 25). The main reason for this is to overcome the newness, size, and resource poverty that the smaller firms often possess. Also, membership in a network is of strategic importance to the BG since it allows for possible new business opportunities throughout the spectrum of the network (Sasi & Arenius 2008). In addition, Born Globals may also benefit from the relationships formed in the network by gaining accelerated entry into foreign markets and enhancement of their position in these foreign markets. Once the Born global has gained entry into the new markets, the relationships in the network often act as an enabler for the BG to gain access to local market knowledge and as a source of credibility since the BG is connected to an already established player within the market. It should also be

mentioned that by engaging in networking the Born Globals often gain the right to use established distribution channels of the network partners, as well as the added benefit of saving time, reducing risks, and lowering the costs related to foreign market entry (Coviello & Munro 1995).

However, amongst all the benefits gained by the Born Global there are some risks associated with networking that should be noted. One of these risks is opportunism by a partner within the network. For example, as Oviatt and McDougall (1994) point out, it has not been uncommon for large companies to form predatory alliances with young high-technology startups, with the larger company essentially stealing the smaller company's technological knowhow. Another risk is by over relying on the prowess of your business partners' during expansion, and by creating interdependencies across firm boundaries in terms of resources and activities the Born Global may find itself in a position where it is largely dependent on the larger companies. Also due to the relative lack of power of the BG compared to its larger business partners, there are notable differences in the influence of decision making between the companies (Ibid). To complicate things further for the Born Global, there may be severe differences in the way that culture may affect the interfirm network development in terms of how the companies develop and maintain quality and long-term relationships down the stretch (Batonda & Perry 2003). In order to overcome possible cultural misgivings, the founders of BGs often choose to utilize their personal contacts with regional managers of the larger foreign firms, and in some instances these regional managers may have risen to senior positions in their respective firms. In such cases the Born Global has the opportunity to relate to those around it via direct communications from the senior management of the foreign firms which eases the interfirm network development in the long-term (Freeman et al. 2006).

However, from the larger firm's perspective there is often the dilemma of to what extent they should subcontract or outsource their activities within the network. In other words, how much should they rely on their partners (ex. BGs) within a network to produce and

develop the respective product required, and does the BG have the resources to provide sufficient volumes of the products? This issue is of great concern to the large company since “extreme forms of subcontracting or outsourcing could cause a severe strategic weakness in the long run, as the organization can be devoid of core competencies and cut off from the learning” (Salo & Lukka 2004, 17). To overcome these issues the large firms must consider creating a reciprocal relationship with the BG where the different phases of product development and distribution are done in a collaborative manner. Collaborative strategies between the companies may include, but not be limited to the creation of a research competence which may yield advancement of product knowledge, process development, and even technology transfer. Such collaboration also often shows the willingness of both partners to engage in a committed long term relationship amongst each other. Conversely, if the larger company is in an urgent need of a specialized product in a relatively short period of time, relying on a born global within their network to provide this product may be the key to beating the competition to a specified market in terms of time. This kind of cooperative networking may be a beneficial situation for both the large company and the Born Global since it allows the large company to take advantage of the flexibility, adaptability and specialization of the BG, and the BG gains mechanisms to enter the larger company’s network and international markets as well as tools such as knowledge for additional market development (Coviello & Munro 1995).

2.3.3 Social Network Utilization by the Born Global

Social networks encompass the keys for the Born global to become international from inception in a more rapid fashion. As Madsen and Servais (1997) state, Born Globals often rely on close relationships and network partners to gain access to specific foreign markets through distribution channels. These kinds of hybrid structures may be identified as soft networks since they often are a direct result of Born Global’s founder’s and key personnel’s existing networks that were formed during the period of time when they were gaining their own business experience. It is not uncommon for the roots of the Born Global to already be in place in terms of an existing network even before the

company has been officially and legally established. In this sense the Born Global is already connected during the inception period and even in some cases earlier, which allows the BG to gain social capital in the various markets they are expanding into (Madsen & Servais 1997, 573).

Social networks may also be beneficial by providing the Born Global with informal networks. These informal networks are identified as connections and friendships made by previous mutual-business dealings, acquaintances from educational-institutions, and even some financial advocates. Informal networks are found to be especially beneficial in developing economies where having the correct personal contacts may be the difference between advancing the firm's ability to gain access to resources and "grease the wheels" of commerce between the business community as well as industry and governmental influencers (Tseng & Kuo 2008). Utilizing these variable forms of social networks that encompass informal relationships and friendships may be the tie-in to creating formal networks as they are identified as being a part of the initial steps towards developing various business linkages (Chen 2003).

The network structure is often of immense importance to the Born Global during internationalization since many network relationships are largely dependent on the informal control of behavior of business partners. In many cases involving Born Globals, trust and moral obligation may often play a bigger role than formal contracts in the way that network relationships shape out (Oviatt et al. 1994). If the Born Global's network is structured by utilizing a network of close business partners, then it may also be expected that the network will expand by utilizing the linkages provided by these associates to form new relationships with the other actors within their global networks. Sometimes Born Globals may rely on a dyadic relationships to internationalize, which means there is a relationship between only two parties in which both have the power to influence each other (Holm et al. 1996). The next section will provide more insight into dyadic relationships concerning BGs.

2.3.4 Dyadic Relationships and Partner Commitment

Companies that were once considered to be autonomous since they were poised to compete against one another are now commonly embedded in dyadic relationships through various kinds of social, professional, and exchange relationships (Gulati et al. 2000). This holds true to companies of all kinds, including Born Globals. When considering the actuality that Born Globals often lack a portion of the essential resources, knowledge of foreign markets and of their entry, as well as connections to important foreign actors, it becomes evident that some form of external collaboration is needed in order to facilitate broad international business practices. This typically means that Born Globals actively search for companies with which to form dyadic relationships in order to internationalize and gain necessary resources (Johansson & Vahlne 2003).

MNCs are often a logical choice to form relationships with since the MNCs have a mutual need to find companies for outsourcing activities and they commonly have the ability to provide the Born Global with the needed resources and contacts through the MNCs networks. Outsourcing has proven to be a way for MNCs to create changes in value, especially when services and manufacturing is outsourced from companies such as Born Globals with specific technological knowhow (Gabrielsson & Kirpalani 2004). These kind of collaborative relationships are becoming quite common due to the changing industry characteristics and advancements in information technologies which help facilitate outsourcing. The dyadic nature of these business relationships becomes quite apparent, especially in the high-technology sector, when considering the need for collaboration due to the rising R&D costs and growing knowledge specialization (Ritter & Gemuenden 2004).

Another form of a dyadic natured relationship may exist between subcontractors and their customers. In this circumstance the subcontractor company may utilize their domestic network by following their largest customer to international markets. Madsen and Servais (1997) have termed these as “follow the customer”, also known as client

followership, companies that strategically plan on initially utilizing their customers internationalization as an access point to wider markets and then later as a reference point if they plan on seeking to join the foreign networks used by the respective customer. Using a domestic network can be a very important means for the BG to expand internationally, especially if this network expands into various global markets. Also, a type of domestic network utilized by BGs during internationalization may be one with an academic organization. These academic networks have been attributed as beneficial to the BG as a co-operative force in information gathering, as well as a possible source of personnel recruitment. Since knowledge and information acquisition is often difficult for small companies to gain in relatively short periods of time, academic institutions provide a great source to acquire information relation to various markets, products, companies, etc. (Luo & Peng 1999). In addition, academic networks may also be used in the product development phase as they may have been cooperating together for any lengthy periods of time and the academic institutions may have insightful information to new technologies (Majkgård & Sharma 1998).

Since the dyadic natured relationships between Born Globals and their partners such as MNCs, academic institutions, and major customers are often of vital importance to each other and require commitment, the level of relationship commitment should be examined. Commitment has been identified by Holm et al. (1996) to be a central construct in models of relationship development. Cooperation in a business relationship may be deemed to include exchange activities and other activities requiring investments in the relationship which tends to increase the level of dependence to one another. As Holm et al. (1999, 1037) state, “If the partners have mutual understanding concerning how to coordinate their exchange activities, they are prepared to invest in the relationship and to extend cooperation by including other activities as well”. At the organizational level the more the partners invest and cooperate amongst each other, the more embedded their relationship becomes and typically commitment to each other also exponentially rises (Gulati, et al. 2000).

In many of these dyadic business arrangements, the dyad is only a part of a direct exchange network in which the business relationship is the focal point for the Born Global (Holm, et al. 1996). Accordingly, business networks may be viewed as a sum of several sets of business being connected to each other via relationships of a dyadic nature. Hence, the interactions of any particular dyad in this network of interwoven relationship may have an effect on the network at large. These connections between dyads and other collaborating actors within a network may be recognized as strategic alliances that are connected throughout the entirety of the network.

2.3.5 Born Globals Leveraging International Networks and Strategic Alliances to Facilitate Success and Access to Financing

Financing of the Born Global company has been identified to be of vital importance since these companies are inherently identified to be lacking of resources, and their small size also typically means that external financing is needed especially in the internationalization phase (Gabrielsson et al. 2004; Etemand 1999; McDougall et al. 1994). This point of finance scarcity is highlighted by the statement made by Gabrielsson et al. (2008) that in some cases the entrepreneurs may have invested all of their own finances into the BG, in some cases including the mortgages to their own house. However, according to the characteristics of a Born Global used throughout this paper the BG has many characteristics that may be viewed as favorable by people looking to financially invest into a company. These include the entrepreneurial tendencies of the founder and unique skills of the individuals within the BGs well as innovativeness (Oviatt & McDougall 1995). As stated in the research conducted by Gabrielsson et al. (2008), it is these previously mentioned traits that lead the BG to develop products with a global marketability potential, and help gain the attention of investors. The most common sources of funding for Born Globals includes: private investors, venture capitalists, stock listings, and governmental support activities (Gabrielsson et al. 2004; Luostarinen & Gabrielsson 2004). It should be noted that of these previously mentioned sources of funding, stock listings are quite rare amongst

Born Globals since they often require substantiation of previous success in the markets which BGs have not acquired yet (Luostarinen & Gabrielsson 2004).

Venture capitalist funded Born Globals tend to accrue higher growth rates than companies without and venture funding, especially if the funding was provided in the early stages of the internationalization of the company (Davila et al. 2003). Also, by utilizing an external investors such as venture capitalists and private investors, the BG can focus on its core competences such as product development and innovation. However, venture capitalists and private investors may be a risky avenue for BG to utilize for funding since they may hold stipulations such as high returns on investments (Gabrielsson et al. 2004). Nevertheless, external funding whether it is foreign or domestic has been widely used by BGs from SMOPECs in their initial expansion phases since it expatiates quicker internationalization, typically via networking.

Within the context of Born Globals and their rapid internationalization, one aspect stands out: partnerships and the resulting networks are essential resources for successful global expansion (Freeman et al., 2006; Madsen & Servais 1997; Oviatt & McDougall 1995). Moreover, Madsen and Servais (1997) have identified three ways that BG's develop their business relationships in networks when internationalizing: through the establishment of new network connections, development of existing relationships, and by connecting or integrating networks in several countries by utilizing "relationships of the firms as bridges to other networks". Since the Born Globals seek to enter the global markets rapidly, they need to create a network of varying intermediaries to expedite the process. These include distributors, suppliers, buyers and sellers (Baronchelli & Cassia 2008).

It is important for the Born Global to have an adequately extensive network to facilitate a widespread global reach and the network should be formed rapidly to support coverage of multiple global markets (Chetty & Campbell 2003). However, it should be noted that networks should not be viewed as a guaranteed structure for international

growth, but rather as an opportunity for the Born Global and its founder to implement the overall vision of the company and a tool to develop global strategies through accumulated knowledge (Andersson & Wictor 2003). While networking is utilized as a means for the BG to gain resources via strategic alliances and other external sources, it is important to understand the overall global environment that BGs often face and how they may gain the needed finances, and resources to become globally successful, as well as new opportunities. Also, knowledge acquisition and utilization via network actors and existing knowledge are a great determinant to the BGs ability to rapidly become globally active. It should be realized that Born Globals may be considered new according to their date of establishment, but they are old in terms of experience and knowledge (Möen & Servais 2002). Hence, the influences of knowledge on the BG will be examined more closely in the following final section of the literature review.

2.4 The Value of Knowledge to the Born Global

As discussed earlier in this research, Born Globals are firms that are typically small, have founders with an entrepreneurial mindset, lack financial resources, and have a global vision from inception. Since this research focuses on BGs originating from SMOPECs, it emphasizes the fact that the Born Globals have little or no choice but to expand rapidly to foreign markets due to the limited market potential and/or saturated market conditions of their domestic markets, and due to the typical nature of their products which are knowledge-intensive in the high-tech industry. However, how is it possible for a BG to be able to globalize rapidly with such size and resource constraints especially when such internationalization theories as the Uppsala model and stages model suggest that to gain needed competencies, companies should use a careful stepwise approach in their foreign expansion. Born Globals that engage in networks and partnerships have been identified in this paper to be a reason to this rapid internationalization by the means of resource acquisition (finances, facilities, suppliers, and market information etc.) as well as by gaining access to new actors within the international networks. However these factors alone do not explain why the internationalization of the BGs is rapid and implemented from inception since in order

to gain the tangible resources, BGs must first gain access to these networks by utilizing its own competitive advantages that are often based around intangible resources (Sharma et al. 2004).

According to the knowledge-based view (KBV), an intangible resource; more specifically knowledge, has been identified to be the BG's base that gives rise to the firm's organizational capabilities (Prashantham 2005). The knowledge-based view can be described as having: "...emerged from the RBV by focusing on intangible resources rather than on physical assets. In this perspective knowledge is the most important resource" (Grant 1996). Furthermore, Gassmann and Keupp (2007) reinforce the importance of knowledge by stating that in the environments that BGs operate, knowledge-based resources contribute more to the Born Globals performance than do property, or tangible-resources. Oviatt and McDougall (1997) emphasize this fact by describing knowledge as an "enabling resource" to BGs. Knight and Cavusgil (2004) elaborate this point further in their research since they found that in addition to tangible resources, it is the idiosyncratic knowledge base and acquired knowledge that gives rise to the BGs' organizational capabilities abroad.

Therefore, a more concise look will be taken on how the Born Globals are able to internationalize rapidly by acquiring and utilizing this key intangible-resource. Also, the importance regarding knowledge acquisition and utilization to the BG should be examined from several standpoints. Firstly, the types of knowledge acquired by the Born Globals through its founders should be identified and what the role of this knowledge is in regards to rapid internationalization. Second, a focus will be given to the role of the networks and key individuals of the BGs regarding the way that they expedite the acquisition of this knowledge. And finally, the ability of the BG to utilize the retained and acquired knowledge in its internationalization process will be examined, and how it acts as an enabler for the Born Globals to rapidly internationalize.

2.4.1 Types of Knowledge Found in Born Globals

In respect to the knowledge-based view, it is important to understand what knowledge effectively is as well as the different types of knowledge contained, acquired, and utilized by BGs. The context of knowledge and its origins are derived from social interactions, meaning that knowledge becomes relevant when it is given a context and affixed within an individual's or institution's commitments (Hussi 2004). There are two identified types of knowledge used by BG's, which are tacit and explicit (Hussi 2004; Sharma et al. 2004). Tacit knowledge is described as being experience based and non-codified which means that the sharing of this knowledge has been identified as difficult to transfer to others without direct communication. Conversely, explicit knowledge is codified and easily expressed in words which allow it to be easily stored and transferred to others (Hussi 2004). Tacit knowledge being experience based is commonly referred to as experiential knowledge and explicit knowledge is commonly referred to as objective knowledge. These terms will be used as interchangeable concepts (Brennan & Garvey 2009).

International knowledge and the ways it has been acquired have been identified as an important determinant of international growth for entrepreneurial firms such as BGs (Brennan & Garvey 2009). This notion has also been realized by Eriksson et al. (1997, 29) in their research as they have defined the three following types of experiential international knowledge: Internationalization knowledge, business knowledge and institutional knowledge. Internationalization knowledge (IK) is identified as the firm's capability and resources to engage in international operations. Business knowledge (BK) is defined as the firm's ability to realize competitive situations in specific markets and the clients within these markets. Finally, institutional knowledge (NK) is described as information about governance structures in specific countries and their rules, regulations, norms and values (Ibid).

2.4.2 The Function of Founders and Networks in Knowledge Acquisition

Acquisition of knowledge has been identified as an important aspect for Born Globals during internationalization, especially in respect of the types of experiential knowledge (Baronchelli & Cassia 2008). However, there is typically already some internationalization knowledge and business accumulated in the BG's through individual founders of the company (Brennan & Garvey 2009). According to McDougall et al. (1994), the knowledge that is commonly found in Born Globals is stored within the founders and personnel and is gained by the means of their education, direct international experience, network connections and work experience. This stored knowledge of the founders and key personnel is referred to as the "stock" of experience and it has been identified by Laanti et al. (2007) to be a great predictor to internationalization success and as a factor in helping expedite the speed of knowledge acquisition during internationalization (Chetty & Campbell-Hunt 2004). On the other hand, Born Globals often need to gain access to additional internationalization knowledge and business knowledge than is contained within their "stock" of experience. This can be achieved through the interaction with local and international networks, and the hiring of new individuals (Brennan & Garvey 2009), as well as gained during the internationalization process itself (Michailova & Wilson 2008). Hiring of new individuals expands the social capital of the BG, which provides opportunity for the BG to have access to an even wider source of knowledge through the hired individuals' existing networks (Coviello 2006).

Networks provide the BGs substantial opportunities to gain the knowledge needed to take the company into global markets. The premises of BGs utilizing networks is largely based around the notion that in order to be able to gain experiential knowledge (IK, NK, and BK) that takes other companies extensive periods of time to attain, BGs gain access to this information without actually needing to own it through network ties (Baronchelli & Cassia 2008). According to Sharma and Blomstermo (2003) the most efficient form of network composition for Born Globals to use in terms of knowledge acquisition are those with weak ties. Weak network ties are described as being a means to connect

distant and otherwise disconnected companies without the need to co-develop a similar base of knowledge over a long period of time, as is often the case with firms in strong ties. This means that weak ties encourage the de-coupling of firms allowing for more adaptive behavior. Adaptive behavior encourages the search for new knowledge and allows greater flexibility in adapting it since BG is not bound by specific knowledge and experience decisions of the past (Sharma & Blomstermo 2003). Also, the formation of weak ties takes less time to be established and is less costly for the firm to maintain (Ibid), which suits rapidly internationalizing and resource-poor companies such as BGs.

Objective knowledge already present in firms has received less attention from researchers in regards of its role in firms' internationalization patterns. Its acquisition is generally associated with standardized market research (Eriksson et al. 1997), as well as with textbooks and marketing courses in academic institutions (Blomstermo & Choi 2003). This can largely be attributed to the fact that existing objective knowledge is readily available to all firms and easily transferred hence it generally does not provide companies with a source to create a competitive advantage. However, the role of objective knowledge becomes important when experiential knowledge should be codified and transferred. In these kinds of situations, the tacit experiential knowledge should first be converted into objective knowledge via sharing perspectives, close dialogue amongst actors, (Hussi 2004), and learning by doing. Once the experiential knowledge is codified it can then be presented to others by the means of pamphlets, invoices, meeting etc.

Acquired knowledge about international markets and operations are important for BGs to attain an international presence (Autio et al. 2000). More importantly though, once the BG has generated the desired knowledge, it should develop an efficient way to utilize it and keep on adding to it without becoming stagnated, or satisfied with the already acquired knowledge. Moreover, some entrepreneurs are so focused on their own retained knowledge and vision that they may have difficulty retaining new information regarding new opportunities due to their obsession (Michailova & Wilson 2008). This is

why it is beneficial to have an efficient knowledge sharing and knowledge assimilation culture amongst key personnel within the BG and their respective networks, allowing more individuals to invest their views and knowledge within the company. This knowledge sharing and assimilation may open up new market and product opportunities that were previously unrealized to the firm during initial internationalization (Freeman & Cavusgil 2007).

Knowledge sharing is further enhanced by globalization factors regarding technological advancements in information technology (Andersson & Wictor 2003), and this has led to better access to information amongst actor ties. In addition, there has been some attention given to the aspect that faster internationalization of BGs may be also partially attributed to globalization in terms of the knowledge-intensive industries they typically operate in. Global markets in these industries require less local adaptation due to globalization, and the argument could be made that as a result of this, less internationalization knowledge is required from the BG to adapt their products or services (Brennan & Garvey 2009).

2.4.3 Knowledge Utilization by Born Globals as a Determinate to Rapid Internationalization

The utilization of knowledge, both existing and newly acquired have been attributed with providing a premises for the rapid internationalization of BGs. This point is reinforced by the findings of Presutti et al. (2007, 39) since they argue that accumulated knowledge is always positively tied to the international growth of high-tech start-ups which confirms the view that “acquired knowledge from business relationships can be exploited for both economic and innovative foreign performance outcomes”. Brennan & Garvey (2009, 131) provide additional insight to this in their research by arguing that “the accumulated internationalization experience of the individual, and therefore the firm, together with the knowledge integration of international network relationships clearly influence the pattern pace of the firm”, and provide instances where new opportunities may be discovered.

The particular ways that knowledge influences the internationalization pace of the BGs can be associated with several factors. One of these factors is the notion that knowledge facilitates a BG's internationalization by enhancing the firm's ability to recognize the opportunities for their innovations in the international markets, and addresses the need for BGs to get their products and services to global markets ahead of the competition. This can be achieved by obtaining (NK) and (BK) from the network ties (Freeman et al. 2010) of the founders and their own stock of knowledge.

While the importance of getting to the global markets before the competition, first mover advantages of a BG (Knight et al. 2004), were discussed earlier in this paper in terms how they are beneficial to the firm, the dynamic nature of the industry was not discussed. This aspect is addressed by research conducted by Crick & Spence (2005) in which they recognize that the dynamic nature of the knowledge intensive markets often have "windows of opportunity" that open and close rapidly. In order to survive, the firms must be successful in how "quickly, efficiently and holistically they sense on the opportunities abroad" (Ibid). The factor which helps to explain how BGs can react to these windows of opportunity is that the knowledge stock of the BG is highly mobile, especially in the knowledge-intensive product industry. Highly mobile resources provide the Born Global with an ability to internationalize rapidly and flexibly due to efficient and speedy knowledge transfer (Knudsen et al. 2002) and adaptability, especially when compared to MNCs.

Another factor being that knowledge retained from networking reduces the uncertainty of these dynamic international markets which allows for the BG to adapt to the new market conditions in a flexible manner. Since the BG utilizes networking to attain the experiential knowledge pertaining to business knowledge and institutional knowledge of the desired target markets, the firm saves time and finances since it does not need to accumulate the knowledge itself in the long term (Sharma & Blomstermo 2003; Freeman et al. 2010). Also, the BG may use this knowledge from network ties to assess

if their innovation can be applied to a global market without the need of localization, in other words it will qualify as a homogeneous product (Ibid).

Knowledge gathered from network ties may also set the stage for BGs to practice repeated innovation which allows for the BG to remain competitive in the long term after their initial success with the original innovation (Blomstermo & Sharma 2003), and enables the BG to possibly become more profitable and/or expand into additional markets. The idea of repeated innovation and finding new opportunities refers to the BG's absorptive capacity, which is defined as "the ability of the firms to recognize the value of new, external information, assimilate it, and apply it to commercial ends" (Cohen & Levinthal 1990, 129). Also, it should be noted that the innovative capabilities of BGs may be attributed to a concept known as incremental innovation. This concept suggest that contrary to the findings of Blomstermo & Sharma (2003), BGs do not need to introduce "radically different" or "totally new" innovations to the market but rather may make improvements on currently existing technologies by utilizing their existing knowledge stock gained from previous experiences dealing with the respective technology (Gassmann & Keupp 2007). This may then be used as a means to achieve a competitive advantage by catering to a niche market, or by serving a large market if the features of the incremental innovation are homogeneous and highly specialized. Gassmann & Keupp (2007, 357) point out that this strategy is only feasible "if the product has a unique competitive advantage over competition which stems from the SME's specialized knowledge". Many of the BGs may already contain this specialized knowledge since even though the BG is perceived as new from the standpoint of when it was established, it is often actually mature in terms of the experience and knowledge held by the founders (Michailova & Wilson 2008).

It is interesting to consider that in some instances, the mere fact that Born Globals do not have extensive amounts of knowledge stored within their stock of experience may be beneficial for the rapid pace of internationalization (Gassmann & Keupp 2007). This can be attributed to the Born Globals' not needing to unlearn any existing practices or

knowledge, which increases the speed of their adaptability to new dynamic market conditions (Knight et al. 2004). This is evident by comparing BGs to large established companies which are hampered by substantial bureaucratization, or inertia that holds back their innovation efforts while smaller companies enjoy flexible internal conditions that encourage innovation and adaptability to new conditions (Knight & Cavusgil 2004).

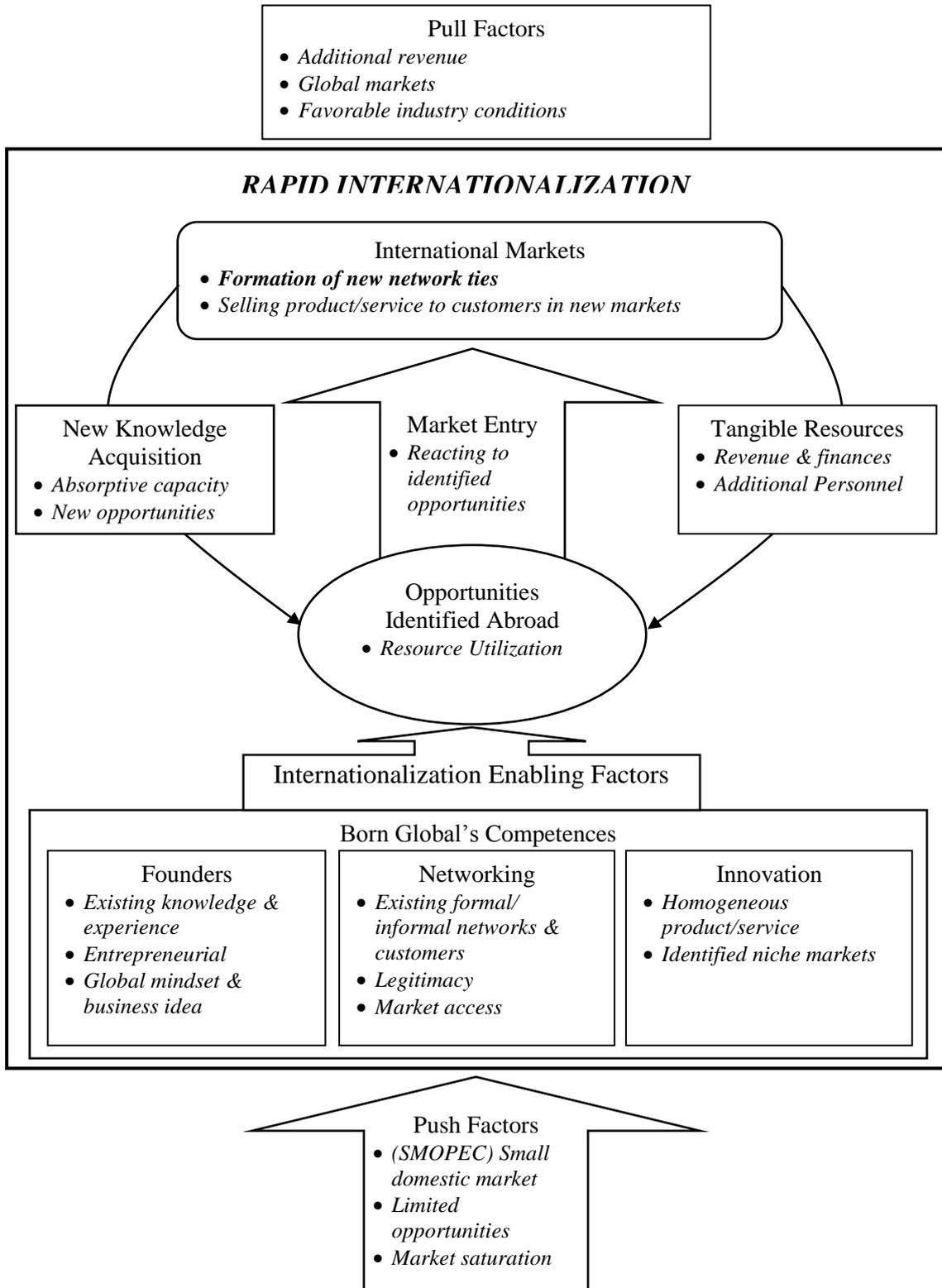
In brief, it seems the BG's ability to absorb and internalize sufficient additional knowledge presented by external antecedents into usable knowledge, and their ability to make sense of it, as well as apply it according to their own needs provides internationalization benefits to the firm (Knight & Liesch 2002). Also it should also be noted that in order to provide continued success in a global setting, knowledge utilization (KBV) should be applied in conjuncture with tangible resource acquisition (RBV), as well as a constant awareness of new and emerging opportunities presented to the BG that were not necessarily apparent at the outset of international expansion (Michailova & Wilson 2008) in order to increase the chance of the BG surviving in the dynamic market conditions abroad.

2.5 Theoretical Framework

This chapter of the Master's Thesis presents the theoretical framework which was devised using the existing research and theories from the literature review regarding Born Globals, internationalization, the importance of networking and knowledge acquisition. The theoretical framework strives to explain why Born Globals typically originate from SMOPECs and how the competences of the firm enable the existence of Born Globals. Also the role of existing network ties and the knowledge/experience found within the BG will be examined in relation to the identification of opportunities within new markets. Additionally, the framework provides insight to the factors that attract the Born Globals to global markets and the factors that enable them to internationalize rapidly from inception. Once the BGs have entered the foreign markets, the role of new network ties and resource acquisition will be explored with a focus on

the function that knowledge acquisition and utilization plays by providing the BG with new opportunities that allow for identification of additional opportunities in global markets. The subsequent framework will be explained in further detail in this chapter according to the findings of the literature review.

Figure 2: Theoretical Framework



Push and Pull Factors Influencing the Born Globals Internationalization

Since this Master's Thesis is written from the perspective of Born Globals originating from SMOPECs, it is important to understand the role that this has on the BG phenomenon. In the literature review it is suggested that the domestic market plays a large role in explaining the need for small companies to internationalize from inception. This can be attributed to push factors that determine the company's need to expand beyond its domestic market in order to accommodate additional R&D (Luostarinen & Gabrielsson 2004), and in many cases there simply is not enough business opportunities and demand for the BG to develop a domestic market strategy within the respective SMOPEC the BG originates from (Andersson & Wictor 2003). In some cases oversaturation of the domestic markets may not make it economically viable for the companies to even consider embarking in a domestic business strategy (Luostarinen & Gabrielsson 2002).

It also becomes increasingly apparent why many Born Globals need to internationalize rapidly since they are commonly formed in the high-technology industry. The rapid pace of obsolescence of new technology, and the increasing degree of homogeneity of the needs and wants of consumers (Meldrum 1995; Madsen & Servais 1997) may act as another push force on the BG. There are also pull forces related to attracting the firms to international markets. These pull forces have a straightforward effect on the BG by attracting it to larger markets where there is a larger demand for the product/services offered by the BG (Luostarinen & Gabrielsson 2004), and therefore also a larger source of potential revenue.

Competences of the Born Global that Enable Internationalization

The main competences of the Born Global that tend to influence the initial internationalization of the firm in the greatest manner are: the founders, then innovative capacity of the firm and the company's existing network ties and customers. The founders of the Born Global often have been identified to have an entrepreneurial mindset which allows for the company to be susceptible to the necessary risk taking

actions that are associated with new companies and engaging in global expansion (McDougall & Oviatt 2000) When entrepreneurial risk is considered, the focal issue that concerns the BGs is securing the financing of the company. As with any new business, initial financing must be secured through all available means. Born Globals are often financially scarce during inception (e.g. Gabrielsson et al. 2004; McDougall et al. 1994), and have been known to utilize several methods to gain sufficient finances to fund the business and gear it towards internationalization. These methods are common to entrepreneurs, which include: seeking private investors, venture capital, stock offerings, governmental support, as well as any private funds of the founders (Gabrielsson et al. 2004; Luostarinen & Gabrielsson 2004). According to Gabrielsson et al. (2008), some entrepreneurs may take such risks as investing all of their own finances as well as the mortgages to their own homes to fund their venture.

A global vision must also be present since “in order to become global, one must think global” (Oviatt & McDougall 1995, 35). Also, a clear global vision and focus is a great indication that the founder is ambitious and generally able to motivate both, the internal and external players involved with the company (Oviatt & McDougall 1997). However without the proper business idea with which to compete internationally, a global vision will have little to no value. This is why the business idea of the founders of BGs should be innovative, contain an identified competitive advantage and have a clear international target market.

As discussed in the literature review, Born Globals proceed to internationalize at a more rapid pace than stages theories would suggest which can be attributed to several factors. These are the existing knowledge and experiences as well as the existing formal and informal networks of the founders at inception (Brennan & Garvey 2009) that were gathered from previous job positions and schooling. It is important to remember that Born Globals may be considered new according to their date of establishment, but they are old in terms of experience and knowledge (Möen & Servais 2002). In fact, it is often through the previous experience and knowledge of the founders, also known as their

stock of experience, that the BG is able to benefit in terms of the market opportunities discovered in previous places of employment and through the notion that the founders have discovered ways to cater to these opportunities (Autio et al. 2000; Laanti 2007). This knowledge and experience may be generated through several means; e.g. educational institutions, previous jobs and the resulting informal and formal network ties generated. Also since often the founders often have specific foreign market knowledge accumulated from their past experiences, this serves as a facilitating factor when the BG is choosing what markets it should expand to by choosing one's they have experience in, and where they have existing network connections (Tseng & Kuo 2008).

The previously generated network ties and customers that the founders have worked with in the past are another enabler for rapid internationalization since they may act as a means for the BG to gain access to the market by responding to an identified need or opportunity in the respective market (McDougall et al. 1994). These opportunities for the BG are seen as a source for revenue generation and a means to serve larger markets. There are several ways that these opportunities can be met and it is not uncommon for BGs to respond to specific needs of a customer by practicing client followership, which may enable them to utilize the customers supply lines, networks and management and marketing knowledge (Madsen & Servais 1997). Also, by having the right network connections or customers, the BG may use them as a source of reference to gain legitimacy for the BG. Gaining legitimacy and using sources of reference provides the BG a source of referral when seeking additional customers and helps the company to overcome the liability of newness and foreignness when entering new markets (Coviello 2006). Utilizing the existing network and customer ties as well as the knowledge and experience stock of the founders are enabling features that allow for the BG to rapidly internationalize by responding to the corresponding opportunities identified.

Innovation is identified as being in the domain of entrepreneurs, and often the result of the two following sources: internal research and development resulting from accumulated knowledge, and imitation and improvement of other firms' innovations.

Innovation is commonly acknowledged as being beneficial to companies when they are establishing themselves in new markets. The benefits are typically achieved by being responsive to customer needs and expectations via new creative solutions that create value in the minds of the end users, and by establishing a competitive advantage for the Born Global (Massini & Lewin 2003; Nelson & Winter 1982). Being innovative also allows the BGs to avoid much direct competition abroad in multiple new markets since they commonly provide a high technology, knowledge intensive product or service within a niche market (Rennie 1993; Luostrinen & Gabrielsson 2004; 2002). This niche positioning is important since the Born Globals often have resource poverty and would not be able to directly compete against a large amount competition (Casseres 1997), and it influences the BG to move to global markets rapidly to introduce the product/service before the competition can and reap first mover advantages (Knight et al. 2004). Since the products and services of knowledge intensive BGs are commonly homogeneous across international markets, the BG benefits from this since there is often no need to modify the innovation when entering new markets which in turn saves time and resources of the BG.

Role of New Network Ties in International Markets

The market selection of the Born Globals can often be described as being reactive in nature (Coviello 2006). BGs often initially enter the markets where they have identified a need for their products or services utilizing their existing network ties and previous experiences. As supported in the literature, Born Globals have been known to internationalize using the following market entry modes: turn-key projects, exporting, direct sales, licensing, joint ventures, establishment of wholly owned subsidiaries and in some cases foreign direct investments (McDougall & Oviatt 1995). After the appropriate market entry choices for the respective BG are made, the Born Global seek to cater their products to the respective markets.

In the process of catering to the new international markets, the BGs actively seek to form new network ties in these new markets, which may include new customers,

business partners, and companies wishing to outsource the product or services of the BG. It is from these newly formed network ties that the BGs are able to gain knowledge pertaining to additional opportunities within the new markets or elsewhere abroad (Sharma & Blomstermo 2003). This can be described as the absorptive capability of the firm which is the “ability of the firm to recognize the value of new, external information, assimilate it, and apply it to commercial ends” (Cohen & Levinthal 1990, 129). It is through these networks that the BG’s gain the needed resources including: finances, additional personnel, market knowledge, and access to new opportunities that allow for the BG to internationalize rapidly and provide it the capacity to serve the new markets and while being constantly aware of new opportunities abroad (Sasi & Arenius 2008; Freeman et al. 2006; Madsen & Servais 1997). In some instance, Born Globals are inclined to hire or outsource additional personnel with knowledge of the new markets they operate in since it may provide the BG with specific local knowledge hard to otherwise obtain. Therefore as demonstrated in the framework, it is the knowledge acquisition through all of its network ties that allow for the BG to gain awareness of new opportunities and the tangible resources gained as a result of catering international markets that facilitate the utilization of the identified opportunities.

3. RESEARCH METHODOLOGY

This portion of the study presents the research method used in this Master's Thesis and the justification to use the respective method. In addition an insight is provided concerning the structure of the study, data collection and analysis methods used, the selection of companies, as well as the reliability and validity of the data.

3.1 General Research Approach

The chosen method of the remaining portion of the study is qualitative in nature. Qualitative research was chosen as an alternative to quantitative research since it allows for research methods that can be applied in a flexible manner to permit respondents to reflect or express their views more freely without rigid controls. Additionally, the behavior of respondents may also be observed accordingly using a qualitative approach (Proctor 2005). It should be noted that qualitative research has some limitations since it does not sample small differences to the same degree that is possible with extensive quantitative research (Proctor 2005), and qualitative research may provide results that take long periods of time to attain and are difficult to generalize (Yin 1994).

Given that two in-depth interviews of Finnish Born Global companies were performed, this study is conducted according to the qualitative multi-case study format. The multi-case study format has been identified to be appropriate when studying complex social phenomena when the casual links are too complicated to be studied with surveys. Also social sciences, which include business research, are identified to be an appropriate field to be studied using this format (Yin 1994). As suggested by Yin (2003) case studies are typically used to answer questions pertaining to "how" and "why" as they allow for an explanatory approach, as compared to quantitative research methods that rely on predictive outcomes that may be acquired from review of archival records by asking questions in the form of "what", "who", "where", "how many" and "how much" (Ibid, 6). Since the research problem of this study is geared to answer a "how" question, the case study format seems to be the most appropriate method to use. The reason a

multiple-case study was chosen for this study is related to increasing the analytic benefits derived from this approach. According to Yin (2003, 53) the analytic benefits arising from even two cases will be more powerful than those from one case. Single-case studies may be vulnerable to the notion of putting “all your eggs into one basket”, while having at least two cases vastly strengthens the external validity of the findings (Ibid, 54).

3.2 Unit of Analysis and Selection of Case Companies

The selection of case companies was focused around searching and identifying companies that qualified as my unit of analysis: Born Globals from SMOPECs that have used or are currently using network contacts during their internationalization process. These companies also had to qualify according to the definition of a Born Global as identified in this study. The exploration for companies that qualified into the before mentioned unit of analysis was conducted utilizing searches through the Internet, inquiries from my own social connections, as well as from previous research conducted about Born Globals. However, the Internet turned out to be the main source for the search of case companies since it provided the most information regarding: contact information, company descriptions, and company background. Consequently it was the most suitable medium for me to utilize since I lacked any personal contacts to Born Global companies.

While several companies qualified as potential case companies to be used for the purposes of this study, there were problems acquiring interviews due to the time related constraints of completing this study as well as the individuals within some of the firms citing that they are not able to be interviewed since they were too occupied at the moment and were not able to participate. The two companies that agreed to an interview were contacted via email and the specific interview appointments were then agreed upon through additional email correspondence.

3.3 Data Collection and Data Analysis

The data collection of this paper was completed utilizing literature pertaining to the identified topic of this Master's Thesis and two semi-structured interviews of the case companies. The literature used to conduct the theoretical portion of the study is comprised of academic and business articles, relevant books, as well as Internet sources. The semi-structured interviews were conducted in the spring of 2010, on the dates of April 15th and April 20th, utilizing a set of formulated questions that were sent to the interviewees' in prior to the interview. This allowed the interviewees' to look the questions over before the interview was conducted. The reason that semi-structured interviews were chosen as the favored method to conduct qualitative data collection for this study was because they provide flexibility for the interviewee in answering questions, while it allows the interviewer to guide the conversation according to their items of inquiry in a fluid fashion (Yin, 2003, 89). Also, the Internet pages as well as supplementary documentation provided by the case companies were utilized to attain additional information that could be used for the study.

The interviews were conducted on location in English at each of the respective case company's offices and recorded for future analysis. The recordings were then transcribed verbatim and saved in a digital format which allowed the researcher to refer back to the content of the interviews in a more fluid fashion during the analysis and case company description sections of the paper and facilitated the use of direct quotations from the interviews. In addition, following the suggestions of Stake (1995, 71) regarding consistent analysis, the content of the interviews will first be broken down and examined after which they will be contrasted with the literature reviewed for the Master's Thesis. The next step will be analyzing the qualitative findings according to the previous literature studied and searching for patterns and consistency which will then be presented in the research paper by the author (Ibid, 77). Additionally, following the suggestion presented by Yin (1994), empirical data should be compared to prior theories as templates. Therefore the framework, as well as the theories from previous

research relating to networking, internationalization, Born Globals, and knowledge presented in this study will be used to test and analyze the empirical data gathered from the interviews.

3.4 Reliability and Validity of Data

According to Yin (2003, 33), four specific tests are commonly used by researchers to establish the quality of empirical research, such as that conducted in the form of case studies. These tests are: construct validity, internal validity, external validity, and reliability. Construct validity refers to the interviewer's ability to establish correct operations measures for the concept being studied, and especially case studies have received criticisms that the measurements may be fairly subjective. However, using more than one case as sources of evidence as well as leaving a chain of evidence via recordings of the interviews, notes and case descriptions raises the construct validity of this study. Also, the interviewees will be presented a copy of the study after its completion to further increase the chain of evidence (Yin 2003, 35-36).

The next two tests of research quality are the internal and external validity of the study. The internal validity of this study can be achieved by matching the patterns between the theoretical review created and the empirical data collected. More specifically, the logic of this study will be focused around examining the enabling internal factors of the Born Globals combined with the external industry, networking, and domestic/foreign market factors in explaining the internationalization process of these firms. Also, throughout the pattern matching process explanation-building will be conducted (Yin 2003, 36). The external validity test aims to provide opportunities for generalizations to be made from previous case studies conducted with the case studies conducted in this paper, and seeks to add an opportunity for others to possibly use elements of the cases. According to Yin (1994), there is the importance of analytical generalization compared to statistical generalization in case study design. Survey research relies on statistical generalization, whereas case studies rely on analytical generalization. In analytical

generalization, the investigator is striving to generalize a particular set of results to some broader theory (Ibid). The external validity is increased in relation to the multitude of case studies conducted about the topic, and by having a well thought out research design. The external validity of this study is average since more than one case study was conducted, but increasing the number of case studies to three or more would dramatically increase the external validity (Yin 2003, 37).

Reliability is the fourth identified test of quality which is used to ensure that the same tests performed within the study can be replicated by others down to detail. This means that the same procedures, conclusions and findings should be achieved by anyone attempting to complete the same case study. The reliability of this study should be above-average since reliability is increased by documenting the procedures of the study which include the questions asked from the interviewees that are listed in the appendices of this study, and the actual recordings and transcribed documents of the interviews (Yin 2003, 37-38).

4. EMPIRICAL FINDINGS: CASE COMPANIES

This chapter of the Master's Thesis provides information about the case companies that were interviewed for the study; Wireless Technologies Finland, and Aito Technologies. The chapter will consist of a background of each of the companies and of their products or services, insight into the specific capabilities of the firms', their internationalization processes, and their utilization of previous knowledge and networking during internationalization. Also the formation of new network ties and their impact on the company will be described. The people interviewed from each respective firm were Juha Kumpulainen; the CEO of Wireless Technologies Finland, and Janne Tanninen; VP, Business Development of Aito Technologies.

4.1 Case Company: Wireless Technologies Finland

4.1.1 Company Background

Wireless Technologies Finland is a small Finnish company established in 2003 by three founders and is privately owned. The three founders have a similar background to one another as they all have engineering backgrounds, and have worked in the same company together, Tecnomen, and even established a venture together called Wiral prior to the founding of Wireless Technologies Finland. They also have experience from companies such as Nokia and Tellabs. Their previously established company Wiral was specialized in multimedia messaging using GSM phones, but it went bankrupt since they were experiencing difficulty serving their customers which were large companies that demonstrated reluctances to buy from small companies such as Wiral due to the associated size-related counterpart risk. After the bankruptcy of Wiral, the three founders purchased some source code from a company that they used to work for, and utilizing the acquired code they established the current company Wireless Technologies Finland (WT Finland).

Wireless Technologies Finland specializes in selling a service called PUSHCOM which is a push to talk group audio service for mobile phones. The PUSHCOM service allows

for group communications through a PUSHCOM server between people using specific Nokia proprietary mobile phones or open standard group communication phones through data networks, such as GSM. WT Finland was originally targeting big operators with this service, but the company soon realized that their target market was incorrect since they were experiencing difficulties selling to the operators. They then shifted their focus to selling the product to smaller companies such as courier providers, logistics companies, and security organizations.

4.1.2 Firm Capabilities

The three founders of WT Finland exhibit entrepreneurial tendencies associated with Born Global companies. The founders have a history of establishing an unsuccessful company together, after which they continued their risk taking tendencies by establishing their current venture, WT Finland. This had provided the founders with managerial skills and valuable experiences regarding how to run a business and how to prevent making similar oversights as in the past. The company places a lot of significance on the importance of the founders on the company, which is apparent by the statement made by CEO Juha Kumpulainen:

“We have two top level developers in the company, I’m not one of them but we have two good guys and without them we would not have a competitive advantage”.

The innovation behind the company also acts as a competitive advantage for the firm. Wireless Technologies Finland provides their customers with an alternative to using public mobile radio, or land mobile radio devices which often have issues relating to the coverage/range limitations as well as security problems. The PUSHCOM service allows for the end-users to have secure conversations through the server, with global coverage. They are currently focused of selling to the B2B market segments, which is divided into around 100-150 different sub-segments. Within these segments and sub-segments, WT Finland is focusing on any companies that have a mobile workforce, with an especial

interest towards developing countries where there are less regulations regarding the police forces and firefighting brigades.

In addition to the founders and the innovation PUSHCOM, the company identified their good relations with Nokia to be a source of a competitive advantage. In fact, Juha Kumpulainen stated that:

“This is the single reason we exist today because we have been able to get interoperability between these phones, there are around 100 million of Nokia’s proprietary phones and about 1 million of these open standard phones.”

The founders also have taken personal risks in terms of financing the venture. WT Finland was established using only the founders own finances, with the CEO Juha Kumpulainen selling his own house to finance the company. Even though the founders had venture capital finance their previous venture, Wiral, they were not able to secure any external financing for WT Finland.

4.1.3 Utilization of Existing Networks, Experience and Knowledge

It is apparent that WT Finland has benefitted from the utilization of their previous experience and knowledge generated through previous places of employment as well as the networks that were formed during this time. It was through the founders’ Nokia connections that the company was able to achieve the knowledge to gain interoperability between Nokia’s proprietary phones and the open standard phones to gain the before mentioned competitive advantage. Also, since WT Finland is competing with ten companies with similar products, two of which Juha Kumpulainen would identify as real competitors that have a lot of resources and money compared to WT Finland, the value of existing partners has been valuable. As Juha Kumpulainen states:

“We are competing with other smaller companies and our partners are very valuable to provide us with information of what are essential and critical features for a product and there are always so many features that a product has that the customer really doesn’t need. There is only very few critical features a

customer needs and our partners are a very good source to find out what the features are since it is impossible to know them sitting from here.”

Juha Kumpulainen also places a lot of value into his participation in meetings 4 times a year with global organizations during the period of 1999-2003. These meetings were a great source of forming contacts that were utilized by WT Finland once it was established. One of these previous contacts was a member of the Common Trust Business Association (CTBA) which is meant for small companies in Europe and Africa, into which companies can only gain access if existing members know and trust you, as well as provides a recommendation for you. Juha Kumpulainen confirmed that these kinds of existing networks provided WT Finland with new leverage, advice and information about market conditions in different locations.

The previous experiences from dealing with foreign markets also provided WT Finland with knowledge about which markets would not be suitable for the company to expand into. As an example, the founders were aware that markets in countries such as the US would not be suitable for their product due to the high protection of the operators. These market conditions are not favorable for WT Finland since:

“In the US, Singular and T-mobile didn’t want anyone to offer services in their network so it is a clear show stopper for us.”

Also, WT Finland learned from previous experiences how to better prepare when entering new markets. Legislation proved to be a hindrance when WT Finland was launching its product to a customer in Hungary, and due to the bureaucracy involved it took the company 8 months to get started in that market. According to Juha Kumpulainen:

“We learned from that experience (Hungary) since in Tanzania we knew what to expect so we took proactive sets towards regulators to make it run smoothly.”

As a result, WT Finland was better prepared when launching products in other regions with bureaucracy, such as Africa.

4.1.4 Internationalization and Market Selection

The company was established with the global markets in mind since the first steps towards moving to the international markets were taken within two months of the company's official establishment date in 2003. Their first action towards internationalization was responding to the needs of an existing customer they had experience with in the past from Bolivia. However, currently the company operates in five different countries which are Tanzania, Germany, Hungary, the UK and Sweden, and WT Finland has sold its solutions to fifteen different countries. Juha Kumpulainen, CEO of WT Finland identified the small size of the company's domestic market as a great determinate of why the company directed its focus to global markets:

“It is really difficult to start this kind of company, for example in Finland, where the market is quite limited. Even if we succeed 100% in Finland alone, we can't make more than 1 million EUR annually so it's obvious that a single small country is not ideal for this kind of a business.”

The internationalization strategy of the company has shifted from the beginning phases of its operations compared to how it currently operates. In the beginning the company relied mostly on direct sales to foreign clients. However, this was not the preferred way for WT Finland to operate but they had little choice until they were able to gain network ties in the new markets and form partnerships with companies that act sales agencies to the end-users, which are the company's favored mode of market entry and internationalization.

Wireless Technologies Finland has some criteria with which is decides which markets would be attractive for them to expand to. One of the most important determinants of market selection is the status of the GSM, TPRS, and 3G networks. In essence, if the data networks are good enough, WT Finland will know for sure that there is some

business for them in those markets. Awareness of the status of the data networks is compiled from the GSM association database which the founders of WT Finland downloaded onto their computers. This database provides the founders insight about the approximately 1000 GSM operators worldwide, specifically when they are launching data services in any given country which may be suitable for WT Finland. Also, WT Finland downloaded another database which contains the average revenue per month per user in each country. This database provides information to the company regarding which markets would be profitable for them to expand to. As an example, Juha Kumpulainen stated:

“In Ukraine the average user pays 6€ per month but in Nauru the pay almost 500 USD per month per user. We try and correlate this revenue information and seek which place is the most promising for us since we can’t be in too many places at one time with only three people.”

However, once the data relating to the status of the data networks and user revenue generation is correlated, Juha Kumpulainen acknowledges that whether or not they can reach those markets is a different story. WT Finland would rely on their previous established sales agent partners to contact them about business opportunities, and their previous experiences and knowledge to assess the markets attractiveness in terms of the availability of partners as well as the status of revenue generation and data networks. The impact of the new network ties being formed and their impact on WT Finland will be examined in greater detail in the next passage.

4.1.5 Influence of New Network Ties

The importance of gaining new network ties in foreign markets proved to be crucially important for WT Finland. Through these ties the company was able to accrue legitimacy when selling to new customers in various markets, as well as gain knowledge pertaining to new opportunities abroad that would otherwise have been difficult to realize without the networks. As an example, through the network ties that the company had recently gained during internationalization, an opportunity was presented to WT

Finland to negotiate a deal with a contact to arrange 120 phones, as well as the PUSHCOM server for the Dakar-Hungarian-Romanian rally being held in 2008. WT Finland had a good pilot in this event, and the contacts were very satisfied with the company's product. Juha Kumpulainen commented on this particular successful business deal by stating:

“We were able to gain very good references from this event and these kinds of references are very important for us since the more we have of these, the easier it is to get more customers and partners. These references are essential, the first one is very difficult to get which is a problem for many small companies since they start to develop a technology and they have no idea who to sell it to and who willing to give their face to this company.”

Another opportunity that WT Finland was able to accrue through the knowledge provided to them from a partner was one involving a change in law in Brazil where all of their public transport vehicles must be traceable. This involves the usage of GPS technology and a centralized server where the location information would be available. WT Finland realized that their product would be well suited for this purpose, and without their foreign partners it would have been difficult to ever acquire information about this big opportunity. The new network connections formed by WT Finland have also played a crucial role in the acquisition of new customers and contacts.

“If I count all of the contacts that we have got in the last two years, we have got about 40-50 requests from people interested to be our reseller, and about half of them have said that they received our contact information from our partners.”
Juha Kumpulainen, CEO

The sales operation partners are such a valuable source of providing WT Finland with new opportunities that the company no longer even needs to utilize advertising since they get more business requests than they can currently handle. Also, Juha Kumpulainen identified Internet sites such as LinkedIn and other social media networks as a great means to gain new contacts and find new opportunities. Also since the company was initially financed with the founders' own finances, the more opportunities the company

was able to identify as well as gain contacts to new customers and do business with them, WT Finland gained the necessary additional revenue with which to utilize to cater to the new markets.

4.2 Case Company: Aito Technologies

4.2.1 Company Background

Aito Technologies is a young Finnish company officially founded in 2006. In the year of the company's establishment Janne Tanninen, VP of Aito Technologies described the company to have been basically one man, Anssi Tauriainen, with an idea and a laptop. Then a while later, Janne Tanninen and the third founder, Juho Seppälä joined the ranks of the company after which the operation basically started in 2007. All of the three founders have a MSc., Janne's in economics, Juho's in industrial economics and management and Anssi's in computer sciences. The company currently has fifteen full-time employees, but including the part-time employees, subcontractors, and the professional board of directors, there are 25 people in total working for the company.

The product offered by Aito Technologies is aimed at mobile operators globally. There are sub-segments within the operator groups, but it is the mobile operators of which there are about 750 at the moment that are the main focus of Aito Technologies. Aito Technologies also targets the hundreds of MVOs which are kinds of virtual network operators with their products. The product provides operators a tool with which they can have access to scattered external and internal information stored in several information silos through one source, and it is very easy to use and integrated into the operator's network. The product is called Customer Experience Analytics, and as Janne Tanninen states:

“It gives you a holistic view into your customer base and the behavior of customers and it is very easy to use so that you have all of the information basically visible on your pc screen and if you are interested for example about knowing what kinds of services 20-30 year old women use on their mobile phones you just click on those demographics.”

There are two optimized versions of the Aito suite available, one aimed at helping operators optimize service offering and network usage and another for digital service providers used to maximize revenue in online communities, mobile content and e-commerce sites. Both of these versions deliver the customers with a view of the “big picture” of micro segments allowing them to make more profitable daily business decisions.

4.2.2 Firm Capabilities

The three founders of Aito Technologies exhibit tendencies associated with entrepreneurship. First and foremost, the founders’ taking action and forming the company after the identification of a business idea shows that the founders have a risk taking capacity. Also since two of the founders had worked together within the same company in the past, it allowed for the company to utilize people with an existing entrepreneurial mindset and select like-minded people who share the same vision for the company. Juho J-P Seppälä, VP of Aito Technologies also has previous entrepreneurial experience from running his own company successfully. The founders also exhibited that they are willing to go through hardships for the benefit of the company. This is apparent since according to VP Janne Tanninen, when asked about the amount of financing they had during the inception of Aito Technologies:

“Zero at the beginning basically, and the founders worked for about seven to eight months without any pay. It was good that we were in the situation that we could actually do that since our salaries paid some of the salaries of the R&D people”.

Fortunately for Aito Technologies they were able to secure their first investor within one year of the company’s establishment, which turned out to be the most important source of financing in the initial phases of the company. Aito Technologies was also able to secure funding from TEKES, an organization that provides grants and assistance to companies operating in Finland.

Aito Technologies innovation is based around providing operators with a solution to conduct business more efficiently. The competitive advantage that Aito Technologies has is the ease of use and speed of product integration for the customers. As Janne Tanninen states:

“Normally whenever you are selling software to operators it takes something around one year to integrate but our product takes around a few weeks to integrate and it is very easy to use so that you do not need to have any manuals to understand how to use it or anything like that”.

Additionally, another part of Aito Technologies competitive advantage is that it actually increases the speed of the decision making for the business managers at the operators. Normally it would take the operators’ weeks or even months to gather their information but utilizing the Customer Experience Analytics product provided by Aito Technologies makes this information available in the way that it is always there. The company finds that there is no competition that offers a 100% match to their product, allowing them to operate within a market niche. However there some sources of competition from other companies offering similar products, and Janne Tanninen also identified business intelligence customer experience management companies as rivals. Interestingly, one of the main sources of competition to Aito Technologies stems from the in-house development teams of the big operators. According to Janne Tanninen:

“In many cases when they see our product they determine that it is something that they also need and when their technical department hears about it they often think that they can do it themselves, so this is one of the things that we need to augment against”.

4.2.3 Utilization of Existing Networks, Experience and Knowledge

The three founders have previous work experience from the ICT industry as the CEO, Anssi Tauriainen and the other VP, Juho J-P Seppälä of Aito Technologies had worked together for Nokia Siemens Networks (NSN) for a number of years. During their time

with NSN, Anssi Tauriainen was responsible for the technical network management, essentially delivering the network solutions that Juho J-P Seppälä would sell to the customers. Anssi Tauriainen has a track record of implementing 30 successful projects to operators in several different countries during his time in NSN. These projects gave him experience and knowledge about how business is conducted, and how the customers think in the respective international markets that he was involved in. Juho Seppälä has experience from several international markets from his time at Nokia and has sold the network solutions to the US, Russia, and Europe, and has lived in the US for a period of four years. Janne Tanninen has previously worked for TeliaSonera Finland, citing that his experiences of international markets are mostly focused on knowledge pertaining to the Baltic countries and Sweden.

From their previous experience in the ICT industry, the founders were able to recognize that the mobile operators have a problem that they have a lot of information about their customers which is scattered around different systems, which makes it difficult to retrieve and utilize in a concise manner. This presented an opportunity for the founders to utilize their knowledge of the industry to develop the Customer Experience Analytics product as a solution for the operators needs. Also, the existing network ties and market knowhow of the founders provided the company with an opportunity to rapidly begin catering to foreign markets. When asked how the previous network ties and international experience of the founders was beneficial to Aito Technologies, Janne Tanninen states:

“If you look at sales, it is easier to start the sales operations if you already have the contacts and you know the operators which facilitates the starting of the sales quickly pretty well”.

Aito Technologies also used their previous experiences and contacts in Finland to develop their product, which the company felt was important since it allowed them to get some traction before expanding to international markets:

“We did contact the local operators in Finland so that we could develop the product with them and even if we didn’t close the deal with them, we used connections to our previous employers to develop and pilot our product with them.”-Janne Tanninen, VP

Janne Tanninen also found the previous experience and knowledge of the founders to be beneficial in terms of understanding the particulars about foreign markets. Specifically, Janne Tanninen places value on courses taken in school: e.g. courses such as how to conduct business in Russia, and the training that the employees have received as beneficial to conducting business abroad. However, Janne Tanninen feels that the Internet also provides a wealth of information since one may find nearly anything from Google.

4.2.4 Internationalization and Market Selection

Aito Technologies was created with a global mindset since staying in the domestic markets was never really an option for the company. It was clear to the company that the domestic market of Finland presented too few opportunities since there are only three or four operators in Finland versus the nearly one thousand operators abroad, and it simply could not provide Aito Technologies with enough business. That is why since inception, the founders thought about serving the global markets right away. The first steps of internationalization the company took are described by Janne Tanninen as follows:

“What we did was we just started using the contacts that we already had, we started contacting the people that we had in the countries outside of Finland and we started from the countries that are close to Finland. We essentially took a drawing tool for making a circle, a compass, and placed the stick in Helsinki and drew a circle and decided that this is our internationalization strategy in the beginning phase”.

As is apparent from the previous statement, proximity to Finland was initially the main factor in the company’s internationalization strategy. The original strategy was largely due to the resource constraints of Aito Technology since they only had a few people

working for the company at the time and limited finances it was easier to work with companies near to them. Aito Technologies places also places value to having a local presence in business, and it was initially easier to send personnel to markets near-by than for example to the US.

The internationalization strategy of Aito Technologies has since changed, with the company seeking for markets with the biggest pull since it is easier to sell the product if there is an identified need for it. In addition to the markets the company is currently serving, Aito Technologies is talking with operators in the Middle East and Asia since they have identified a pull in those markets. The company would also prefer to conduct business in the US, but feel that they do not have the resources at the given time to operate in the US and do not wish to spread their focus too much. Keeping a focus on the company's current markets and opportunities seems to be a priority of Aito Technologies since size and resource related constraints depict that the company cannot currently be in too many places at once.

Aito Technologies utilizes direct sales through its own people and sales agents that are partners as their preferred mode of market entry. They do not currently have any of their own sales offices in any foreign markets, but if the company negotiates a deal in for example in Asia they will place resources in that market to provide on sight support for the customers. Even though Aito Technologies currently utilizes outsourced sales agents to facilitate international sales, they initially had trouble forming the partnerships due to the lack of references. As stated by Janne Tanninen:

“When you get some traction in the market and some references you can start getting partners along”.

4.2.5 Influence of New Network Ties

Amongst the main aspects of internationalizing and forming new network ties for Aito Technologies was the gaining of legitimacy. This allowed the company to eventually

gain partners which provide references that are essential for young companies when approaching new customers. As Janne Tanninen states:

“References are very important, maybe the most important things because the bottom line is that everyone asks about them and they need to be visible on your website for example”.

However, when selecting the sales partners it is important for Aito Technologies to have a complementary product to the partners’ portfolio since they want to be important for their business. Aito Technologies also prefers for the partner to be in the driver’s seat when the partnerships are formed since this ensures that the company is properly focused into the relationship and that Aito Technologies will have significance to their business. The reason that significance to the partner’s business is important stems from the fact that Aito Technologies has had some challenges partnering with big corporations. According to Janne Tanninen:

“We also have experienced some challenges from being a partner with a big corporation. It looks good on the paper when you tell about it to investors but in practice it might be challenging because you don’t have the significance to this partners business and it might be that nothing happens, you just have the deal on paper and that is it”.

On the other hand, once the desired partnerships are formed, Aito Technologies considers them to be an important source for new leads and opportunities abroad. These new leads may be important and difficult to realize without the input of the network ties. Also once the leads are followed up on and Aito Technologies is able to close deals with the new operators, they have noticed that this also provides additional opportunities for the company since it is easy to begin up-selling to the operator. The partnerships also provide Aito Technologies with specific market knowledge about unfamiliar markets. As an example, Aito is utilizing a sales agent as a partner since they have experience from conducting business in the Middle East and none of the founders or personnel has the necessary previous experience from this region. Using the sales agents helps lessen

the risks associated with not knowing about the culture, the language and other factors associated with the Middle East when seeking for market opportunities in the region.

Having access to new network ties abroad as a result of internationalization has also provided Aito Technologies with financial benefits. Through the new leads and opportunities discovered abroad the company has been able to sell its product and gain an additional source of finance. In addition to the TEKES grants and venture capitalists, the company is now also funded by revenue. The main benefits of internationalization and opportunities were summed up by Janne Tanninen as follows: *“It is very easy to answer; it’s the EURO (money) potential”*.

The table on the following page will provide an overview of both of the case companies:

Table 1: Overview of Case Companies

Case Company and Date of Establishment	Wireless Technologies Finland (2003)	Aito Technologies (2006)
Interviewee and Position in Firm	<ul style="list-style-type: none"> • Juha Kumpulainen, CEO 	<ul style="list-style-type: none"> • Janne Tanninen, VP, Business Development
Background of all Original Founders	<ul style="list-style-type: none"> • Nokia • Tecnomen • Wiral 	<ul style="list-style-type: none"> • Nokia • TeliaSonera
Product/Service	<ul style="list-style-type: none"> • PUSHCOM (push-to-talk group audio service for mobile phones) 	<ul style="list-style-type: none"> • Customer Experience Analytics (gives holistic view of scattered information through the software)
Target Market/Segment	<ul style="list-style-type: none"> • B2B • Companies with mobile workforces 	<ul style="list-style-type: none"> • B2B • Mobile operators • Virtual network operators
Born Global Characteristics	<ul style="list-style-type: none"> • SME with global mindset • Entrepreneurial • First international customer within months of formation 	<ul style="list-style-type: none"> • Thought about the global markets right away • Entrepreneurial • Recognized global need for product
Reasons for Internationalization	<ul style="list-style-type: none"> • Small size of domestic market • More profitable market segments abroad • Homogeneous product 	<ul style="list-style-type: none"> • Limited customers in domestic market • Homogeneous product
Competitors	<ul style="list-style-type: none"> • Two companies with similar products (direct competition) • Two-way radios (indirect competition) 	<ul style="list-style-type: none"> • Operators in-house development teams • Business intelligence customer experience management companies
Mode of Internationalization	<ul style="list-style-type: none"> • Initial direct sales • Partners (Sales agents, MNC) 	<ul style="list-style-type: none"> • Direct Sales • Partners (Sales agents, MNC)
Countries/Regions of Operations	<ul style="list-style-type: none"> • Tanzania • Germany • Hungary • UK • Sweden 	<ul style="list-style-type: none"> • Baltic Countries • UK • Sweden
Network Composition	<ul style="list-style-type: none"> • Informal ties through CTBA • Outsourcing of sales operations (partners) • Social media utilization 	<ul style="list-style-type: none"> • Investors and their networks • Sales agents • Customers (up-selling)
Sources of Finance	<ul style="list-style-type: none"> • Finances of founders • Revenue 	<ul style="list-style-type: none"> • Finances of founders • Revenue • TEKES • Venture capital

5. DISCUSSION AND ANALYSIS

The following chapter of the study is comprised of the main empirical findings from the two case companies included in the study, which are compared with the findings from the literature review as well as the respective theoretical framework of this Master's Thesis paper.

5.1 The Phenomenon of Born Globals Originating from SMOPEC's

According to the definition of a Born Global (Oviatt & McDougall 1994) that was identified for the purposes of this study, Born Globals are companies with an international mindset from inception and they strive to gain a competitive advantage over others by utilizing specific unique resources and by selling their products or services in multiple foreign markets. Also, they tend to rely upon network ties, both newly formed and previously existing to gain access to international markets (Oviatt & McDougall 1994; Coviello & Munro 1995). The two case companies, Aito Technologies and Wireless Technologies Finland both qualify as prime examples of BGs from SMOPECS since both companies are small and originate from Finland, and they meet the stipulations of the before- mentioned definition of a BG provided by Oviatt and McDougall (1994) as they both began internationalization from inception utilizing respective competitive advantages, and selling their outputs in multiple international markets as is consistent with the theories presented in the POM model (Luostarinen, 1979).

As proposed by Andersson and Wictor (2003) in the literature, there is a greater probability of Born Globals originating from SMOPECs than from countries with larger markets. This can largely be attributed to the relatively small size of the firms domestic markets and the lack of sufficient existing domestic market opportunities, or the fear of increasing competition from abroad entering the domestic markets of the BG's. These characteristics act as push factors upon the BG to seek broader markets abroad from inception. The global markets act as a pull factor for the Born Globals because of the

mere fact that they present opportunities for additional business and for a greater source of revenue (Luostarinen & Gabrielsson 2004). Both case companies, Aito Technologies and WT Finland cited the small size of the Finnish market and limited potential customers to be the main reasons that they sought to internationalize from inception rather than first focus operating within their domestic market. Also, both companies had recognized that in order for them to be successful they must take advantage of the opportunities and larger markets found abroad. However, Aito Technologies did engage in product development with Finnish operators to pilot the product in order to ensure some traction before entering the foreign markets. In order for the companies to be able to leave the domestic markets and internationalize, several of the competences found in the BG were to be utilized.

5.1.1 Competences of the Born Global

The founders of Born Globals are identified to be key elements to the advent of Born Globals and are identified by several researchers (e.g. Oviatt & McDougall 1995; Jones & Nummela 2008; Laanti et al. 2006) to be the driving forces behind the BGs operations. Both case companies place a lot of value to what the founders bring to the company and their role in aligning the company internationally. According to theory, the founders tend to exhibit entrepreneurial tendencies (Laanti et al. 2006) due to having often been a part of establishing previous companies.

In WT Finland, all of the three founders had been involved in establishing a previous company together which provided them with valuable insights on how to align their products correctly in terms of customers and correct market segments, as well as knowledge about the intricacies of how to run a small business accordingly. In the case of Aito Technologies, one of the three founders had experience from establishing a company prior to the current one and all three founders have experience working for companies within the same industry as they currently operate in. In each of the case companies there are instances of the founders having worked together in the past. This

provides the companies with cohesion since according to BG theory there are typically like-minded people who share similar mindsets and values working within BGs.

Massini and Lewin (2003) propose that innovation is the domain of entrepreneurs. This is apparent in Aito Technologies and Wireless Technologies Finland as they both use innovation as a source of their competitive advantage. Aito Technologies was responsive to an identified customer need when creating its innovation from their own R&D sources. They had identified the need for operators to gain a holistic view of their customer base more efficiently and faster, and hence begun developing their product, Customer Experience Analytics, that would address this need. On the other hand, WT Finland utilized imitation of others innovations to a certain degree since they purchased the source code for their product and then applied it to be compatible with proprietary Nokia mobile devices. This coincides with the theory that innovation is derived from two sources; from internal research and development or imitation of others innovations as is demonstrated by the two case companies (Ibid).

Additionally as BG theory would imply (Rennie 1993), both WT Finland and Aito Technologies operate within a niche product segment citing that they have relatively few direct competitors which allows them to operate in multiple foreign markets with little resistance from other firms. They have created a technology to serve these niches proposed in their original business idea, and chosen which segments of customers they would initially target. As mentioned in the literature review, the products of both case companies are homogeneous by nature allowing them to be implemented globally without the need to modify them. This coincides with the standardization strategy often employed by BGs in the ICT sector (Gabrielsson & Gabrielsson 2003), allowing for the companies to implement a global product strategy. Also, both companies are seeking for additional target segments in which their products could be utilized, and WT Finland has identified a possible new segment concerning GPS tracking of busses, and the storage of the location information within their servers. This repeated innovation principle coincides with the theory presented by Blomstermo and Sharma (2003) in

which BGs often seek for varying utilizations for their innovation in order to gain broader markets than initially envisioned.

As was discussed in the literature review section, the financial resources are often quite scarce amongst BGs, and it is not uncommon for the founders to take large risks to finance their company. Aito Technologies dealt with the scarcity by seeking financial support from governmental organizations as TEKES which provides small innovative companies with financial aid. The founders were initially funding their company by sacrificing their own pay for several months to insure that things could keep running smoothly until venture capital was acquired. WT Finland stated that they were completely funded by their own money, but CEO Juha Kumpulainen took such entrepreneurial risks as selling his own house to receive initial funding for the company. This also sets the precedent that the founders of the company have a strong vision and drive to succeed in challenging international environments with such large personal stakes at play.

5.1.2 Internationalization Enabling Factors

According to stages theory (Cavusgil 1997) and the Uppsala model (Johanson & Vahlne 2003) discussed in the literature review, companies typically approach internationalization in an incremental fashion, slowly expanding beyond the domestic markets as they build experience and contacts. However research shows that Born Globals are in fact quite experienced from inception due to the contacts, knowledge and experience that the founders bring to the table, also known as the stock of experience, which allows BGs to direct their attention abroad from inception.

The previous experience and knowledge of the founders as well as existing network ties and customers were identified as being crucial to the case companies, and were cited as important factors that enabled the companies to be able to identify opportunities abroad for their respective products/services. As Juha Kumpulainen of WT Finland stated in regards to benefits accrued from his previous jobs:

“Without previous experience and networks with foreign operators in foreign countries it could not be possible to have this company”.

Also since the founders within WT Technologies had extensive amounts of knowledge pertaining to the mobile industry from previous employment, they were able to create their product PUSHCOM leveraging this knowledge and allowing WT Finland to identify a need for the application of this product within the global markets. Utilizing the existing contacts of the founders, the company was able to rapidly begin conducting direct sales to identified customers.

Aito Technologies also felt that they were able to identify the need for their product from their previous work experiences and dealings with operators in various foreign markets. The founders were able to create their product, Customer Experience Analytics, from their knowledge retained from their schooling and extensive experience in the ICT sector and had a great idea of the specific needs of the customers within their identified target market of operators.

According to the KBV (Prashantham 2005; Knight and Cavusgil 2004) , the knowledge that the founders possess from their previous dealings within foreign markets helps to alleviate market uncertainty and gives rise to the BGs capabilities to perform better in the foreign markets the founders have experience within. This was evident in both case companies as they conducted business in countries that they had previous experience in from their preceding jobs.

5.1.3 Influence of New Network Ties

In the literature review, several researchers have also identified that BGs typically need to utilize networks to gain legitimacy in the eyes of the potential customers since they are new and relatively unknown. Both interviewees felt that their network ties and customers gained through direct sales provided them with the needed sources of

reference which in turn helped the case companies to gain additional customers and contacts. Both Aito Technologies and WT Finland make their existing customers visible and accessible by, for example presenting them on their websites which lessens the case companies need to carry out expensive marketing through other mediums. Also the companies recognized the marketing impact that their satisfied customers and partners provide them since these act as valuable sources of reference.

According to the social capital theory presented in the literature, companies gain access to various resources from engaging in relationships that translate into opportunities for the company (Burt 1997). This is consistent with the case companies as they quickly began seeking for new network ties after their initial period of direct selling. In the instance of Aito Technologies, the interviewee considered their newly acquired partners to be a valuable source of new leads. Similarly WT Technologies assessed that once they had acquired a few international partners, these partners then provided the company with sources of new market opportunities and potential customers. As discussed in the literature review, and as became evident from the interviews, these opportunities are often realized as a result of the resource acquisition specifically tangible resource acquisition and new knowledge acquisition that are gained through new network ties.

5.1.4 Tangible Resource and New Knowledge Acquisition

As proposed by theory regarding Born Globals, they are commonly identified to be quite resource scarce. Tangible resource scarcity effectually limits the overall rate that the BGs are able to internationalize since they need to keep a focus and not spread themselves too thin. However once companies are able to gain legitimacy from new network ties and negotiating deals with customers venture capital often becomes available. This was the case with Aito Technologies since it was able to gain venture capital relatively quickly to finance the company, as well as grants from governmental organizations (TEKES). Once they were able to sell their products to customers, revenue also became available for a source of financing operations. On the other hand,

WT Finland was solely financed by the founders' own funds without venture capital, and then once more sales were being generated revenue became their source of financing. Once the companies had gained revenue from sales, they were able to outsource their sales in the foreign markets. While WT Finland has outsourced all of its sales, Aito Technologies still utilizes in-house sales teams congruent to the sales agents.

As implied by theory proposed by Tseng and Kuo (2008), informal social contacts linked to BGs often play an important role in providing valuable information about possible market opportunities that may otherwise be missed. Evidence of this was cited by Juha Kumpulainen as they were able to utilize such social contacts to gain access to new opportunities:

“We were opportunistic, there was good opportunities in foreign countries which we found out about when our partners contacted us to these opportunities. Some of them we know already and some of them we get to know through different social networks and there are some kinds of small clubs such as Common Trust Business Associations (CTBA) which is meant for small companies in Europe and Africa”.

Social contacts were also beneficial to WT Finland since the information they provided was free, which suited the initially resource scarce company well. Aito Technologies also admitted to utilizing social ties to gain access to new market information, citing that there are benefits to be gained from former colleagues helping informally. Another source of new information for Aito Technologies was the new network connections provided by the venture capitalists. Since venture capitalists have money invested in the company, they are logically active in seeking for new market opportunities for the company.

According to theory proposed by Luo and Peng (1999), BGs may sometimes rely on academic institutions as sources of personnel, and co-operate with them through various projects in order to gain access to new market knowledge. Both of the case companies have co-operated with academic institutions, but according to Juha Kumpulainen of WT

Finland the co-operation provided no results and therefore the company no longer utilizes connections to academic institutions. Conversely Aito Technologies is currently co-operating with a University in Jyväskylä concerning projects where new ways to play with data are being researched. This supports the theory proposed by Majkgård and Sharma (1998) that cooperation with academic institutions may be utilized by BGs for product development and insightful information regarding new technologies.

5.1.5 Rapid Initial Internationalization of Born Globals

Fast initial internationalization of BGs may be attributed to several factors. Amongst these is the industry in which the BGs operate within. The case companies were both situated within the knowledge intensive ICT sector which is characteristically known for its short product life cycles. As is suggested by Crick & Spence (2005) the dynamic nature of the knowledge intensive markets often have “windows of opportunity” that open and close rapidly. In order to survive, the firms must be successful in how “quickly, efficiently and holistically they sense the opportunities abroad” (Ibid). Both case companies recognized the need to quickly move to the global markets, with Aito Technologies seeking for markets that contain the most opportunity and need for their product.

“We are talking to, for example operators in Asia and the Middle East to find the biggest pull and then we place a focus on the areas with a pull”. -Janne Tanninen, Aito Technologies

Similarly WT Finland utilizes acquired digital databases about foreign market conditions and customer segments, as well as insider information from their contacts about new market opportunities arising in foreign markets. This essentially means that when an operator is setting up new networks in a given country, WT Finland strives to quickly determine if the country has sufficient digital networks that can support their products and then negotiate with the identified customers in the new markets to determine if they are interested in the PUSHCOM product.

According to the theory of Born Global internationalization in the literature, Born Globals are known to internationalize in a more rapid fashion as compared to MNCs that commonly internationalize in a step-wise manner. According to Luostarinen and Gabrielsson (2004), the characteristic fashion that Finnish Born Globals are known to internationalize is by first expanding to close by European countries, from which they often spread out to the Americas and Asia. This held true for Aito Technologies which first expanded to countries in close proximity to Finland, such as Sweden and the Baltic countries. This was largely due to resource constraints, such as financial and personnel limitations since Aito Technologies wanted to have a personal presence in each region they operate in. Aito also desires to expand to the US, but only plan to do so once they are capable to moving to the US market resource-wise. The company is currently also negotiating with companies in Asia and the Middle East. Aito Technologies was geared to expand right from inception, as Janne Tanninen states:

“We did not start doing something for the Finnish market and then start to expand, but we basically thought about the global markets right away”.

The interviewee stated that a major reason Aito Technologies decided to internationalize at such a rapid pace was the limited market opportunities in Finland since only a few potential customers existed for the company in their domestic market. Another reason was the fact that the founders had their stock of knowledge and contacts intact from their previous job positions and had an understanding how to conduct business in the markets they were familiar with and knew that a need for the product they offered existed.

WT Finland had a slightly different approach to international expansion since it first dealt with a customer in Bolivia instead of countries close to Finland, but this was as a result of previous existing contacts with the customer. Juha Kumpulainen of WT Finland stated that they were geared for internationalization within a couple of months after the official founding of the company, and citing that the connections and

knowledge of the founders was the most important enabler for the fast initial internationalization. However, the company did quickly also begin to operate in Sweden, Hungary and Germany which are in proximity to the domestic market largely due to the new opportunities presented to them via insight from partners and contacts gained through social media sites such as Linked In. In fact, the combination of the contacts being referred by partners and the utilization of social media sites has led to WT Finland receiving more requests for business from international markets than they can currently handle.

In the literature review, in addition to utilizing the founders stock of experience and contacts, theory proposed that BGs from SMOPECs also often utilize dyadic network connections with MNCs as they often provide the needed tangible and intangible resources to the BG as well as the needed connections to gain entry to foreign markets. In both case companies, there were instances of the collaboration with MNCs to varying degrees. However, surprisingly Aito Technologies felt that collaborating with MNCs in business relations was not very beneficial to their company. In the case of Aito Technologies, Janne Tanninen describes their relations to an MNC as:

“We do currently have a very big company as a partner but we do not have any results with them because we have not proven enough that we have a product that the customers want to buy. We prefer partnering with companies with whom you are relevant and who are not necessarily that large in size and to who’s business you can really affect with your product.”

Aito Technologies does admit that while they have not been able to have successful results with MNCs as business partners, they do value the referral aspect that collaborating with MNCs brings to the company since it is easier to attain new customers once they see that Aito Technologies has a well known company as a partner.

Juha Kumpulainen of WT Finland feels that in general MNCs are not the desired companies they want to have business relationships with since:

“The problem is that it is difficult to seek big companies because they see this counterpart risk associating with a small company”.

While WT Finland has reservations about working with MNCs in general, CEO Juha Kumpulainen admits that their dyadic collaboration with Nokia has led to them attaining a competitive advantage since their servers are compatible with Nokia proprietary mobile phones. This relationship with Nokia was formed as a direct result of the founder’s existing ties through his previous job position at Nokia.

As stated in the literature review, the small size and newness of BGs may be a disadvantage as well as a beneficial aspect to the company during the initial internationalization stage (e.g. Beamish 1998; Andersson & Wictor 2003). Accordingly, both case companies felt that due to the small size of the company and the liability of newness, there were some initial disadvantages accrued. In the case of Aito Technologies, the biggest liability of newness and smallness experienced was the fact that the company had to initially only focus on a couple of business opportunities at a time within a close proximity to their domestic market. Also getting the first business deal was challenging since no one knew the firm at the time as it was lacking many sources of reference. WT Finland cited that their greatest challenges related to the liability of newness and small size of the company were gaining big customers and being able leverage the identified opportunities abroad with the limited amount of personnel in the company. On the other hand, both case companies felt that having a small company allowed for greater adaptability cater to each of the customers’ needs efficiently since they were inherently more flexible and responsive to each customer than big companies typically are. Also there was essentially no bureaucracy in the case companies due to their small size, and as a result they were able to quickly react to arising opportunities in various markets. Janne Tanninen of Aito Technologies also feels that since the company is small, it is easier to approach and work with than for example larger companies.

As theory would imply regarding Born Globals and market entry, (see e.g. Johansson & Vahlne 2003, Madsen & Servais 1997) both case companies prefer to utilize direct sales and partnerships as their means for market entry. The companies first had a quick initial period of direct sales to foreign markets, after which partnerships were being formed in the markets that the firms' operate within to facilitate sales and seek for additional opportunities. Janne Tanninen feels that it is necessary for ones company to utilize direct sales in the initial phases of internationalization since nobody knows the product better than your company and it is important to sell it yourself to gain traction in markets after which partners may be utilized. Aito Technologies also utilizes sales agents in Sweden, Ukraine and the UK which provides the respective company with a personal presence in the markets which it currently has operations and sales in. A personal presence is important for the company since it prefers to form close ties with its customers since Aito Technologies is in a better position to address the operator's specific needs. Also, it is easier to begin up-selling to the operators once they have successfully closed a deal with them, and the customer is satisfied with the product.

WT Finland also felt that a personal presence with customers was important when selling to companies in foreign markets as they have outsourced their sales to foreign partners in the countries where they have sales outputs. Interestingly as discussed in the literature (see e.g. Sharma & Blomstermo 2003), weak ties with partners and network ties were identified to be widely used by BGs while internationalizing. However, it seems that both case companies prefer to build close relations with their partners and potential customers to assure that the counterpart's are properly focused and committed, and that there are mutual benefits for all involved.

Also by having close relationships with their partners, the case companies are able to utilize their partner's networks to gain access to additional contacts and market opportunities which coincides with theory proposed by Madsen and Servais (1997). Even though each case company felt that the internet is a beneficial medium for

communications between network actors, importance was placed on face-to-face contact by Janne Tanninen of Aito Technologies since the more face time the company had with its respective customers and partners, the more likely it was that something concrete was accomplished.

6. CONCLUSIONS

6.1 Summary and Theoretical Contributions

The findings of this study made contributions to existing theories of Born Globals originating from SMOPECs by applying a focus on the founders from a knowledge based view. Additionally, networking theories were examined to help explain how the knowledge, experience and existing networks of the founders affected the acquisition of new network ties and customers for the Born Globals, which in turn, were utilized to enable rapid internationalization. Hence, the theoretical contributions were focused around strengthening existing Born Globals theory while utilizing a network and knowledge perspective to help explain internationalization of BGs from SMOPECs in knowledge intensive industries. The study also converges on explaining how the acquisition of tangible resources and knowledge based resources gained from networking provide the typically resource scarce BGs with capabilities to rapidly expand beyond its domestic market into foreign markets. Also given that the theoretical portion of the study focused on high technology intensive BGs from SMOPECs, the specific motivations and strategy of their rapid internationalization were examined from the perspective of the founders' and the firms' inherent capabilities.

The research problem which was introduced in the introduction section of the paper is as follows: *“How does the knowledge and experience of the founders, as well as the Born Globals network connections enable rapid internationalization?”* In order to answer the research problem, two research questions were formulated. The first question deals with the founders influence in the BG:

1. How does the founders previous knowledge, experience and network ties aid the BG in the creation of additional network ties?

It became apparent from the empirical findings and the literature review that the previous experiences and knowledge, especially technical knowledge of the founders, were identified to provide the case companies with their competitive advantages that allowed them to be expand to international markets. Pertaining to the founder's previous knowledge and experience, in both case companies the founders brought with them the needed technical knowhow of how to create their innovative product. Additionally, through their previous experience dealing with international companies in the same industry as their company's target market, the founders had an understanding of the specific needs of their potential customers and knew that a market opportunity existed for them to exploit. Utilizing the contacts gathered from their previous job positions, the founders began contacting the identified potential customers. The network ties of the founders also provided the BGs with informal contacts that were beneficial in providing insights into potential market opportunities abroad that would otherwise been difficult to identify.

Through these existing network contacts, the BGs were able to gain their first customers, after which it became possible to outsource sales agents to act as partners in the international markets and begin rapidly internationalizing. The empirical findings corresponded with the findings in the literature review regarding the important role that founders have in the phenomenon of network formation for BGs, and their ability to internationalize in a faster manner than stages-theories such as the Uppsala model and I-model would present.

However, according to the literature review knowledge-intensive BGs were inclined to form network ties with MNCs. While both case companies have a big company as a partner only WT Finland found it to be important to their direct operations. Aito Technologies places more value on the source of reference than having a big company as a partner brings. Interestingly, both companies prefer to form partnerships with smaller companies that act as sales agents because they were easier to work with and they have more relevance to one another's business.

The second question that was formulated in the introduction section of this thesis to answer the research problem is as follows:

2. What benefits does the BG gain from its network ties, and how do they assist in rapid internationalization?

According to the literature analyzed for this study as well as the empirical findings, there were several benefits associated with gaining additional network ties in respect to enabling rapid internationalization of BGs. The gaining of legitimacy proved to be an important factor for both of the case companies in this study. Sources of reference, which are gained by brokering deals with customers and the utilization of network ties are important for BGs since they initially lacked credibility in the eyes of potential customers and partner candidates. As was apparent from the empirical findings and literature, the small size of BGs and their newness is often initially problematic in terms of securing customers new network ties since the BGs are viewed as unknown and may be liabilities. Janne Tanninen of Aito Technologies felt that the smallness of the company created problems partnering with big companies since there was not an equal importance to one another. However, the small size and newness liabilities of both companies were overcome by utilizing the existing connections of the founders to familiar customers, which provided the companies with sources of reference once deals were brokered. Sources of reference allowed the BG access to new market opportunities abroad since international customers felt that the respective BGs had gained the necessary credibility and hence were no longer potential liabilities to conduct business with. As would be expected, the more network ties the BGs have, the more customers and revenue from sales are gained which facilitates additional growth for the company.

Furthermore, an important aspect of BGs discovered in the literature review was that innovation proved to be crucial in determining the company's ability to serve international markets. According to the evolutionary economics theory (Nelson &

Winter, 1982) companies with innovative tendencies often are able to achieve superior performance in highly competitive and challenging environments. Both of the case companies utilized innovativeness to gain a competitive advantage as they provided a homogeneous product which was applicable to global markets and met the specific needs of the identified customer segments. These innovations were also fit to serve an identified niche customer segment which helped the case companies to operate in less competitive market environments as there was minimal, if any, direct competition. Aito Technologies and WT Finland expressed that the smallness of the company presented them with an inherent flexibility which allowed them to adapt to their international customers' specific needs. Also, due to the small size of the case companies, there was an emphasis placed on keeping a concise focus and serving customers within specific concise market segments. This supports the findings of Andersson and Victor (2003) in the literature, since they state that the small size of BGs may also be identified as a benefit during internationalization due to their precise focus and flexibility to adapt to customers' needs.

Since both case companies preferred a period of direct selling after which sales agents were acquired as partners, as discussed in the literature review, the importance of dyadic relationships with network partners was very important in gaining new customer contacts (Holm et al. 1996). Also, transparency between business partners was identified as an important facilitator to successful networking between partners since it allows for a more in-depth view of each partners operation as well as built trust. This also emphasizes the fact that strong network ties were preferred over weak network ties between the network actors which directly counters the findings of Sharma & Blomstermo (2003) in their research identifying weak ties to be favored by BGs.

Another interesting feature which became evident from the interviews was the importance that the Internet provided to each of the case company's operations. Internet searches via 'Google' were utilized by Aito technologies as a source to gain information about potential customers and market conditions abroad, and social networking sites

such as 'Linked In' and 'Facebook' provided both companies with sources of reference, and a means to advertise their companies and products to large amounts of potential customers without any cost. CEO Juha Kumpulainen of Wireless Technologies Finland even emphasized the importance of social networking sites to the company since they have received numerous contacts of potential customers through them. Also the role of Skype, which provides communication possibilities through the internet, was mentioned by the interviewees to play a huge role in the facilitation of regular communications between partners and customers.

6.2 Managerial Implications

There are a few points that this research emphasizes for managers of BGs from SMOPECs that should be considered. The existing network ties, experience and knowledge of the founders should be utilized to their full potential as these seem to be the main determinants of enabling rapid internationalization of BGs. Also, the managers of Born Globals should first seek to internationalize to markets that they are familiar with and have existing contacts in, and then to new markets once they form additional contacts through new network ties.

Another managerial implication is that BGs should be aware of initial difficulties in finding partners and customers due to a lack of legitimacy, and should first engage in direct sales to gain the needed sources of reference for further business. Once the BGs gain many customers and partners, it provides the company with adequate sources of reference which may negate the need to run expensive advertisements since the new contacts supply sufficient eminence. Also in the empirical research, partners were identified to provide the BGs with contacts from their own networks that in turn provided valuable information regarding business opportunities abroad. Additionally, being active and having a presence in various social network organizations and social media website through the internet proved to be beneficial to the case companies in relation to forming new network relations and customer contacts. This implies that managers need to be active and should utilize all mediums of contact building to

increase the amount of exposure of their respective company. There was also a lot of value placed on meeting face-to-face with business associates by Aito Technologies since it provides a personal touch and increases the probability of concrete results.

Gaining access to financing, other than those of the founders may prove to be initially problematic. However, as suggested by Luostarinen and Gabrielsson (2004), governmental support agencies may be utilized by companies to acquire funds. Aito Technologies is a prime example of this as they were able to gain financing and other forms of assistance during their internationalization from TEKES. Additionally, venture capital is another viable form of financing a BG, which also was utilized by one of the case companies.

According to the empirical findings from the case studies, partnerships proved to be the preferred mode of market entry once the BGs had attained sources of reference. Notably, the case companies highlighted the fact that BGs in the ICT sector may be more inclined to form partnerships with small companies rather than MNCs. A reason for this is that the rather equally sized companies feel that they have more relevance to each other's business and have often have a similar business focus. Also, partnerships with small companies allow for better responsiveness to new opportunities and more transparent communications since neither company suffers from the inherent bureaucracy found in big companies.

6.3 Suggestions for Further Research

Both of the case companies interviewed for this Master's Thesis operates in the knowledge intensive ICT sector. A suggestion for further research would be to examine how BGs from varying industries utilize networking and the founders existing ties and stock of experience and knowledge during internationalization. Also, since this research is focused on examining the initial phases of BG internationalization, it would be interesting to study the later phases of globalization and how the BGs customer

strategies and network relationships are affected once they begin setting up their own sales offices in the wider global markets and begin growing in terms of resources and personnel. Since both of the Born Global case companies for this research were located in Finland, it would be interesting to research how companies situated in other SMOPEC nations internationalize and if they utilize the same methods and competences as were evident in the Finnish case companies.

Also an interesting fact regarding Internet usage by the case companies became evident from the interviews. Internet search engines such as Google, and various social media sites provided the case companies with benefits such as access to market information, new contacts and customers. However, additional research about the function that social media sites such as: Facebook, Linked In and Xing, have on BGs and their network dynamics during the internationalization process would be valuable and currently relevant since social media networks are becoming an increasingly popular medium in professional business circles. Also as the utilization of social media sites and technology such as VOIP as offered by Skype become increasingly popular, it would be interesting to have additional research concerning how these fairly new technologies influence the amount of face-to-face time that BGs have with their partners and customers and what the specific ramifications of such technology are on the everyday business operations of BGs.

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APPENDICIES

Appendix I: Interviews

Company: Wireless Technologies Finland

Interviewee: Juha Kumpulainen, CEO

Location: Espoo, Finland

Date: 15.4.2010

Time: 09:30

Duration: 1 hour

Company: Aito Technologies

Interviewee: Janne Tanninen, VP

Location: Espoo, Finland

Date: 20.4.2010

Time: 10:00

Duration: 1 hour

Appendix II: Interview questions

Date:

Name of interviewee:

Interviewee's position in the company:

1. What is the nationality of the company?
2. In which countries are your offices located in?
3. What year was the company established?
4. What is the product or service of the company?
 - What was the inspiration behind this business idea?
 - Can you describe the target market of your product or service?
5. How many people were involved in establishing the company?
 - How many people are currently working in the company?
6. What is the education and business background of the company's founders?
7. Do the founder's of the company have previous international experience?
 - If so, what effect has this previous international experience had on the company in general?
8. What characteristics of the employees are the most important to the company?
 - Are the employee's previous international experience or network connections considered as important characteristics?
 - If yes, how do the previous international experience and network connections of the employees benefit the company?
9. How long after the company's creation were the first steps towards international expansion made?
 - What were these first steps taken?
10. How many countries does the company currently operate in?
11. What are the main reasons that the company decided to expand abroad?
12. Did the company's domestic market conditions have an influence on the decision to move to international markets?

- If yes, what were the domestic market conditions that influenced the company to expand internationally?
13. Were there any specific market opportunities the company had identified abroad?
- What were they?
 - How were they discovered?
14. How would you describe the internationalization strategy of the company?
- Why do you think this particular strategy was chosen?
15. What kinds of foreign entry modes has the company used during its international expansion?
16. What are the main criteria used by the company in foreign-market selection?
17. Are there countries or regions where the company does not currently operate that are of interest for future international expansion?
- If yes, what are the main barriers to expanding to these new markets?
18. What are the specific challenges experienced by your company when entering foreign markets?
- What have been the main benefits gained from expanding to international markets?
 - Has there been a need to modify your product/service to local specifications?
 - Has the company recognized any new market opportunities since its initial foreign expansion?
19. How has the company utilized network ties during its international expansion?
20. How many companies are there currently included in your network?
21. Have networks been beneficial during foreign market entry?
- If so, how has networking been beneficial?
22. Does the founder or other personnel have network connections that were used by your company during internationalization?
- How are they used and what benefits did they provide to the company's international expansion process?

23. What specific resources has the company gained from networking (ex. finances, market knowledge, product knowledge)?
24. Does the company use strategic alliances or partnerships in the international markets?
- How were the partnerships or alliances formed?
 - What are the most important criteria in selecting the partners?
 - Did the networks contacts play any role in forming these alliances?
 - What benefits and challenges has your company experienced from using partnerships or alliances?
 - How frequent is the communication with the partners or alliances?
25. What methods does the company use to gather information about foreign markets?
- What are the most important sources to get this foreign market information?
 - Did the company already have existing knowledge about foreign markets, and if so what kinds of knowledge?
26. Have network ties helped the company to gain access to new information, opportunities and knowledge?
- What was the role of networks and customer contacts in this?
27. Has the use of networks played a role in reducing the potential risks and uncertainty associated with international expansion?
- In what ways?
28. Can you think of any other ways that networking has benefited the company?
29. What are some of the challenges and benefits associated with the relatively-small size of your company?
- Does the small size of the company provide any benefits to the knowledge and experience sharing and assimilation between employees?
30. What are the most important sources of financing for the company?
31. Has it been difficult to find sources of financing?
- Why, why not?
32. Has the company done any cooperation with any academic institutions?

- If so, what kinds of cooperation?