



**NTNU – Trondheim**  
Norwegian University of  
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# Factors influencing International Entry Strategies

*A Born Global approach*

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Oppgavens (foreløpige) tittel <b>International Entry Strategies</b>	
Oppgavetekst/Problembeskrivelse We will address the area of international entry strategies for small Norwegian technology firms. The thesis will consist of literature review, methodology, empirical data and discussion.	
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## 4. Bedømmelse

Kandidatene skal ha *individuell* bedømmelse  
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---

## PREFACE

This master thesis constitutes the final work of the five year Master of Technology education program at the Norwegian University of Science and Technology (NTNU), and is written during the spring of 2012. It is written as a part of our specialization in Strategy and International Business Development at the department of Industrial Economics and Technology Management at NTNU.

The thesis is an assessment of possible affects from the founder team, market and product on international entry strategies. The work has been challenging, but also a valuable educational experience. We hope also the reader will gain valuable insight in this subject.

We would like to thank our case companies, Maritime Communications Partner, Mobiletech, Scatec Solar, Catch Solar Energy, Boost Communications, OceanSaver and T-VIPS for sharing valuable knowledge and information with us. They have all been very helpful and provided us with decisive and interesting insight for this study. We would also like to thank our supervisor Øystein Moen, at the Department of Industrial Economics and Technology Management, for guidance and constructive advice and feedback.

Trondheim, 4<sup>th</sup> June

Birgitte Refsland & Ragnhild Tjosevik



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## ABSTRACT

This study considers small Norwegian high-technology firms, with characteristics similar to those of Born Global firms. These types of firms have received an increasing amount of attention in research the last decade, but the specific field of how different factors affect their international entry strategies is scattered. With a basis of a multiple-case study, this thesis contributes with an assessment of how founder-, market- and product characteristics influence the international entry strategies. The dimensions of the strategies that we have considered are market selection dimensions, entry mode and pace of internationalization.

This study finds that the founder teams are the most influential factor on the international entry strategies as they take the product and the market into consideration and set the path for the strategies. The market and product are important underlying factors for the strategies. The product is especially important for the choice of entry mode, while the market is highly influential on the pace of internationalization and for which markets the firms choose to target. The firms' rapid pace of internationalization is enabled by all the factors identified, with founder experience as the most prominent factor. Industry specific experience that the founder team brings with them from earlier work places is especially prominent and crucial for the fast pace of internationalization seen in this study. The dimensions of market selection have fewer affects from the identified factors, but the market in itself does influence the specific choice of which markets and segments to target.

Implications of this study are that it is important to continuously attain market knowledge and adapt to market changes. Further, when planning which entry mode to use, it should be taken into account that the product may appeal for a specific entry mode, and use that mode to improve distribution. The characteristics of the founders should be acknowledged to increase awareness of capabilities in the establishment of new start-up companies, in order to fully utilize their capabilities. It could also be beneficial for those who gather founder teams to extensively consider the founder characteristics for the composition of the team.

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## SAMMENDRAG

Denne studien ser på små, norske høyteknologiske bedrifter som har egenskaper i likhet med *Born Global* bedrifter. Denne typen bedrifter har fått økt oppmerksomhet i forskning det siste tiåret, men akkurat hvordan ulike faktorer påvirker deres internasjonale inngangsstrategier er lite utbredt. Med bruk av en case studie bidrar denne oppgaven med en vurdering av hvordan grunnleggeren(e), markedet og produktet påvirker bedriftens internasjonale inngangsstrategier. Dimensjonene av de strategiene vi har vurdert er *market selection dimensions*, *entry mode* og *pace of internationalization*.

Denne studien har sett at grunnleggerne er den mest påvirkende faktoren på de internasjonale inngangsstrategiene, fordi de tar produktet og markedet i betraktning når strategiene settes og de har beslutningsmakt. Markedet og produktet er viktige underliggende faktorer for strategiene. Produktet er spesielt viktig for valg av *entry mode*, mens markedet er svært viktig for å kunne ha en rask internasjonalisering og hvilke markedet de velger å entre. Bedriftenes raske internasjonalisering er påvirket av alle faktorene, men grunnleggers erfaring er den viktigste faktoren. Industri-spesifikke erfaringer som grunnleggerne tar med seg fra tidligere arbeidssteder har vært spesielt fremtredende og avgjørende for den raske internasjonalisering til bedriftene. De to *market selection dimensions* blir ikke påvirket av de identifiserte faktorene i stor grad, men markedet påvirker hvilke markeder og segmenter de velger å inntre.

Implikasjoner av denne studien er at det er viktig å kontinuerlig tilegne seg kunnskap om markedet og tilpasse seg markedsendringer. Videre, i valget av hvilken *entry mode* man skal bruke, bør det tas hensyn til at produktet kan appellere til en bestemt type *entry mode* slike at distribusjonsprosessen kan forbedres. Ved etablering av nye bedrifter bør grunnleggerkarakteristikker anerkjennes, for å få utnyttet deres evner best mulig. Det kan også være gunstig å vurdere disse egenskapene for de som danner grunnleggerteam, for en best mulig sammensetning.

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# 1 INTRODUCTION

## 1.1 PROBLEM STATEMENT

Since the 1980s, the emergence of entrepreneurial start-ups that have an international outlook from inception has been a new and growing phenomenon (Oviatt & McDougall, 1994). These firms, often called Born Globals or International New Ventures, have come of age during the current era of globalization and advanced technologies (Knight & Cavusgil, 2004). Madsen and Servais (1997) claim that the rise of Born Globals and International New Ventures is due to new market conditions, technological development in production, transportation and communication, and more elaborate capabilities of people. These firms present a challenge to the stage theory (Oviatt & McDougall, 1994), in which their internationalization does not show a slow and gradual pattern. Rather, they display a rapid and almost instant establishment of global presence, as they allow the autonomous, innovative, aggressive and risk taking entrepreneur of the firm to make strategic choices (Aspelund, Madsen & Moen, 2007). The Born Global phenomenon is interesting because these firms manage to compete successfully in international markets despite of limited resources (Oviatt & McDougall, 1994).

Several studies have explored this phenomenon to unveil characteristics influencing their performance (Jolly, Alahuhta & Jeannet, 1992; Knight & Cavusgil, 2004) and trends explaining their existence (Madsen & Servais, 1997; Andersson & Wictor, 2003). Specifically, we have chosen to look at three different factors that affect the international entry strategies of Born Globals; the founder team, market and product.

Since an entry in foreign markets is a function of the internal capabilities of the firm (Autio, Sapienza & Almeida, 2000; Oviatt & McDougall, 1994; Zahra, Ireland & Hitt, 2000), the founder team and the product pose crucial roles for the international entry strategies. The founder places a lasting stamp on their firm, and influences the culture and behavior of their firm (Mullins, 1996). The product is important since it is the firm's basic offer to the customers (Madsen, Moen & Hammervold, 2011). We have found the literature of the

influence from the product and the founder team on international entry strategies as scarce, even though they are considered important factors.

Several industrial and environmental factors affecting new ventures globalization are considered critical (Bloodgood, Sapienza & Almeida, 1996; Knight, 2000; Knight & Cavusgil, 1996; Moen, 2002; Rasmussen, Madsen & Evangelista, 2001; Roberts & Senturia, 1996). The external environment play a critical role for the way international capabilities contribute to the development of the strategic behavior of early internationalizing firms and competitive advantage abroad. (Rialp, Rialp & Knight, 2005). Yet, external and uncontrollable factors have received little attention by researchers (Zou & Stan, 1998).

When we wrote a project assignment in the fall of 2011, we assessed the impact from founder teams on international entry strategies, and thus, parts of that assignment are elaborated and included in this master thesis. An implication for further research was to put founder team perspectives together with other factors to enrich the insight to the understanding of Born Globals internationalization strategies. Hence, we have chosen to answer the following research question in this master thesis:

*How do the founder team, product and market influence the international entry strategies of Born Global firms?*

This research question will enlighten the subject of international entry strategies, making international entry strategies for Born Globals the unit of analysis of our study. As this constitutes a wide scope for the study, we have narrowed it down to subsets of international entry strategies. Classic literature about the internationalization process has focused on entry mode and market selection decisions (Gallego et al., 2009). We also find pace of internationalization relevant since a fast pace of internationalization is characteristic for Born Globals (Acedo & Jones, 2007). Consequently, we have chosen to consider dimensions of market selection, entry mode and pace of internationalization. The review will enlighten the questions; Where to internationalize? How to internationalize? And when to internationalize? In addition, subsections about strategy formation, proactiveness and distance are included to give a broader understanding of the firms' strategic behavior. As

seen in Figure 1, the different factors will be assessed in relation to these dimensions of international entry strategies.

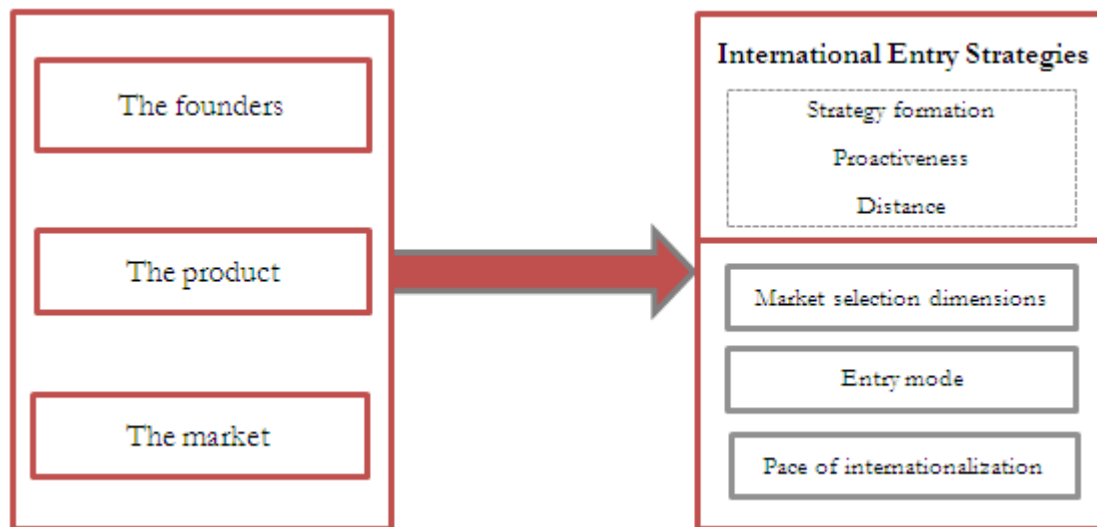


FIGURE 1: FACTORS AFFECTING INTERNATIONAL ENTRY STRATEGIES

## 1.2 DEFINITIONS

Internationalization is the process of increasing involvement in international markets (Welch & Luostarinen, 1988). Most scholars in the internationalization field agree that no single theory can fully explain this behavior, as it tends to be influenced by a variety of factors (Bell, Crick & Young, 2004; Jones & Coviello, 2005).

A Born Global is a company which, from or near its founding, seeks to derive a substantial proportion of its revenue from sales in international markets (Knight, 1997). An International New Venture is defined as a new venture that from inception seeks to derive significant competitive advantage from the use of resources and the scale of output in multiple countries (Oviatt & McDougall, 1994), and thus being a broader concept. These firms are also referred to as global start-ups and rapid internationalizers (Acedo & Jones, 2007). The different definitions are often used interchangeably in the literature, and we have therefore decided to see this as one comprehensive phenomenon, and hereafter call it Born Globals.

Gabrielsson and Kirpalani (2004) point out examples of criteria used by scholars to concretize the above mentioned definition of Born Globals. The criteria are (1) a vision and strategy to become global or international (Knight & Cavusgil, 1996; Oviatt & McDougall, 1994), (2) small technology-oriented companies (Bell, 1995; Knight & Cavusgil, 1996), (3) taking three years or less to become global or international (Knight & Cavusgil, 1996; Knight, Bell & McNaughton, 2001), (4) geographical expansion with a minimum of 25% foreign sales (Knight & Cavusgil, 1996) or a minimum number of countries served outside the home country (Oviatt & McDougall, 1994) and (5) geographical expansion outside the home continent with a minimum of 50% external sales (Luostarinen & Gabrielsson, 2004). These criteria are used when examining Born Globals to separate them from other firms, and in this study we settle with the well acknowledged definition from Knight (1997):

*A Born Global is a company that from or near its founding seeks to derive a substantial proportion of its revenue from the sale of its products in international markets.*

### 1.3 STRUCTURE

This thesis is divided into three main parts; literature review, empirical data and discussion. Throughout the first part we first provide a literature review assessing international entry strategies, about underlying strategy aspects, market selection dimensions, entry mode and pace of internationalization, where the latter two are sections elaborated from the project assignment. Then we assess the influence from founder team, market and product, where the former one is based on the project work. The second part starts with a description of the methodology used in the thesis, followed by a presentation of the seven case companies. The third part consists of a discussion based on the case findings seen in relation to the theoretical findings from the literature review, in order to discuss the importance of the different identified factors. At last we conclude and give implications for business managers and further research.

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# **PART ONE: LITERATURE REVIEW**



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## 2 INTERNATIONAL ENTRY STRATEGIES

The main objective of this thesis is to gain an understanding of how the identified factors affect Born Globals' international entry strategies. So, the entry strategies consisting of market selection dimensions, entry mode and pace of internationalization are thoroughly assessed. This section firstly presents three introductory subjects of international entry strategies; strategy formation, proactiveness and distance to selected markets.

### 2.1 STRATEGY FORMATION

Mintzberg and Waters (1985) have made a distinction between deliberate and emergent strategy formation, as shown in Figure 2. Deliberate strategies are fully intended from the beginning and therefore require plans and courses of actions. This type of strategy formation enables direction, commitment, coordination, optimization and programming. Yet, the realized strategy may not be the strategy that was intended from the beginning. If the strategy comes into being along the way, and in that way is gradually shaped, it is considered an emergent strategy. This makes an appeal for innovative initiatives along the way. Advantages are that it enables opportunism, flexibility, learning, entrepreneurship and support. Usually strategies are a mix of the two types. (De Wit & Meyer, 2010).

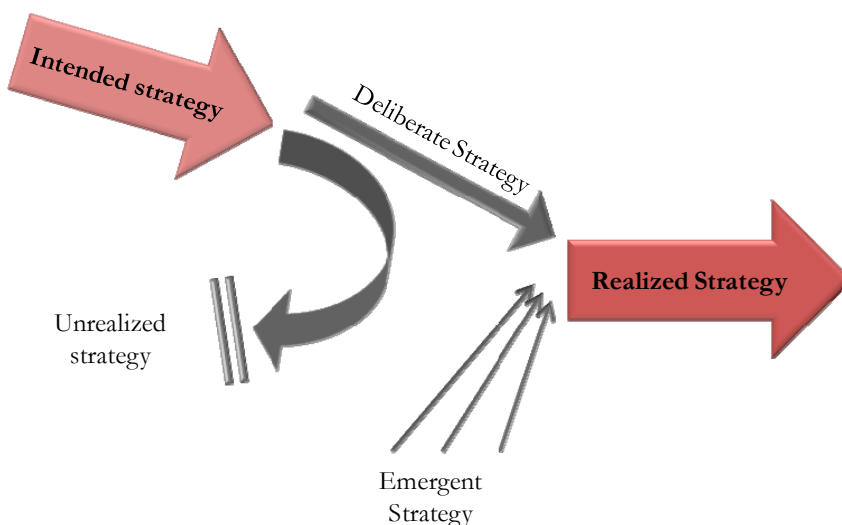


FIGURE 2: DELIBERATE AND EMERGENT STRATEGY FORMATION

Born Globals are often considered entrepreneurial (De Wit & Meyer, 2010), and successful entrepreneurs are capable of foreseeing disequilibrium profit opportunities when they come across them (McDougall, Shane & Oviatt, 1994). Also, Born Globals are flexible (Cavusgil, 1994), innovative (Burgel and Murray, 1998; Knight & Cavusgil, 2004; Madsen & Servais, 1997; Rennie, 1993; Zahra & George, 2002) and opportunistic (Van Hoorn, 1979), which may be enabled through emergent strategy formation. On the other hand, all firms do to some extent plan their strategies, and since there often is a mix between deliberate and emergent strategy formation in a firm, Born Globals may also be deliberate to some extent. However, based on the literature findings, there is reason to believe that Born Globals are emergent.

## 2.2 PROACTIVENESS

Proactive firms scan the environment for opportunities, show initiative, and persevere in order to change things and take advantage of change (Bateman & Crant, 1993). Put in other words, they have an aggressive attitude toward identifying foreign market opportunities, seeking foreign partnerships, and building organizational capabilities to enhance their competitive advantage (Cavusgil, Knight & Riesenberger, 2008). These firms often have a culture at ease with exploring opportunities abroad and a boldness in decision making (Moen, 2002). This implies that the firm has an attitude of being alert towards the market. Proactiveness may provide forward-looking knowledge about foreign markets, which according to Ellis (2000) and Haahti et. al (2005) may enable firms to internationalize early.

The study done by Moen (2002) of Norwegian export firms found that the global firms have a high score of international proactiveness. Additionally, in the study of McDougall, Oviatt, and Shrader (2003) they found that Born Globals demonstrated higher levels of strategic aggressiveness than domestic new ventures. Born Globals have a dynamic capability to develop foreign market knowledge rapidly (Zhou, 2007). They are often among the first to enter a market and to provide new products, and in this way exploiting opportunities others have not yet perceived (Oviatt & McDougall, 1994). Based on this, Born Globals seem to be proactive.



## 2.3 DISTANCE

When deciding which markets to target, the distance is a fundamental choice to make. Distance in this context consists of two variables; geographical and psychic distance. The latter one is based on perceived cultural differences between a home country and a foreign country. The differences are mainly associated with language differences, cultural factors, the economic situation and the political and legal system, which can disturb the flow of information between the company and the market. (Gallego et al., 2009).

From the traditional stage model, it has been observed that companies begun operations abroad in nearby markets before entering markets with successively greater distance (Andersen, 1993). As they do so, they commit greater resources to foreign market and target countries that are increasingly psychically distant (Bilkey & Tesar, 1977; Cavusgil, 1980; Czinkota, 1982; Johanson & Vahlne, 1977). Market uncertainty effects is one of the reasons why nearby markets, which often are similar to the firms home market, are considered most attractive (Davidson, 1983). From several empirical studies it is seen that Born Globals do not follow the traditional stage model (Johanson & Mattsson, 1988; Oviatt & McDougall, 1994; Welch & Luostarinen, 1988). The issues of serving markets that were perceived as having a low geographic- and psychic distance did not feature as a challenge for Born Globals (Bell, Crick & Young, 2004; Boter & Holmquist, 1996; Crick & Jones, 2000; Keeble et al., 1998; Madsen, Rasmussen & Servais, 2000). Rather, they view the world as their marketplace (Baronchelli & Cassia, 2011). Further, Born Globals are less dependent on business in specific regions, because they target specific niche markets rather than geographic regions (Bell, 1995; Madsen, Rasmussen & Servais, 2000). From the study of Moen, Gavlen and Endresen (2004) it was argued that the firms' first entry was related to network partner in a psychically near market, while later entries were less influenced by psychic distance. In addition, several researchers (Czinkota & Ursic, 1987; Hamill & Gregory, 1997; Nordström, 1991) suggested that the notion of psychic distance has become much less relevant as new communication technology makes global markets more homogeneous.

## 2.4 MARKET SELECTION DIMENSIONS

Market selection can be defined as what country or countries the firm is targeting (Gallego et al., 2009). It is the first and most important step after a firm has decided to expand internationally (Root, 1994; Ayal & Zif, 1978), and a critical success factor for both smaller exporters and mature multinational firms (Root, 1994). To narrow the scope, we are in this section not focusing on the market selection choice in itself, but rather two dimensions that explain overall market selection patterns. So we firstly consider the market selection process by assessing the concept systematic versus opportunistic market selection. Then we consider the resource allocation regarding market selection by assessing concentration versus diversification strategies. Since a market also can be seen as a group of customers with similar needs (Madsen, 2011), we have chosen to extend the market selection dimensions to include the selection of segments in addition to countries.

### 2.4.1 SYSTEMATIC VERSUS OPPORTUNISTIC MARKET SELECTION

#### 2.4.1.1 THE CONCEPT

There are two different ways in which awareness of international market opportunities can arise in a firm (Bradley, 2005), or two different ways that firms select which markets to enter (Dimitratos et al., 2010); systematic or opportunistic. There usually exist a mix of the two approaches in a firm, but the trend is that there is more of the systematic approach today than earlier (Madsen, 2011). Also, it is typical to start off with an opportunistic approach and later refinement and testing evolves into a more systematic approach (Bradley, 2005).

An opportunistic approach means that a certain stimuli bring a foreign market opportunity to the attention of the firm. This approach normally involves little or no information search before entering the foreign markets (Dimitratos et al., 2010). This is a more causal search process for market selection (Bradley, 2005) and it typically includes unsolicited orders, trade fair participation, following the customers and pull factors from network relationships (Madsen, 2011). Firms can allow this ad hoc approach due to their limited information processing capability (Piercy, 1982) or opportunistic behavior (Bilkey, 1978).

A systematic approach means that a firm bases its foreign market entry choice on a systematic comparison of prospective markets that creates awareness of specific market opportunities (Bradley, 2005). Analytically, systematic approaches rely on formalized decision processes including various statistical methods to analyze international target market potential (Dimitratos et al., 2010). This implies that objective criteria are established and used to select markets (Yip, Biscarri & Monti, 2000). The systematic process often requires a three-stage approach: screening, identification and selection. (Doherty, 2009). A common difficulty associated with systematic approaches is that they are rather normative (Brouthers & Nakos, 2005) and have received little empirical support, rendering them too complex to employ in practice (Papadopoulos, Chen & Thomas, 2002).

Opportunistic and systematic market selection may have similarities to emergent and deliberate strategy formation respectively, but we emphasize the fact that the former one focuses on market selection, while the latter one is more general.

#### 2.4.1.2 BORN GLOBAL SYSTEMATIC VERSUS OPPORTUNISTIC MARKET SELECTION

Van Hoorn (1979) found that smaller firms, like Born Globals, typically have a penchant toward making opportunistic rather than systematic strategic decisions. Literature suggests that small exporting firms who respond to unsolicited orders, act essentially unplanned, reactive and opportunistic (Bilkey & Tesar, 1977; Bradley & Mitchell, 1986; Westhead, Wright & Ucbasaran, 2002). From the study of 30 small UK based firms by Bell, Crick and Young (2004), client followership was considered important for the initial market selection for some of the 15 knowledge-intensive firms. Client followership was also a prevalent influence on subsequent internationalization decisions as clients in the first export market often provided leads in other markets (Bell, Crick & Young, 2004).

Some scholars argue that internal factors are the key to understanding Born Globals initial market selection (Aspelund, Madsen & Moen, 2007). A manager's personal network in particular appears to be important for market selection (Coviello & Munro, 1997; Keeble et al., 1998; Sharma & Blomstermo, 2003). Bell, Crick and Young (2004) support this by pointing at the decision makers' pre-existing contacts from prior employments as an

important factor for initial market selection. In this way, Born Globals may have a penchant towards a more opportunistic market selection. Also, since we mentioned that there is a relation between emergent strategy formation and opportunistic market selection, and suggested that Born Globals are emergent, this can imply that Born Globals are opportunistic.

Systematic market selection strategies can also be observed for Born Global firms. Crick and Jones (2000) argued that markets are selected for opportunities of growth and the firms in their sample believed that their choice of market selection was planned rather than ad hoc. Several of the firms stated that the domestic market presented limited growth opportunities from the start and that resulted in planned internationalization strategies. Gallego et al. (2009) generally stated that when considering a potential market, the decision to enter depends on the potential profit identified in the market.

Using a sample of Greek exporting Small and Medium sized Enterprises (SMEs), Brouthers and Nakos (2005) stated that the firms that focused on objective criteria to make their market selection choice, tended to perform better than firms that adopted an ad-hoc approach relying on intuition and personal feelings. The need for a systematic market selection approach is underscored by the complexity of current markets and the growing importance of global strategic positioning (Albaum, 1998; Douglas & Craig, 1983). Yet the evidence is that markets are usually chosen without much systematic analysis, and in the case of smaller firms, most often as a response to unsolicited orders. This is often the case because of difficulties to gather relevant data. (Papadopoulos, Chen & Thomas, 2002).

## 2.4.2 CONCENTRATION VERSUS DIVERSIFICATION

### 2.4.2.1 THE CONCEPT

A firm in international markets faces two types of generic market entry strategies; market concentration and market diversification (Ayal & Zif, 1979), and the difference lies in how many markets they target. A diversification strategy is performed when firms rapidly enter into many foreign markets (Madsen, 2011; Bradley, 2005), hence having a broad geographic

scope (Kuivalainen, Saarenketo & Puumalainen, 2012). The objective of this strategy is to obtain a high rate of return while maintaining a low level of resource commitment (Bradley, 2005). Diversification enables flexibility and constitutes a way to capitalize rapidly on some significant competitive advantage (Bradley, 2005). For firms that undertake a diversification strategy, exporting or licensing are mainly used to enter and penetrate the chosen markets (Bradley, 2005; Madsen, 2011). On the contrary, a concentration strategy involves selection of a small number of the markets, the most promising ones, for gradual and often intensive penetration (Madsen, 2011). Its advantages include specialization and scale economies (Bradley, 2005). With this strategy, higher commitment entry modes are often preferred (Madsen, 2011), and it is focus on long-term profit (Bradley, 2005). Instead of following a pure strategy of one of these, firms also prefer hybrids of these two (Bradley, 2005; Daniels, Radebaugh & Sullivan, 2009).

Madsen (2011) stated that the generic strategies also can be seen in relation to number of segments. Consequently, there are two ways to use concentration versus diversification strategies, namely for countries or customer segments. Dual diversification is resource demanding, while dual concentration may lead to missing many market opportunities. Country market concentration and customer segment diversification is effective for firms with high marketing skills and when economies of scale exist. For firms with evident product related advantages is customer segment concentration and country market diversification often most suitable. (Madsen, 2011). Concentration and diversification strategies, involve different types of risk. As companies spread scarce resources over several markets when performing a diversification strategy, there is a risk of underinvestment in each market (Madsen, 2011). For a concentration strategy, the risk of leaving important markets to competitors is higher (Daniels, Radebaugh & Sullivan, 2009). So when choosing which strategy to use, risks and several product and market factors should be considered (Daniels, Radebaugh & Sullivan, 2009; Madsen, 2011).

The two generic strategies can also be seen in relation to the issue of standardization versus adaptation. In order to serve several markets, it is often necessary to standardize the product

offering (Gabrielsson & Gabrielsson, 2003). Consequently, if adaptation is necessary to serve different target markets, a concentration strategy is often preferred due to costs and large resource requirements (Madsen, 2011; Daniels, Radebaugh & Sullivan, 2009).

#### 2.4.2.2 BORN GLOBAL CONCENTRATION VERSUS DIVERSIFICATION

Born Global firms begin to operate in multiple countries in international markets almost from inception (Kuivalainen, Saarenketo & Puumalainen, 2012), hence having a broad geographic scope from the beginning. Several researchers also agree on that Born Globals are early adopters of internationalization, and serve many markets instead of concentrating efforts in a few key markets (Crick & Jones, 2000; Knight & Cavusgil, 2004; Oviatt & McDougall, 1994). Kalinic and Forza (2011) found from their study of five Italian SMEs, that the firms early were present in international markets, but mostly in a passive way by selling directly to foreign customers in their home country or through intermediaries. Based on this literature, it is suggested that Born Globals undertake a diversification strategy.

## 2.5 ENTRY MODE

### 2.5.1 THE CONCEPT

In this thesis, we define international entry mode as an organizational structure that companies use to enter and penetrate foreign markets, in accordance with the definition by (Agndal & Chetty, 2007). The entry mode affects how the firm faces the challenge of entering a new country and developing new skills to market their products or services successfully (Johnson & Tellis, 2008).

We define three categories of foreign market entry by combining two definitions from theory; export, contractual arrangements and investment (Cavusgil, Knight & Riesenberger, 2008; Root, 1987). The different entry modes have different levels of resource commitment, control, flexibility, risk and efficiency (Lin, 2000), and hence different advantages and disadvantages. It is therefore hard to change them without considerable loss of time and money and the choice of which entry mode to use is an important strategic decision and a

critical determinant of the likely success of the foreign operation (Lin, 2000). Table 1 identifies different entry modes with regard to commitment and control.

	Commitment	Control
<b>Export</b>		
Direct	Low	High
Through agents or distributors	Low	Low
<b>Contractual agreements</b>		
Licensing and franchising	Low-medium	Medium
Strategic alliance	Medium	Medium
<b>Investment</b>		
Joint venture	Medium	Medium-high
Sales office	Medium	High
Wholly owned subsidiary	High	High

TABLE 1: ENTRY MODES

(Pettersen, 2011); (Cavusgil, Knight & Riesenberger, 2008).

Commitment is the amount of resources committed by a firm (Pettersen, 2011). The main advantages of low commitment entry modes are limited requirement of resources and minimization of risk (Burgel & Murray, 2000; Coviello & Munro, 1997; Crick & Jones, 2000; Gabrielsson & Kirpalani, 2004; McDougall, Shane & Oviatt, 1994). Also, it requires less knowledge about foreign markets and transactions. Consequently, low commitment entry modes may be preferred strategies when lacking resources to internationalize through more costly and risky entry modes. High commitment modes may be preferable when trying to enhance firm competitiveness in the global marketplace. (Cavusgil, Knight & Riesenberger 2008).

Control refers to the ability to influence decisions, operations and strategic resources with respect to the foreign venture (Cavusgil, Knight & Riesenberger, 2008). It involves the delegation of decision rights and task solution (Madsen, Moen and Hammervold, 2011). Maximum control is typically obtained through direct export or by establishing a physical

presence in the foreign market. Consequently, entry modes with high control require substantial resource commitment. High-control entry modes typically have less flexibility to reconfigure operations. Also, the firm commits for the long run, which implies considerable risk due to political and customer uncertainty. (Cavusgil, Knight & Riesenberger, 2008).

### 2.5.2 BORN GLOBAL ENTRY MODE

Born Globals typically have resource constraints and need to handle risk, which favors low commitment entry modes. High control is naturally preferable, but it may be more desirable with lower control modes since it typically requires less commitment. High commitment entry modes are often not a realistic way into international markets in early stages (McAuley, 1999), and this will yield especially for Born Globals with their resource constraints. In fact, several studies have found that Born Globals prefer low resource commitment entry modes (Burgel & Murray, 2000; Coviello & Munro, 1997; Crick & Jones, 2000; Gabrielsson & Kirpalani, 2004; Madsen, Rasmussen & Servais, 2000; McDougall, Shane & Oviatt, 1994; Shrader, Oviatt & McDougall, 2000). Crick and Jones (2000) observed in their study of ten UK based SMEs that use of export, or export in combination with other modes was common as their first international entry mode.

Other entry modes are also suggested for Born Globals. These firms typically have innovative ideas and products, but lack resources and experience to fully capitalize on them in a timely fashion. They are therefore ideal candidates for alliance arrangements, which allow them to build on their competences and overcome their weaknesses. (Miles, Preece & Baetz, 1999). Other literature suggests that Born Globals use multiple and different international entry modes (Andersson & Wictor, 2003; Sharma & Blomstermo, 2003). They are flexible in their internationalization modes used (Rialp, Rialp & Knight, 2005) and adapt their internationalization modes to the needs of the market (Sharma & Blomstermo, 2003). These arguments indicate that Born Globals do not display one specific pattern in their use of international entry modes, which was supported by Melen and Nordman (2009).



## 2.6 PACE

### 2.6.1 THE CONCEPT

To assess the rate at which the firms enter new markets, we will consider two dimensions of pace, both displayed in the literature. The first one is the time elapsed between the venture was created or their offering was ready, and the year of its first foreign sales (Zahra & George, 2002). The second dimension is the time elapsed until the firm become global or international (Vermeulen & Barkema, 2002). To relate the latter one to our case studies, we define that a firm is global or international when at least 50% sales comes from customers outside their home country.

A slow pace can be illustrated by a stepwise, incremental process of internationalization. Johanson and Vahlne (1977) expressed that to be able to successively increase commitment in foreign markets, knowledge about foreign markets and operations is a necessity. This knowledge is acquired mainly through firm experience from operations abroad. Bell, Crick and Young (2004) found in their case study of 30 manufacturing SMEs that there was a linkage between slow pace and traditional firms. The internationalization strategy of these firms was to reach a small number of export markets, target a single market at a time and adapt existing offerings. However, in order to gain first mover advantages, there is a need to pursue opportunities of international expansion as soon as they emerge and develop them quickly (Zucchella, Palamara & Denicolai, 2007). In situations like these, a fast pace of internationalization is decisive.

### 2.6.2 BORN GLOBAL PACE OF INTERNATIONALIZATION

One of the most important characteristics of Born Globals is their speed of internationalization (Aspelund & Moen, 2001), both in terms of first entry and in terms of gaining an international or global position. They display a specific pattern of knowledge and capabilities that engenders this early internationalization, despite of their scarce financial, human and tangible resources (Knight & Cavusgil, 2004). Luostarinen and Gabrielsson (2006) suggested that Born Globals have fast growth in global markets since they start international operations before or along with domestic operations. In fact, the initial foreign

market entry for Born Globals is often within three years after establishment (McDougall & Oviatt, 2000; Rennie, 1993).

Born Globals' early internationalization puts emphasis on opportunity identification and exploitation to gain market knowledge, compared to the earlier focus on time-based accumulation of knowledge through traditional internationalization models (Oviatt & McDougall, 2005; Zahra, 2005). The early internationalization can also be explained by Born Globals strong innovation culture and proclivity to pursue international markets (Knight & Cavusgil, 2004). Rapid international commercialization of the products may be necessary in order to profit before the technology becomes obsolete (Moen, 1999). In addition, Born Global firms tend to achieve rapid internationalization by leveraging assets embedded in external partners (Coviello & Munro, 1997; Madsen & Servais, 1997).

Burgel and Murray (2000) observed in their study of 246 UK technology-based start-ups, that Born Global firms have a tendency to enter several foreign markets within a short time frame. Autio, Sapienza and Almeida (2000) suggest that Born Globals' greater knowledge intensity can be associated with faster international growth. Also from the case-study of Bell, Crick and Young (2004), it was seen a linkage between fast pace of internationalization and knowledge-intensive firms with internationalization strategies consisting of export to a large number of markets, many markets at once and new product development of global offerings.

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## 3 FACTORS INFLUENCING INTERNATIONAL ENTRY STRATEGIES

In this chapter, we provide literature findings about how the founder team, market and product affect international entry strategies, specifically how the factors affect the market selection dimensions, choice of entry mode and pace of internationalization. We do not assess how the founder team influences the market selection dimensions, as it was not considered in the project assignment where the influences from founders were primarily assessed. Literature findings, or the lack of it, that we want to further investigate are formed as questions that are later discussed in relation to the case firms investigated in this study. To reflect over the overall findings from the literature, we present superior hypothesis at the end. Firstly, we will present the Resource Based View as a basis to enlighten the following sections.

### 3.1 THE RESOURCE BASED VIEW

The Resource Based View (RBV) is a school in strategy that has been widely discussed in academic literature since 1990s, and it describes how firms can achieve competitive advantage through their configuration of resources and competencies (Barney, 1991; Prahalad & Hamel, 1990; Teece, 2007). From RBV it follows that resources have to be valuable, rare, inimitable and non-substitutable in order to generate the strongest possible competitive advantage. According to Barney (1997) resources can be classified into financial resources, physical resources, human resources and organizational capital. These are possible strengths of the firm that their strategies are subject to.

When investing abroad, firms must consider whether their capabilities and knowledge about the host country environment enable them to set up and manage their operations. There has to be compatibility between the required resources of the environment and the resources of a firm (Zhang, Zhang & Liu, 2007). In other words, both the internal and external factors and the conformity between them are important. The entry mode decision should be made in consideration of the deployment and development of the firm's capabilities (Luo, 2001).

Even though Born Globals have scarce resources, they leverage a distinctive mix of orientations and strategies that allow them to succeed in diverse international markets (Knight & Cavusgil, 2004). The founder team can be considered as a human resource in Barney's classification. In the start-up phase the firm consists almost solely of the founders, and they are therefore important to gain access to funding, establish organizational structures and acquire physical resources. In this way, the founder team provides the other resources in this classification, and hence posing an important role for the resources of the firm. Additionally, the product is important since it is the firm's basic offering to the customers (Madsen, Moen & Hammervold, 2011), and it is a function of the internal resources and capacities of the firm.

## 3.2 THE INFLUENCE FROM THE FOUNDER TEAM ON INTERNATIONAL ENTRY STRATEGIES

This section considers how the founders characteristics experience, network and international orientation affect the market selection dimensions, entry mode and pace of internationalization. Additionally, we have chosen to include general founder characteristics that are believed to influence a firm's entry strategies.

### 3.2.1 THE AGE AND EDUCATION LEVEL OF THE FOUNDERS

Founders who have higher education have enhanced problem-solving skills, and therefore raised expectations to internationalization and growth (Westhead, Wright & Ucbasaran, 2001). Higher education can imply having a wider social and business network (Westhead, Wright & Ucbasaran, 2001), and they may be more aware of business opportunities in foreign markets. In the study of 50 rapid-growth firms and 50 slow-growth firms, Barringer, Jones and Neubaum (2005) discovered that founders of the rapid-growth firms were better educated. From the study of Burgel and Murray (2000), a positive relationship between education abroad and new ventures' international expansion were found as managers of start-up companies with education abroad were more likely to internationalize.

Also the age of the founders may be an influencing factor for the internationalization of a firm. Westhead, Wright and Ucbasaran (2001) stated that firms with older founders often have more resources, denser networks, and considerable management know-how, and therefore are significantly more likely to internationalize their business. We interpret "older" in this case as not newly educated and also not near the retirement age, consequently around middle-aged. Many of the characteristics that founders have gained because of their age, can also be gained through having a founder team rather than one founder. Barringer, Jones, & Neubaum (2005) found that new ventures with larger teams have an advantage because they can provide greater resources, a broader diversity of viewpoints, more risk-bearing ability, and more ideas than ventures started by individuals.

So the literature suggests that the founders of Born Globals are typically middle-aged and highly educated.

### 3.2.2 FOUNDER EXPERIENCE

The skills, knowledge and experience of an entrepreneur seem to influence the strategies pursued by the firm (Gimeno et al., 1997; Westhead, 1995), and this is in accordance with the importance of the founder team as an internal resource from the RBV perspective. Researchers of the organizational capability perspective argue that present outcomes are strongly influenced by past experience and routines (Madhok, 1997). Experience lead to market knowledge, opportunity identification and network building that facilitates internationalization (Aspelund, Madsen & Moen, 2007), and we distinguish between international business and industry specific experience.

The founders of Born Globals are often strong entrepreneurs with international business experience (McDougall, Shane & Oviatt, 1994). Other researchers (Crick & Jones, 2000; Madsen & Servais, 1997) confirm that these founders have gained international experience and competence during previous work experiences. Oviatt, McDougall and Loper (1995) studied 12 global start-up companies and found that the initial inspiration for many of the ventures came from the founders' previous experience. All managers interviewed in their study argued that this type of experience is a necessity for firm success.

Westhead, Wright and Ucbasaran (2001) claimed that firms with founders that have considerable industry specific knowledge are more likely to internationalize. Founders with this type of knowledge often start businesses in the same industry as the one where they last were employed (Westhead, Wright & Ucbasaran, 2001), and start producing the same goods and services and targeting the same customers as their previous employers (McDougall, Shane & Oviatt, 1994).

So, the literature suggests that founders of Born Globals have considerable international business experience, but there were not found any suggestion about that Born Globals have prominent industry specific experience, even though the latter one is also considered

important. Industry specific experience can be seen essential for the actual start-up of the firm, while international business experience can be more important for success in international markets. Therefore, we find it interesting to assess the question:

*Q1.1: Is international business experience more important than industry specific experience for internationalization?*

### 3.2.2.1 HOW FOUNDER EXPERIENCE INFLUENCE ENTRY MODE

According to Burgel and Murray (2000), the choice between more complex entry modes and simpler modes with lower commitment depends on firm experience and foreign market knowledge. From the study of 246 technology-based start-ups, they proposed that managers who have lived abroad and previously worked for an internationally operating company are more likely to sell internationally without the assistance of intermediaries. Due to their own experience they are likely to have relevant market knowledge and hence do not need to rely on a distributor to sell their products internationally.

On the other hand, based on a study of five Norwegian software firms, Moen, Gavlen and Endresen (2004) found that there was limited correlation between a firm's international business experience and their foreign entry mode. The firm may choose one entry mode in one market and a different one in another similar market. Due to these opposite suggestions, we will further study:

*Q1.2: Is there a connection between the founders' experience and the entry mode chosen?*

### 3.2.2.2 HOW FOUNDER EXPERIENCE INFLUENCE PACE OF INTERNATIONALIZATION

Even though Born Globals often have scarce resources, it is not a constraining factor for internationalizing early, because they often have the competence, capability and experience necessary to do so (Crick & Jones, 2000). Theories explaining Born Global internationalization have stressed foreign market knowledge as a key factor to explain their rapid internationalization (Autio, Sapienza & Almeida, 2000; Knight & Cavusgil, 2004; Oviatt & McDougall, 1994), and that can be gained through experience. Rialp, Rialp and Knight (2005) stated that a high degree of the manager's, and hence the founder's, previous

international business experience may facilitate early internationalization. Born Globals do not need to wait for a slow organizational learning process to progress before they can enter foreign markets, because the founders have international business experience (Laanti, Gabrielsson, & Gabrielsson, 2007).

The literature agrees on that experience is important for the pace of internationalization. Noticeably, it is focus on the importance of international business experience, rather than industry specific regarding pace of internationalization. We will try to distinguish the importance of international and industry specific experience for pace of internationalization, and investigate the following:

*Q1.3: Is international business experience more important than industry specific experience for a fast pace of internationalization?*

### 3.2.3 FOUNDER NETWORK

A founder's network mainly consists of exchange relations for information and services, and is often used to acquire resources and market information that would otherwise be unavailable or only attainable for a higher cost (Westhead, Wright & Ucbasaran, 2001). The founder network is typically accumulated through the founder's earlier experiences, and Barringer, Jones and Neubaum (2005) have found that founders with experience from the same industry as their current venture operates in will have a more mature network of industry contacts.

Several studies have found networks to be of great importance for the internationalization of small firms (Coviello & Munro, 1997; Moen, Gavlen & Endresen, 2004). For Born Global firms, networks can have an even greater impact because it can offer a way to surpass the resource limitations that they usually are facing (Laanti, Gabrielsson & Gabrielsson, 2007). Born Global firms tend to rely on the established networks of their founder, which often are relatively dense and of substantial size, to target niches across international markets (Gabrielsson et al., 2008; Rialp, Rialp & Knight, 2005). In that way founder networks can be considered as "bridges to foreign markets".



### 3.2.3.1 HOW FOUNDER NETWORK INFLUENCE ENTRY MODE

In the case study of four high technology firms by Coviello and Munro (1997), all the firms were linked to extensive international networks at an early stage of their life cycle. The entry mode decision was clearly influenced by their founder's network relationships. They found that major partners often were guiding foreign market selection and providing the mechanism of market entry.

From the study by Moen, Gavlen and Endresen (2004) of five Norwegian software companies, they found that regarding which entry mode a firm chooses, the network relationships are determinant. None of the firms have made serious commitments in markets where they did not have relationships in advance, and they use the modes available or most suitable in relation to the network. Noticeably, it was revealed that one of the firms valued the importance of network partners higher than how to internationalize as the firm argued that entry mode became less important when they found the right partners to collaborate with. In compliance with this, Crick and Jones (2000) found that for market decisions the firms did use contacts from companies in which they previously were employed. With some implications of a connection between founder network and entry mode, we will further consider the following question:

*Q1.4: Does the founder network affect the choice of entry mode?*

### 3.2.3.2 HOW FOUNDER NETWORK INFLUENCE PACE OF INTERNATIONALIZATION

Founder network is an intangible resource vital for the speed and degree of internationalization (Ibeh & Kasem, 2011; Zahra & George, 2002), in which it facilitates early internationalization (Oviatt, McDougall & Loper, 1995; Rialp, Rialp & Knight, 2005; Zucchella, Palamara, Denicolai, 2007). The founder network ties provide Born Global firms with knowledge about markets and clients abroad (Sharma & Blomstermo, 2003), which contribute to a better basis for internationalization. Based on a study of six software small and medium sized software firms from Syria, Ibeh and Kasem (2011) found that firms who early internationalized to foreign markets used personal contacts of the founders. The company that waited the longest to internationalize was the one that seemed to have weakest

evidence of support from relational contacts. It could be expected that the more contacts from establishment, the more possibilities for internationalization might open up, and this can be essential for entries to new markets. In addition to using the initial network of founders, Coviello and Munro (1997) state that also developing relationships throughout their initial network is important to continue growth and international market development. Based on this we find the following question interesting to further assess:

*Q1.5: Is the founder network crucial for a fast pace of internationalization?*

### 3.2.4 INTERNATIONAL ORIENTATION OF THE FOUNDERS

Managers of Born Globals have a clear vision of their firms' global future and growth (Laanti, Gabrielsson & Gabrielsson, 2007). The founders of Born Globals see international markets as open and exploitable, rather than letting national borders become an obstacle for internationalization (Madsen & Servais, 1997), and are more likely to possess a strong global orientation and view the world as their marketplace (Moen, 2002). This can be explained by the suggestion from Acedo and Jones (2007) that an increasing international orientation of the individuals involved will decrease the perceptions of risk. Oviatt, McDougall and Loper (1995) found that it is important for founders to loosen the ties that bind their business thinking to a single country or culture, and instead think globally.

#### 3.2.4.1 HOW INTERNATIONAL ORIENTATION OF THE FOUNDERS INFLUENCE ENTRY MODE

International orientation is an attribute of founders and managers that may contribute to a firm's ability to enter more distant markets or to enter markets with operation modes requiring more commitment (Laanti, Gabrielsson & Gabrielsson, 2007). This can be explained by the fact that international orientation lower the risk perceptions as described earlier, and they may therefore allow themselves, or consider it more suitable, to use higher commitment entry modes. We will therefore further investigate the following:

*Q1.6: Does the founders' international orientation influence the choice of entry mode?*

### 3.2.4.2 HOW INTERNATIONAL ORIENTATION OF THE FOUNDERS INFLUENCE PACE OF INTERNATIONALIZATION

Several authors have recognized that the entrepreneurial and global vision of the Born Global founders is crucial for early internationalization and subsequent international growth and performance in the establishment phase (Laanti, Gabrielsson & Gabrielsson, 2007; Rialp, Rialp & Knight, 2005; Rialp-Criado, Galván-Sánchez & Suárez-Ortega, 2010; Zucchella, Palamara & Denicolai, 2007). Acedo and Jones (2007) confirm that having lower levels of risk perception will contribute to a more quickly internationalization. From a case study of 12 global start-up companies performed by Oviatt, McDougall and Loper (1995), they suggested that Born Global firms led by managers with global visions were able to internationalize quickly and successfully. They even claimed that the founders' vision from inception probably was the most important characteristic associated with success for a global start-up firm.

Based on the suggestion from several researchers, we would like to relate the following question to our case companies:

*Q1.7: Does the international orientation of the founder team contribute to a faster pace of internationalization?*

### 3.2.5 SUMMARY OF THE INFLUENCE FROM THE FOUNDERS ON INTERNATIONAL ENTRY STRATEGIES

We suggest reviewing the questions posed along the review to get an overview of the key findings that we will further investigate. The founder characteristics considered differ in how strongly they are suggested to affect the entry strategies aspects, and we will in the discussion investigate the unambiguousness of these suggestions. The experience that the founders of the Born Globals possess is suggested to be important for the international entry strategies of a firm, and their experience from doing international business seems more prominent than their industry specific experience. The experience enables awareness of business opportunities, facilitates early internationalization, and contributes to a more mature network of industry contacts. The literature is not in consensus about the effect from the experience

on the choice of entry mode. The founder's network seems to influence the pace of internationalization and can to a relatively low extent affect the entry mode choice. Network is however suggested to be more important when deciding where to internationalize and can act as bridges to foreign markets. The experience leads to a higher international orientation which is characteristic for Born Globals, in which they view the world as their market place. Their international orientation leads to faster pace of internationalization.

### 3.3 THE INFLUENCE FROM THE MARKET ON INTERNATIONAL ENTRY STRATEGIES

External forces represent the system outside the firm's boundaries that influence the actions of the firm (Daniels, Radebaugh & Sullivan, 2009), and play a critical role in moderating the way in which international capabilities contribute to the development of the strategic behavior and competitive advantage abroad of early internationalizing firms (Rialp, Rialp & Knight, 2005). Strategic management and entrepreneurship researchers have long acknowledged the importance of the external environment on the firm's strategic choices (Boyd, Dess & Rasheed, 1993; Zahra & Bogner, 2000). This is in accordance with Roberts and Senturia (1996), who stated that external environmental factors are important for globalization of high-tech products and companies.

Several researchers (Madsen, 2011; Boter & Holmquist, 1996; Preece, Miles & Baetz, 1999) have stated that the strategic choice is influenced by market characteristics. The market situation both in home and export markets may influence export behavior and performance, as described by Aaby and Slater (1989).

#### **Market characteristics**

Because of the resource constraints facing Born Global firms, and consequently their difficulties with respect to physical global presence, they are often set up to pursue specific market niches (Cavusgil, 1994; Bloodgood, Sapienza & Almeida, 1996; Keeble et al., 1998; Knight & Cavusgil, 2004; Moen, 2002; Knight, Madsen & Servais, 2004). A niche market is a small, narrow and specific market segment (OECD, 1995). Operating in niche markets might lead to less intense competition for Born Global firms (Aspelund, Madsen & Moen, 2007), typically by avoiding competition from larger companies.

The intensity of competition is a characteristic seen highly influential on the strategies of a firm according to several researchers (Aspelund, Madsen & Moen, 2007; Root, 1994; Solberg, 1997; Westhead, Wright & Ucbasaran, 2001; Zahra & George, 2002; Root, 1994).

Other market characteristics of interest are attractiveness (Aspelund, Madsen & Moen, 2007; Root, 1994; Zahra & George, 2002), the size (Aspelund, Madsen & Moen, 2007; Root, 1994; Westhead, Wright & Ucbasaran, 2001; Zahra & George, 2002), and level of uncertainty and dynamism (Baronchelli & Cassia, 2011) of the market. The attractiveness of a market includes market growth rate and sales potential. Many firms enter markets where resources and market opportunities are available (Birley & Westhead, 1993; Keeble & Walker, 1994; Westhead, Wright & Ucbasaran, 2001). The uncertainty and dynamism in the firm's environment include the degree of external change; falling trade barriers and changes in technology (Laanti, Gabrielsson & Gabrielsson, 2007; Rasmussen, Madsen & Evangelista, 2001; McDougall & Oviatt, 2000), economic conditions (Kotler & Keller, 2009) and customer demand. From the quantitative study of 53 Italian SMEs by Baronchelli and Cassia (2011), it was found that uncertainty and dynamism had a negative impact on the firm's international development. The findings indicate that environmental uncertainty acts more as a barrier than a pushing factor for the internationalization of SMEs.

### 3.3.1 HOW THE MARKET INFLUENCE THE MARKET SELECTION DIMENSIONS

According to Daniels, Radebaugh and Sullivan (2009), the growth rate of the market and sales stability in the market may affect whether a diversification strategy or a concentration strategy is preferable. They stated that when the growth rate in several markets is high, a company should usually concentrate on few markets because it will be costly to expand output sufficiently in each market. They also stated that the more stable sales and profits within each market, the less advantageous is a diversification strategy.

Since the literature displays few findings, we will investigate the following;

*Q2.1: Do market characteristics influence the dimensions of market selection?*

### 3.3.2 HOW THE MARKET INFLUENCE THE ENTRY MODE

A number of exogenous market factors impact the firm's choice of entry mode. Lin (2000) points out the influencing factors demand and competition conditions, market risk, location familiarity and marketing infrastructure in host market. The way these factors influence the

choice of entry mode is through its impact upon resource commitments and strategic flexibility (Lin, 2000). Madsen and Servais (1997) claimed that commitment decisions for entry modes were a response to perceived uncertainty and opportunities in the market.

The entry mode is according to Lin (2000) shaped by the competition conditions of the market and the intensity of global competition. When the competition is intense it is preferable for a firm to limit its resource commitment to be able to adapt to changing market and competition (Lin, 2000). Collaboration is a more flexible form of entry and a useful means to improve competitive positioning (Harrigan, 1988). They further argue that firms are motivated to form joint ventures or alliances because it reduce risk, allows sharing of knowledge and resources, enhances global mobility, and strengths competitiveness (Auster, 1987). Based on this, Lin (2000) proposes that firms favor joint ventures or alliances as entry mode when competition in emerging markets is intense. In other words, if competition is intense in a market, the firm is recommended to use lower commitment entry modes in that market. (Lin, 2000) also stated that when the market risk is high the entering firm may be well advised to limit its resource commitments and increase its ability to exit from the market quickly. This may further strengthen their suggestion saying that more competition appeals for lower commitment entry modes, since a firm may perceive that a more competitive market involves more risk, and therefore choose a lower commitment entry mode. On the other hand, more intense competition may push a firm to commit more resources to stand a chance in the competitive market. Based on this, we would like to find out;

*Q2.2: Does intense competition in a market appeal for lower commitment entry modes?*

Familiarity factors are determinant factors for the similarity between foreign and home market regarding political and economic terms. Similarity to the home market can be expected to stimulate market selection because of supply, demand and uncertainty effects. These three underlying forces serve to make markets similar to the firm's home market more attractive to multinational firms. (Davidson, 1983). According to Roberts and Senturia (1996), familiarity issues reflect general concerns for risk perception. They argue that familiarity factors impact most heavily on the decision of where to invest in overseas

staffing, meaning that higher commitment entry modes are preferred in more familiar markets. In accordance with this, a number of studies (not specifically for Born Globals) have argued that it will be more difficult to acquire market knowledge when the location unfamiliarity is great, and thus favoring low commitment entry modes (Johanson & Vahlne, 1977; Stopford & Wells, 1972).

Born Globals however, are less dependent on business in specific regions, because they target specific niche markets rather than geographic regions (Bell, 1995; Madsen, Rasmussen & Servais, 2000). It is required less country specific market knowledge when Born Globals enter new markets, because of the driving forces of their own existence; technological developments, market conditions and capabilities of people, and the fact that they often have prior knowledge about the international marketplace (Madsen & Servais, 1997). Hence, there is reason to believe that Born Globals do not necessarily favor low commitment entry modes in markets with high location unfamiliarity, so that the suggestion by Johanson and Vahlne (1977) and Stopford and Wells (1972) does not yield for Born Globals. We therefore want to further assess for our case companies;

*Q2.3: Is the choice of entry mode for Born Globals not determined by familiarity factors?*

### 3.3.3 HOW THE MARKET INFLUENCE THE PACE OF INTERNATIONALIZATION

Researchers have identified market characteristics that are important for the firm's rapid internationalization, for instance intense competition (Nummela, Saarenketo & Puumalainen, 2004; Zahra & George, 2002) and limited domestic growth (Zahra & George, 2002). Limited domestic demand or essentially more international demand may push and/or pull firms to international expansion (Zahra & George, 2002). Firms may be pushed into exporting abroad due to intense domestic competition and the relative lack of exploitable opportunities in the home market (Westhead, Wright & Ucbasaran, 2001). Bell, Crick and Young (2004) also support the latter as they said that limited opportunities in the home market may contribute to the importance of international orientation from the outset, which probably contributes to a faster pace of internationalization.



In the high-technology industry in general, and for ICT companies in particular, it may be assumed that there are especially strong globalization drivers (Gabrielsson & Gabrielsson, 2003), which enables a fast pace of internationalization. The market need is becoming more similar across countries, and global (or at least regional) customers and channels are often present (Alahuhta, 1990). The interdependence of the global economy is also seen by Zahra and George (2002) to make internationalization more attractive to entrepreneurial firms like Born Globals. Moreover, the increasing technical standardization in the industry speeds up the globalization process in the telecommunications industry (Häikiö, 2001). The marketing infrastructure (Lin, 2000) and economies of scale (Zahra & George, 2002) are other possible globalization drivers that may enable a fast pace of internationalization.

Since theory identifies several market characteristics that are important for a fast pace of internationalization we would like to assess;

*Q2.4: Are market characteristics crucial for a fast pace of internationalization?*

### 3.3.4 SUMMARY OF THE INFLUENCE FROM THE MARKET

Again, we suggest reviewing the questions posed to get an overview of the key findings that will be further discussed. The pace of internationalization is stated to be influenced by market characteristics, in terms of competition, limited domestic demand and globalization drivers. It was suggested that competition affects the level of commitment in the chosen entry mode. Also, familiarity factors are suggested to have an impact on the choice of entry mode for traditional firms, but not for Born Globals. Other than suggesting that high growth rate and sales stability appeals for a concentration strategy, the literature has limited suggestions about the influence from market characteristics on the defined dimensions of market selection.

### 3.4 THE INFLUENCE FROM THE PRODUCT ON INTERNATIONAL ENTRY STRATEGIES

Product characteristics are important since the product is the firm's basic offer to the customers (Madsen, Moen & Hammervold, 2011). In several studies it is found that Born Globals provide high-tech products (Fernhaber, McDougall & Oviatt, 2007; Jolly et al., 1992; Luostarinen & Gabrielsson, 2006) that typically are knowledge intensive (Weerawardena et al., 2007). Innovative ideas and products are also typical for Born Globals (Miles, Preece & Baetz, 1999; Knight & Cavusgil, 2004; Zahra & George, 2002). They often provide niche products, which are introduced to a small, narrow and specific market segment (OECD, 1995). Coviello and Munro (1992, 1994) found that Born Globals develop specific advantages through serving these niche markets with their differentiated technologies. Firms that provide customers with niche products display very high export intensity ratios (Zucchella, Palamara & Denicolai, 2007), which could be because of limited domestic market potentials (Luostarinen & Gabrielsson, 2006). Given the nature of niche products and limited opportunities in the home market, an international orientation from the outset may be fundamental (Bell, Crick & Young, 2004).

#### 3.4.1 HOW THE PRODUCT INFLUENCE THE MARKET SELECTION DIMENSIONS

Serving a niche market includes serving a small, narrow and specific market segment (OECD, 1995) and it typically requires serving several international markets (Luostarinen & Gabrielsson, 2006), which reflects a diversification strategy. In the same way, globality as a product characteristic can also appeal for diversification strategies. Nevertheless, there is confined literature on how the product influences market selection dimensions, and we will therefore investigate the following:

Q3.1: Do product characteristics influence the market selection dimensions?

### 3.4.2 HOW THE PRODUCT INFLUENCE THE ENTRY MODE

According to Madsen, Moen and Hammervold (2011), different types of products favor different degrees of control and participation. Zahra, Ireland and Hitt (2000) hypothesize that there is a positive relationship between the use of high-control modes of international market entry and technological learning. Products with high complexity require more intensive communication with customers and more expertise in the interaction with customers, which is typically carried out most effectively through direct contact with the customer. Consequently, firms with more complex products seem to perform more tasks internally, hence reduce the use of intermediaries. (Madsen, Moen and Hammervold, 2011). Based on this we will further assess the following;

Q3.2: Do firms with high complex products favor high control entry modes?

Burgel and Murray (2000) stated that the products of firms that sell to foreign markets through intermediaries require less client-specific customization than those of firms that export directly. So, direct export may be more efficient when dealing with customized products, while selling through intermediaries may be more efficient when selling standardized products (Burgel & Murray, 2000). Also Anderson and Gatignon (1986) proposed that entry modes with higher degrees of control are more efficient for products customized to the user. So, we will investigate the following;

Q3.3: Do firms with products that require customization, favor high control entry modes?

It has been discussed that the exporter a priori has a liability of alienness, meaning that the customer often prefer an indigenous firm as supplier rather than a foreign firm (Madsen, Moen & Hammervold, 2011). In the study done by Luostarinen and Gabrielsson (2006), Born Global firms used multiple sales channels early after their start-up because they did not have resources to set up direct sales channels on their own, and distributors were found to be unwilling to invest enough into marketing the new and often unknown products of Born Globals. According to Madsen (2011), export performance is related to the distributor

quality, so that the liability of alienness issue can be prevented by utilizing intermediaries that are known by the customers.

When offering innovative products, building customer confidence will be a key challenge, especially when being an unknown foreign firm (McDougall, Oviatt & Shrader, 2003). So, innovativeness as a product characteristic may enlarge the issue of liability of alienness. On the other hand, Burgel and Murray (2000) claimed that products sold through intermediaries often are more mature than directly exported products, which can imply that innovative products appeal for direct export. This can be because firms that offer innovative products have the best chance to overcome the liability of alienness as they can offer more obvious customer values (Madsen, Moen & Hammervold, 2011). In this way the problem of liability can be considered less significant when offering innovative products, or that the firms do less to prevent the liability problem. However, the researchers (Madsen, Moen & Hammervold, 2011) rejected this hypothesis. So, due to conflicting suggestions, we would like to investigate;

*Q3.4: Does innovativeness as a product characteristic affect the issue of the liability of alienness, and thus the choice of entry mode?*

### 3.4.3 HOW THE PRODUCT INFLUENCE THE PACE OF INTERNATIONALIZATION

It has in the international entrepreneurship literature been paid particular attention to the firms' unique assets such as product innovativeness (Burgel & Murray, 1998) and how it influences the internationalization process (Zahra, Ireland & Hitt, 2000). The literature suggests that the early internationalization of Born Globals is facilitated by innovation within the firm (Knight & Cavusgil, 2004; Madsen & Servais, 1997; Rennie, 1993; Zahra & George, 2002), which supports the importance of the internal resources from the RBV perspective. Product innovation can be seen in relation to the product life cycle, because it is fundamental in the beginning and becomes less significant as the industry matures. A product life cycle captures the way an industry evolve (Klepper, 1997). The essence of the product life cycle is that initially the market volume is low and product innovation is

fundamental. Then the market grows rapidly and many firms enter the market. As the industry evolves, output growth slows, entry declines, the number of producers undergoes a shakeout and innovations are less significant. (Klepper, 1997).

Due to shortened product life cycles and increasing innovation intensity, companies are required to innovate and enhance their innovation skills to compete successfully (Knight & Cavusgil, 2004). Klepper (1997) observed that the companies that firstly enter the market capture the greatest market share and earn the greatest returns on investment. A first mover advantage is evident for the firms who exhibit a great deal of creativity and innovativeness, which appeals for a fast pace of internationalization (Zahra & George, 2002). Since Born Globals typically have a higher level of these capabilities, it follows that they are able to enter international markets rapidly. Baronchelli and Cassia (2011) found that investments in product innovation have a positive impact on international development, in which it can accelerate the internationalization process of born global firms. Burgel and Murray (1998) also support this as they stated that start-up companies that internationalized had more innovative products than those companies that concentrated on their home market.

Based on several researchers' suggestions, we would like to assess the question;

Q3.5: Does innovativeness as a product characteristic positively affects the pace of internationalization?

#### 3.4.4 SUMMARY OF THE INFLUENCE FROM THE PRODUCT

Again, we suggest reviewing the questions posed to get an overview of the key findings that we will be further discussed. Niche and global products appeal for diversification strategies, but other than that there is not substantial theory about the product's influence on the market selection dimensions. On the other hand, product characteristics are suggested to have an important effect on entry mode, as complex and customized products appeal for high commitment entry modes. The product innovativeness' effect on entry mode is however unclear. Innovative products may lead to a fast pace of internationalization, as they may give first mover advantages.

### 3.5 REFLECTIONS OF THE INFLUENCE FROM THE FOUNDER TEAM, MARKET AND PRODUCT

Here we will make overall reflections of the literature findings and provide hypotheses that are linked to the importance of the different factors. These hypotheses will later be assessed with regard to the empirical data, in order to answer our problem statement; *how do the founder team, product and market influence the international entry strategies of Born Global firms?*

*H1: Founder teams are more influential for the pace of internationalization than the entry mode.*

*H2: Market characteristics are more influential for the entry mode and pace of internationalization than the dimensions of market selection dimensions*

*H3: Product characteristics influence the entry mode more than the pace of internationalization, and again more than the dimensions of market selection dimensions.*

Literature findings suggest that founders are important since their characteristics highly influence the international entry strategies. Also, we reflect over the fact that they early after the establishment of the firm are the decision makers and provide the path for the strategies. This is in accordance with Roberts & Senturia (1996) who stated that the managers (and thus also the founders) provide the means for globalization, while the market space provides the opportunity for globalization. In this way, the global expansion patterns are linked to a combination of external and internal forces (Roberts & Senturia, 1996). Also, managers within the same industry may view their environments quite differently, which can lead to significant differences in international entrepreneurship (Zahra & George, 2002). This suggests that the founders' perception of the market influence the international strategies, rather than the market itself. So overall, based on the literature the founders seem to be the most determinant factor for the international entry strategies.

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## **PART TWO: EMPIRICAL DATA**





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## 4 METHODOLOGY

The original meaning of the word method is “the path to the goal” (Kvale & Brinkmann, 2009). In the following chapter we provide an account for our approach for investigating the given problem statement. The problem statement and the fact that we have gathered empirical data to investigate the literature findings set a wide scope for the paper. We had to make some limitations, and the methodology is from this affected. In this chapter we firstly present the method for the literature review, followed by a description of our methods to collect empirical data, and then discuss the validity and reliability concerning our research methods.

### 4.1 OVERALL WORK APPROACH

The study performed build on both an inside-out approach as the impact from founder team and product on entry strategies are revealed, and an outside-in approach as the effects from market is discovered. To get an overview of specific events and the complexity regarding the research question, interviews was used as empirical data. According to Strauss and Corbin (1990) it follows that qualitative methods can be used to better understand any phenomenon that little is known about, which is the case for our area of research. Thus, we found it most suitable to use a qualitative method to answer our research question.

To gather knowledge about and insight to the problem statement, two methods of data collection were deployed; literature review and interviews. As described in the introduction, this master thesis is a follow-up on a preliminary study in the fall of 2011 where we studied the impact from founder teams on international entry strategies. We have extended some parts from our previous work in the literature study and included the four interviews then conducted in this thesis. Our research approach is deductive since we derive hypotheses based on theory that will be subject to empirical scrutiny (Bryman, 2008).

## 4.2 LITERATURE STUDY

There are additional reasons why theory is important for researchers and practitioners; first it provides a framework for analysis; second it provides an efficient method for field development; and third it provides clear explanations for the pragmatic world (Wacker, 1998). We conducted a literature review in order to get an overview of the academic field of market- and product characteristics and founder team's influence on international entry strategies.

We realized early that the scope of the study is wide, and we needed to focus the literature. As we found the Born Global literature relevant for the type of companies we wanted to study, we chose to mainly focus the literature on this field. This study explores available literature on the effects of Born Global founder(s) and market- and product characteristics on international entry strategies. In this chapter, the method of searching for and reviewing these articles is described.

### 4.2.1 SEARCH STRATEGY

We searched for articles in recognized journals and books. The databases Scopus and Science Direct were used, as our supervisor believe that they provide the most relevant and trustworthy articles that are available for us. We chose to use keyword search over journal search as we did not find any apparent journals that would cover the topic sufficiently. We searched for literature on international entry strategies, and characteristics of founder teams, markets and products for Born Globals. Primary search words were "Born Globals" with the words "entry strategy", "entry mode", "market entry selection", "internationalization", "founder", "market" and "product" attached to it with the AND condition. There was considerably more relevant literature about international entry strategies than the factors possibly affecting it. We found several studies that mentioned the influence on firm strategies from the founder team and market- and product characteristics, along with other factors, but few studies with thorough focus on these areas. Due to the lack of relevant literature, we use case descriptions to assess possible effects of market- and product characteristic and founder team on entry strategy.

We mainly searched for articles with empirical studies. Quantitative studies would be preferable to collect in our sample, but since few studies within the relevant field fulfilled that criterion, we considered qualitative studies as well. Most of the articles we found relevant were qualitative studies that considered small case studies.

We used the method of checking how many citations by other researchers the different articles had. This is because research builds on previous work, and citations can reflect the relative importance of different articles. However, as major works of theory come and go and schools of thoughts emerge and decline, the number of citations is an aggregate number no matter its relevance in the field. We also used the reference list of articles that we read to find more relevant literature in the same field and work ourselves backwards to the original literature.

#### 4.2.2 REVIEW PROCEDURE

According to Bryman (2008) there are four key questions to keep in mind when analyzing newspapers and commercial reports, to assess the objectivity and credibility. We have adjusted them for our purpose so that the questions are relevant for our literature search among articles in journals;

1. Who is the article written by and when?
2. What are the key findings of the article?
3. What is the context or domain for the contribution?
4. What is the research method, that means what is the contribution based on?

To keep track of this, we used summary tables of the most important studies reviewed with these four columns. Because the literature is scarce and scattered on the field of study, many researchers have just barely touched this area. The search for literature was therefore comprehensive, and approximately sixty articles were read.

We believe that these strategies for searching and reviewing have given us coverage of the most important work on the field.

### 4.3 EMPIRICAL STUDY

The research question in this thesis is concerned with the “how” question, hence categorized as *explanatory*. According to Yin (2009) case studies, histories and experiments are preferred research methods for answering those types of questions. He also said that the case study design is the most favoured method when the author do not have control of behavioural events and the focus is on contemporary events rather than historical events. These characteristics yield in our study. We do study historical events, in terms of what strategies the firms have practiced, but this is to understand a current pattern that therefore is contemporary.

Case studies are in this thesis used to gain a deeper understanding of how founder teams and market- and product characteristics affect the international entry strategies for Born Globals. The following definition is from Myers (2009, p. 76):

*“Case study research in business uses empirical evidence from one or more organizations where an attempt is made to study the subject matter in context. Multiple sources of evidence are used, although most of the evidence comes from interviews and documents”.*

In order to meet our general research question, we considered a multiple-case study approach as most suitable, in order to get a broader understanding of international entry strategies for each firm. In that way we would be able to capture events and thoughts of how founders and market- and product characteristics affect these strategies. The empirical data gathered include seven interviews with firm representatives, and public available information about these firms. Four interviews were conducted under the preliminary study, with one of them interviewed again for further questions regarding our new research question. All seven case firms are also included in this methodology discussion to give an overall and proper overview.

A great concern for the case study as research form has been the lack of rigor. More often, researchers are sloppy, do not follow systematic procedures or has biased views, when using

case study research rather than experiments or surveys. However, this can be coped with by following systematic procedures.

#### 4.3.1 CASE SELECTION AND DATA COLLECTION

The major part of the data collected for this thesis is based on interviews. This was suggested by Yin (2009), who believe that interviews is one of the most important sources of case study information because most cases are about human affairs or behavioral events.

We wanted to study small and young technology companies, and therefore defined the following selection criteria:

- Established in Norway, in less than 15 years ago
- International operations in a high-technology industry
- Maximum 100 employees

Several firms fulfill these criteria, and we therefore based our choice on interest. Two firms were picked from a list of companies that was a part of a project with Innovation Norway, and four companies were picked from the Deloitte Technology Fast50 list for 2011, that ranks the most innovative companies within technology, telecom, media and biotechnology. For these six companies, the Internet was used to acquire more information to see if we found them interesting. One company, Scatec Solar, was found more randomly by Internet search as we wanted one more that operated in the solar energy industry. We ended up with four companies in the ICT industry, two companies in the solar energy industry, and one in the marine industry. It was a conscious choice to narrow the paper down to three industries so we could compare findings from firms both in the same and over different industries. The seven companies that constitute as a basis for analysis in this project thesis are Maritime Communications Partner, Boost Communications, T-VIPS, Mobiletech, OceanSaver, Scatec Solar and Catch Solar Energy. It is important to notice that Catch Solar differ from the other firms as it is newly established and had not started production at the time that the interview was conducted. The reason for why we chose to include this company in our case study is because it is interesting to investigate the strategies they currently have, and not only

strategies that have been realized as with the other companies. Scatec Solar also differ from the other companies regarding the founder team, as it was founded by Alf Bjørseth through an investment company, Scatec AS. We therefore base the founder characteristics on the company itself, and hence it is not that interesting to consider the personal characteristics like age and education.

When doing a multiple-case study research, it is important to have some structure in the interviews in order to ensure comparability. Semi-structured interviews were therefore chosen for the data collection. Being semi-structured, it is neither an open conversation nor a closed questionnaire conversation (Kvale & Brinkmann, 2009). The interview process is more flexible as it is in accordance with the prepared interview guide, but questions are not followed in a specific order and can also add questions as the interviewer picks up on things told by the interviewees. To the extent questions are followed up and the meaning of the answer is interpreted is important to ensure quality of the interview (Kvale & Brinkmann, 2009). The interview guide was prepared uniquely, but very similar, for each of the interviews. With our interview guide consisting of several themes related to answer the research questions, we got the answers we were looking for by keeping an informal tone and letting the company representatives talk freely when desired. Semi-structured interviews put higher demands on the interviewer as body language, patterns and forms of behavior become more important and a careful qualitative treatment of the answers is crucial to achieve valid and credible results. (Bryman, 2008). Notes were taken during all interviews, and a recording device was used in addition in six of them. In one case, the interviewee refused permission. We noticed that the recorder provided us with a more accurate rendition of the interviews. Sounds recording together with the written materials constitute the materials used for the subsequent case description and analysis. After conducting the interviews we listened to the audio recorder and supplemented the notes taken during the interview, and wrote the cases based on that.

## 4.4 EVALUATION OF METHODOLOGY

In order to evaluate our own approach to the study and research methods applied, we evaluate in terms of reliability and validity. These terms are used to establish a level of trustworthiness for the research conducted. An evaluation of the literature sample is needed in order to assess if the method applied resulted in a representative sample of articles. In the same way, an evaluation of the case study is needed to assess if the methods resulted in representative cases.

### 4.4.1 RELIABILITY

Reliability is related to how consistent and trustworthy the results are. It refers to if a result can be repeated in another point of time by other researchers using the same method (Kvale & Brinkmann, 2009). It is important to note that the emphasis is on doing the same case over again, not replicating the results of one case by doing another case study (Yin, 2009).

#### 4.4.1.1 RELIABILITY OF THE LITERATURE STUDY

The strategies for the literature study are ideally so that they can be replicated and in that way provide high reliability. The procedures we followed are not standardized, which means that perfect replication is not possible. The sample of articles may have been prone to subjective preferences. The sample may be different if another author were to search for articles related to the same problem statement. However, since the available relevant literature was relatively scarce, we did not have to exclude articles we found that was relevant for our field. And hence, the harm of the subjectivity of chosen articles is limited. In addition to the fact that the relevant literature available was scarce, there were especially few relevant studies with quantitative data analysis. The literature review findings are therefore supported from qualitative studies, and they typically had small case samples.

#### 4.4.1.2 RELIABILITY OF THE CASE STUDY

The reliability with use of semi-structured interviews is challenged due to each interview being unique. This is a consequence of the fact that interviews are never conducted at the same place, in the same point of time, and with the same questions asked. When talking to

company representatives it may lead to biased results because he or she talks too positive about their business. This might especially have been the case in the interview with Catch Solar Energy as he described his business idea in a very optimistic way, with few anticipated challenges. The interviewers may have influenced the answer of the interviewee by asking leading questions, despite that the interview guides was thoroughly prepared with emphasis on open, non-leading questions. The interviewee might also have understood questions from the interviewers in another way than was intended, and therefore gave incorrect answer.

The seven interviews were conducted in different ways with six being in-person interview and the one being phone interview. Bryman (2008) stated that telephone interviews differ little from face-to-face interviews when it comes to responses, but might be cut short since it is easier to break up a telephone call than a personal meeting. We did however not recognize this problem when conducting our interviews. During the interviews we recognized that the focus and interesting parts of their business differed among the companies, which implied that parts of our interview guide became irrelevant and regarding some themes was insufficient. Especially were fewer questions relevant for Catch Solar because the company was newly established.

Several actions were taken to secure reliability. The company representatives interviewed were founders or part of the management team, hence was more likely to possess the required information to answer the questions. In addition to the interviews, we also asked a few follow-up questions on e-mail to fill in more information where it was scarce. Asking follow-up questions at a later point in time also contribute to securing biased information. Both research students were present during all interviews to reduce the possibility of misunderstanding and misinterpreting.

#### 4.4.2 VALIDITY

Validity is concerned with whether the research method used is actually appropriate and relevant to answer the problem formulation (Kvale & Brinkmann, 2009). Yin (2009) split this concept in three parts. Construct validity is related to if the study investigates correct operational measures. Internal validity seeks to establish causal relationships, and external



validity deals with the problem of knowing if a study's findings can be generalized. (Yin, 2009).

#### 4.4.2.1 VALIDITY OF THE LITERATURE STUDY

Only two databases and a limited number of keywords were used to collect sample articles, and the validity could therefore be reduced to some degree. However, these are key research databases for business and management. We were denied access to some of the articles that seemed relevant, but this is behind our limits of control and the harm of possibly missed articles is difficult to assess. In addition was mainly Born Global literature reviewed to limit the scope of this thesis, and it is therefore possible that relevant findings from general literature have been missed. Since the literature is scarce, we reviewed all the relevant articles that we were able to find, and we therefore believe that the most important and trustworthy contributions in the field are included in our literature sample, which increase the validity.

The external validity can only be as good as the literature review. Some of the studies mentioned in our literature review use cases from certain industries, especially from the ICT or other high technology industries. According to Bryman (2008), findings from one single case cannot be applied more generally to other cases. However, we have still reflected over findings from other industries than those where our case firms operate as we find them relevant, even though they could not be generalized to all industries.

#### 4.4.2.2 VALIDITY OF THE CASE STUDIES

Seven case companies were included in the empirical study. The external validity is weakened by the fact that the influences from founder team on entry strategies only are considered for four companies, and equally are the effects from product- and market characteristics also considered for four of the seven firms. A larger sample of companies could have resulted in enriched data to build our discussion on; hence the external validity would have been improved. With all of them operating in the ICT, marine and solar industry, it limits the generalization of our findings. Findings may not be transferable to non-technological industries, or all other technologies for that matter. However, we believe that the importance

of founder teams and market- and product characteristics will yield for more than the seven firms studied in this thesis, and also other industries.

At forehand, we did not know whether the firms chosen were Born Globals or not. They may have only some similarities to Born Globals, and may not be a “perfect” sample for our problem, but we mainly used Born Global literature to enlighten patterns we found. This could to some extent have reduced the construct validity. However, the firms will in either way give us valuable insight to the theories conducted. With the companies being chosen quite random based on a few criteria, the findings are not influenced by extensive research to pick companies that might provide compelling results for the theory findings. We believe that this is better than choosing firms who seem most likely to coincide with theory and in that way force results.

In this study we seek to investigate how market- and product characteristics in addition to founder characteristics affect international entry strategies. Without taking all possible factors into consideration, we could have incorrectly concluded causal relationships between the investigated characteristics and their entry strategies. There might be other factors or changes in the environment that have affected the firms’ entry strategies. To draw inferences are therefore in some cases problematic as it leads to threat to internal validity. Also, it can be questioned whether the characteristics actually affect the strategy, or if it is a fact in itself because both the characteristics and the dimensions of entry strategy are typical of Born Globals.

Several measures were taken to secure validity of the empirical study. In accordance with the case study definition by Myers, we have used multiple sources of evidence. Yin (2009) express that use of multiple sources of evidence is one principle of data collection that contributes to a more convincing and accurate conclusion. Our case study therefore makes use of both documentation and interviews, with interview being the main source as mentioned earlier. Documentation includes brochures, e-mail correspondence, news articles and internal documents given by company representatives. These data sources are triangulated, so the information from multiple sources aims at corroborating the same fact

or phenomenon. This type of data triangulation could have contributed to hinder the issue of construct validity and increased the accuracy and reliability of the findings as multiple sources of evidence essentially provide multiple measures of the same phenomenon as described by Yin (2009). To reduce the threat to internal validity, we have not tried to falsify the Born Global literature, but instead expressed that findings from our case companies do not in all cases coincide with it. Another process used to enhance the accuracy of the case study was to have the interviewees review draft of the case study report, which increased the construct validity. The likelihood of falsely reporting an event should thereby be reduced. Also, with the use of multiple cases the study is often regarded as being more robust compared to a single-case design. (Yin, 2009).

#### 4.5 TOTAL EVALUATION OF THE METHODOLOGY

The research has been conducted by applying a qualitative approach. We acknowledge that by using that approach the data is hard to replicate, and that it is our responsibility to make the thesis trustworthy for the reader. By explaining our research method, revealing all sources and validating our case descriptions with the interviewees, we believe the trustworthiness and credibility of this study is considered satisfying.



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## 5 CASE STUDIES

### 5.1 INTRODUCTION

In order to establish an understanding of influencing factors on international entry strategies and challenges firms face when they aim at international success, we completed a series of seven interviews with key firm representatives. These firms include Boost Communications, T-VIPS, OceanSaver, Maritime Communications Partner (MCP), Mobiletech, Scatec Solar and Catch Solar Energy. The latter four interviews were carried out during the work with our project assignment, with MCP being interviewed again for this master thesis. It is important to notice that Catch Solar differ compared to the other firms as it is newly established and has recently started production. Scatec Solar differ from the other companies regarding their founder team, since it was founded by Alf Bjørseth through an investment company. Table 2 below gives an overview of key information from each company.

	Established	# of employees	Revenue in MNOK (in 2010) <sup>1)</sup>	Primary location	Main offering	Key markets
<b>MCP</b>	2002	47	190	Arendal	Telecommunications at sea	Europe, USA
<b>Mobiletech</b>	2005	30	26	Bergen	Mobile web, applications and SMS solutions	Scandinavia, USA
<b>Scatec Solar</b>	2007	80	546	Oslo	Photovoltaic (PV) energy solutions	Czech Republic, Italia, Germany
<b>Catch Solar Energy</b>	2010	<10	0	Oslo	Flat solar collectors	-
<b>T-Vips</b>	2004	40	92	Oslo	Video transport solutions	Europa, Asia, USA
<b>OceanSaver</b>	2003	45	24	Drammen	Ballast water treatment system	Asia
<b>Boost Communications</b>	2000	50	21	Trondheim	Mobile websites and portals	Europe, the Middle East, South-Africa

TABLE 2: KEY FACTS ABOUT THE CASE COMPANIES.

<sup>(1)</sup> (Proff, 2009).

In this chapter a case description based on the interviews are provided, which provide the reader with contextual understanding of each firm.

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## INTERVIEW WITH BOOST COMMUNICATIONS

*Date:* 29.03.2012

*Location:* Boost Communications' premises, Trondheim

*Interview Object:* Øystein R. Skiri; founder and CEO

*Duration:* 1 hour

*Boost Communication was founded in 2000, and has grown to become a preferred supplier of mobile web and marketing solutions to some of the strongest media companies, mobile operators and advertising brands both nationally and globally.*

### **General**

Boost Communications has primary office in Trondheim, sales offices in Oslo, Johannesburg, Jordan and Dubai, and an office in London is under planning. Additionally, part of the technical development is outsourced to Poland. The mother company Boost Communications has two subsidiaries; Boostcom Media and Boost Advertising. All in all there are around 50 employees. The former one provides customer loyalty and marketing tools for Norwegian shopping centres and retail chains. The latter one newly released the product Madmaker, a do-it-yourself mobile ad maker.

Shortly after their start-up, they received 200 000 kroner in financial support from Innovation Norway. Sårkorninvest Midt-Norge and Byggteknikk have also contributed with funding, as well as other small investors. In February this year, Boost Communications raised 25 million kroner in investor funding from the Norwegian state-owned venture capital fund Investinor and the private venture capital fund Norsk Innovasjonskapital.

The sales turnover for Boost Communications was 25 million in 2011, but with negative net result. Boostcom media had a net profit of 3.5 million with a sales turnover of 15.5 million.

### **Their offering**

Boost Communications has three focus areas; SMS communication services, mobile advertising and mobile web solutions. They have had most focus on the latter one.

Customers pay a one-time licence to get access to the product and an operating cost per month. Boost Communications also earn if they perform professional services for their customers. In addition, they have a transaction-based income, which imply that their income increase in line with their customers' usage.

Skiri defines some of their products as niche products, and believe that they have some innovative products. "Our last product, MadMaker, is an example where we have shown that we are at the forefront. However, most important for us is that our products have good scalability and usability", Skiri said. Boost Communications try to standardize their products and services, but they also adapt to customers wants.

According to Skiri, some competitive advantages of Boost Communications are their reference customers, network of contacts and solid position in the market. Pricing strategies and to have the right people on board, are also especially important. He further says that none of their products seen in isolation are unique, but the sum of them and how they interact contribute to Boost Communications being different than other actors. They have a special focus on the synergies between mobile publishing, mobile marketing and sports on mobile.

### **The market**

Boost Communications started with focusing on media companies, sports and also shopping centres that later was spun off as a separated company. Now they divide their customers in three segments; media companies, mobile operators and advertisers. They do not perceive any of them as more important than the others, and most of their products could be offered to all customer segments. They do try to offer several of their products to the same customer to gain efficiency.

"We operate in one of the industries that are most exposed to competition. However, the possibilities are proportional with the competition. There is a saying: no competition, no market", Skiri said. The solutions and products related to mobile technology are changing



rapidly. The tremendous growth in the mobile web market was the reason for why they chose to focus on solutions for this segment.

Boost Communications compete with both larger and smaller actors, and the most important competitors vary from market to market. “Since there are an extensive number of actors in this industry, it is impossible to know when some of them develop a smart and innovative solution”, Skiri said.

### **The founder team**

Øystein Skiri and Kjetil Kristensen are the founders of Boost Communications. They are both educated mechanical engineers from NTNU, and started their business when they wrote their master thesis. So, none of them had relevant work experience, and they did not have any ingoing knowledge about mobile, web or programming. Neither did they have former network to make use of or financial capital. Skiri claimed that their hard work has been an important factor for the success of Boost Communications, and consequently is their steep learning curve a personal gain for them.

The business idea of Boost Communications was to make a student web portal, and a communications tool via SMS followed shortly after. Around the time of the burst of the dot-com bubble, they started to sell SMS services to businesses. Later, they have gradually included other types of services in their offering.

The company was located at the innovation centre at NTNU the first four years. For the first ten years Boost Communications, only a few people contributed to the firm’s plans, ideas and visions. So the founders did play a crucial role with regard to the international entry strategies. Today, the company consists of many more people who influence these processes.

### **International entry strategies**

Boost Communications’ first customer was Rosenborg, who bought SMS services so that the manager could send out messages to all players. Their first customer outside Norway was

attained in 2004. Today they sell their products to 10-15 countries, mainly located in Europe, the Middle East and South-Africa.

Boost Communications try to target specific markets and customers, but Skiri explained that they attain their customers from a mix of planned strategies and coincidences. Boost Communications gain customers through trade exhibitions, travelling to meet customers, and on phone and e-mail. Most sales go through their offices in Oslo, the Middle East and South Africa. In other words, they use direct export and sales office as entry mode. Skiri said that they do some systematic analysis before they target new markets, and he believes that they will be able to take more advantage of such analysis with their new funding consisting of 25 million kroner. However, he pointed out that the ability to provide an innovative product depends more on the skills and ideas of the employees than on market analysis.

Skiri believe that they have an aggressive strategy towards new markets, but they do not have enough resources to target all potential markets. They will rather strengthen their position in their main markets, Europe, the Middle East and South-Africa. Skiri said it is equally important to choose which markets and product areas not to enter, as to choose the ones to target. The competition has an influence on the choice of which markets they enter. India is an example with many engineers able to develop similar services, a low cost country with low willingness to pay, and a market where Boost Communications do not have reference customers. So it is not a market of high priority for them, Skiri explained. Also, he believes that the market potential is determinant for their international entry strategies. "In Malaysia and Indonesia there is not a market for mobile web solutions because of small mobile phone screens, but SMS solutions would be more applicable" he said. It is important for them to do analysis of market maturity and where they are in their development stage.

The reasons for why Boost Communications has gained a solid position in many markets, are that they have been placed in the market for a long time, participated on trade exhibitions and were in contact with customers. In some of their focus markets, Boost Communications has been among the earliest actors. Skiri find it important to be an early participant, but stress the importance of the balancing act of being early but not too early.

With the lack of experience and network from the start-up, Boost Communications has taken advantage of possibilities that appeared along the way. Skiri pointed out that they could have gained market position faster if they had experience and network to lean on.

**Key factors**

Skiri pointed out capital and having enough focus in relation to segments and markets served, as their main challenges since their start-up. Since Boost Communications received 25 million kroner recently, the expectations and requirements for their business are high. Their future prospects are to continue to work hard and develop their business further to become a leading international operator. They will aim at being the preferred supplier for SME companies and advertisers who focus on mobile solutions.

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## INTERVIEW WITH T-VIPS

**Date:** *15.03.2012*

**Location:** *T-VIPS's premises, Oslo*

**Interview object:** *Johnny Dolvik; founder and CEO*

**Duration:** *1.5 hours*

*T-VIPS was founded in 2004, and has become a global leader in professional video transport solutions. They develop simple, efficient and intelligent ways of moving high-quality broadcast video around the globe. Their goal is to help their customers improve their infrastructure performance and allow the delivery of higher quality services.*

### **General**

T-VIPS has grown from 11 employees in 2004 to now being 40. The company is headquartered in Oslo, with a sales office in USA and sales personnel in France and Germany. The employees in Oslo work with technology and development, and sales. Other activities like production and finance are outsourced.

T-VIPS is a fast-growing company. Their sales revenue grew rapidly from 2.5 million kroner during the first six months after the product was ready in 2005, to 40 million within the next two years.

### **Their offering**

T-VIPS deliver solutions for transporting, processing and monitoring professional video broadcast signals. The signals are sent to homes through satellite, terrestrial, cable or IP. To avoid high product related costs, they make several combinations of different products parts so that they end up with several different products. Dolvik describe their products as innovative and flexible. They try to standardize their products, but in some cases they do adapt solutions to customers. When the customization results in an improvement of the product in general, they use this in product offerings to other customers. The technological solution is complex, but their products are user-friendly.

Their most important competitive advantages are that they understand the user requirements in the market and offer products that fulfill these requirements, have quicker and better customer support than large MNEs, and have focused marketing. According to Dolvik, they must prove to the customers that their products contribute to cost savings for them. Also, they claim that they are the best in the world with the technology related to the digital terrestrial network. For four years they have worked on the “digital switch-over”-project in England, from which they have gained much experience. As the first company to introduce JPEG2000, a solution that can transport compressed 3G, 3D, SD and HD video, T-VIPS is now the market leader in that segment.

### **The market**

T-VIPS’ three main markets are Europe (EMEA), Asia (mostly English-speaking countries) and North America. They focus on two market segments, namely “Contribution and distribution” and “Digital terrestrial TV”. Further, they divide their customers in three segments; broadcasters, service providers and telecom operators. T-VIPS has focused mostly on broadcasters, but the latter two becomes especially important for the future. They operate in a relatively small niche in a global market. “Market imbalances really affect where and how we operate”, Dolvik said and pointed out that they were affected by the financial crisis in 2011.

T-VIPS compete with large corporations, like Cisco and Ericsson. Dolvik think it has been challenging to compete on the same level as their competitors, with only 11 employees. In some countries where the competition against Cisco is tough, they need to focus on that particular market and be willing to put other markets on hold, to be able to compete and win customers in that market.

### **The founder team**

T-VIPS was founded by Johnny Dolvik and ten other engineers and managers from Tandberg Television. They all had knowledge and experience from the broadcast and telecommunications industry. Dolvik has a siv.ing degree from NTH (NTNU) and bachelor in business administration from NHH. He has been CEO since the establishment in 2004.

The founders brought with them severance pay from Tandberg, and did for the first nine months finance the operations with their own money. Dolvik expressed financing to be a challenge from the start, but with another two investors they were able to further fund their business idea.

Dolvik stressed the importance of the founders, and others in the organization, to be able to succeed. “It is crucial that founders have a fundamental belief in the business idea, are able to live with market uncertainty, and have a belief that they can compete against the top actors in the world”, he said.

### **International entry strategies**

T-VIPS had their first sale one year after establishment, in 2005, and since then they have had more than 50% international sales. Their products were sold with use of an OEM agreement to Tandberg Television, whose name was placed on the products. In this way, T-VIPS early got their products distributed around the world. Sales through this channel declined as they did not receive information about customer demand and reasons behind the sales numbers. So it became more important with direct sales with support from partners.

To further target customers, T-VIPS started to build up a partner network, consisting of value-added resellers with information and knowledge about changes in the TV-industry and a large network of contacts. In the beginning was their product mainly sold in Europe, where their sellers were most familiar and had most of their network contacts. But to grow, it is important to gain a position also in more distant markets”, Dolvik said. Therefore, T-VIPS hired personnel in USA to start sell their products. Entering markets other than Europe require more cultural learning, so for example in Russia they hired services from other companies to gather information about how the market works. They also exploited network contacts from the time they worked in Tandberg Television, a large company with partners scattered throughout the world. After this aim of new partners, T-VIPS were able to cover most of Europe, and some in USA and Asia. Today, they have global market presence through their partner network. They now sell their products in 28 countries, and have

around 40 partners in Europe, 15-20 in USA, and 10-12 in Asia. The partners are according to Dolvik difficult to control, so it is important for them to build up mutual trust.

With 11 sales employees and more than 60 partners, they do not have resources to be present in all geographical locations. One of their challenges is to find a way to be widespread without use of too much time and resources. So, Dolvik claimed that targeting markets is extremely important. They allocate resources in relation to market potential, and also in relation to their large on-going projects with high priority. Dolvik said that it is important for them to hype their success to be recognized as an important and serious actor. Hence, they make use of press releases to help them become a more well-known operator.

T-VIPS participate in around 15 exhibitions per year. They use resources on this because it is an important way for them to show their appearance in the market and meet potential and existing customers. They also do forecasting and systematic analysis to find market potential, but Dolvik claim them to be time consuming. T-VIPS rather target customers and markets that they believe have most potential. Dolvik stated that they are opportunistic, but have sometimes held back on their opportunism to not make a failure.

### **Key factors**

Challenges for T-VIPS in the beginning were financing and premises. Their network has been crucial, both in regard to partners and customers. “In order to succeed, it has been necessary with competent partners who trust our product to work”, Dolvik said. He sees much of their success in relation to their customer references, recognized brand and global belief of their product.

A major advantage for smaller actors is that they are able to react more rapidly to customers’ urgent matters. It is easier for customers to reach the right people in T-VIPS and get past customer support, than it is in larger companies. Dolvik think it is important for managers to see advantages of smaller firms, and have the ability to think ahead to respond with powerful, innovative solutions.

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## INTERVIEW WITH OCEANSAVER

**Date:** *16.03.2012*

**Location:** *OceanSavers premises, Drammen*

**Interview Object:** *Aage Bjørn Andersen, Founder and Business Developer*

**Duration:** *2 hours*

*OceanSaver was founded in 2003. Their core product is Ballast Water Treatment Systems, and they assist shipyards and ship owners worldwide with objective evaluations, safe solutions and competitive quotations. Their future goal is to gain 10-15 % of the newbuild-market in China, Korea and Japan.*

### **General**

The first two years after the establishment, OceanSaver consisted of two founders and two other employees. It is today a fast-growing company with 45 employees. The primary office is located in Drammen, and they have a sales office in China and one under planning in Korea.

It took three years to get the product approved, and it required large investments. In the end of 2004 the company was financed with a 42 million kroner worth IRD (Industrial Research and Development) contract granted through Innovation Norway (IN). Within the subsequent seven weeks, OceanSaver managed to gain another 16 million, from Fednav in Canada and Sumitomo Corporation from Japan as was a requirement from IN. OceanSaver have had different owners over the years, with BW venture and Investinor being the present ones. Characteristics of all of them are that they are solid actors who understand the market in which OceanSaver operate, and have valuable international and maritime strengths.

Despite their strong financial platform to develop their product, OceanSavers' financial result has been negative since the establishment because of the large investment required entering this market. Andersen does however believe them to have positive earnings in 2013/2014.



### **Their offering**

The Ballast Water Treatment System (BWTS) is technologically complex. The main components delivered to all systems are filter to filtrate zooplankton, and a seawater electrolysis unit, the C2E disinfectant unit, that produce an oxidant agent consisting primarily of hypochlorous acid (HClO). This is injected into the ballast water to disinfect/destroy remaining organisms. The filter is a relatively standard component whilst the C2E unit is developed by OceanSaver. The system supplies are tailored to meet customer needs and to ensure flexibility (e.g. if there is a need to change between the use of one pump or two pumps in the system with the use of only one C2E unit). A delivery requires interaction with customers since it is a critical system for the ship and involves several interfaces. Andersen point out that the biggest challenge with tailoring is that it requires more effort to manage the documentation.

Because OceanSaver operate in Asia and manufacture in Norway, they experiences tight competition on system costs. Driving prices down to a competitive level is essential. OceanSaver has adopted a “cost-down” philosophy and focuses on cost control at all levels within the organization without compromising the qualities and characteristics of the product. On the other hand, they are particularly good with documentation and communication to the ship builders. It has been an area of focus for them to build up a brand that shows credibility and strength, and their brand image has become an important advantage for them. According to Andersen, they are known as a serious and honest operator.

OceanSaver is now looking for new business opportunities. They have explored opportunities for products with a relation to their BWTS, namely environmental related products for ships, to be able to take advantage of their established sales and service network and where OceanSavers’ brand fits. Another possibility is to use their unique C2E cell within other business areas.

## **The market**

The International Maritime Organization (IMO) introduced in 2004 a Ballast Water performance standard in order to solve the issue of harmful aquatic organisms carried by ships' ballast water. The convention has not yet been taken into force, but the dates in it apply as soon as it is valid. From 2012 shall all new ships have installed BWTS, and from 2016 it will yield for all existing vessels. Due to this convention, the retrofit market will for the next years be large as the world fleet consist of about 40 000 ships required to meet these requirements. After this is achieved, the system installations will only concern newbuildings.

OceanSaver was approved by DNV in 2009, as the third company in the world to accomplish this. There are many operators who now seek the opportunity to exploit this massive market, but they all have to overcome the entry barrier of huge financial capital investment requirements. Andersen assumed it to be 45-50 other operators attempting to enter the ballast water treatment systems market. The competition is smaller with only four competitors in the segment of large vessels (bulk carrier, tanker), which is OceanSaver primary market segment. This is also assumed to be the most technological challenging segment.

Some 90 % of all shipbuilding is located in Asia, with China, Korea and Japan as the most important markets. The large carriers, for which ballast water is extremely important, are mostly built in Asia. The market in Norway and Europe in general is small and applies to more specialized vessels. This market is not a priority for Ocean Saver because they are not cost-effective enough on small ships. Their customers are both ship owners and yards. Yards are responsible to deliver ships with approved BWTS, but often try to find the cheapest solution from a purchase and installation point of view. However, the ship owners typically have a quality focus as well as focus on operational costs. Thus, even though the actual customer is the yard, the ship-owners have an ability to impact the decision of choice. For sales to existing ships, the customer is the ship-owner. Consequently there are two different customer segments. The yards are typically located in Asia whilst the ship-owners may be

located worldwide. It may be noted that installations on-board existing ships are usually undertaken at ship repair yards. These are not necessarily located in Asia.

### **The founder team**

OceanSaver was founded by Aage Bjørn Andersen and Stein Foss. After they both tried to succeed on their own, they were brought together by Innovation Norway who considered that this would reduce risks and improve the chance of success. Andersen focused on the technology, while Foss contributed with commercial competence.

The two founders both had about 20 years of experience in the maritime industry, and consequently a significant network of relevant industrial contacts. Stein Foss worked with on-board repairs of ships, with especially focus on cooling and refrigerating systems. Aage Bjørn Andersen is a Naval Architecture, and had previous work experience in the field of R&D related to environmental technology for maritime and offshore sector. Andersen was through DNV the Norwegian representative in the negotiations of the IMO convention, which started already in 1996. He saw the great potential and said he started to explore feasible technological solutions already then. In 2002 he filed a patent, which was the platform for the first generation equipment from OceanSaver. The original idea was that DNV should develop the product, but this was not possible because of its role as a third party independent approval body. Andersen therefore ended his employment in DNV and hired them for development services instead.

### **International entry strategies**

Andersen points out that success in Asia is vital because of the huge potential and existing market there. OceanSavers' first break-through was in 2010, one year after their system was approved. The order was on around 380 million kroner and consisted of 22 large tankers, including VLCCs and Suezmaxers, which were to be built in four different yards, in Korea and China.

Characteristic for the maritime industry is the use of agents. These are used to remain in contact with the potential customers on a day-by-day basis. The agents are supported by

their principal (the company, brand or product they represent) in particular when specific projects arrive. OceanSaver use agents for market screening, branding and general marketing. Their first agent was their co-investor Sumitomo Corporation, which is the third largest company in Japan. Today they have a global sales network, with agents positioned in China, Korea, the Middle East, Greece, Germany and more. Many of the transactions in China go through their agent, since some Chinese are uncomfortable with dealing with foreign actors. Andersen point out that OceanSaver is dependent on good performance from their agents to increase sales. However, the agents do not necessarily have the resources to train their employees on how OceanSavers' BWTS works, so with an upcoming potential deal their own sales representatives from Norway travel to participate in the negotiations. As a consequence, most of their sales are carried out directly from their office in Drammen.

In addition to the use of agents, OceanSaver has seen the need for local presence, and therefore established sales offices in two of the most important markets; China and Korea. "We had a relation to the agent in China from earlier experience, but it has been difficult to get the agent to understand our systems", Andersen said. The agent in China has been in the market for years without results, which resulted in limited motivation for them to promote OceanSavers' products. In Korea they have poor cooperation with their agent and do not believe that the company is reliable, thus they plan to build a sales office and find a new agent in Korea.

OceanSaver has shown that they have an ability to adapt to market changes. At first they targeted smaller ships, Panamax-vessels, a segment with high competition, but with the financial crisis impacting the shipping industry severely in 2009, they saw the need to focus on larger ships where there was still some building activity. This required a change in their technology. To broaden their segments, they decided to target medium- and large-sized ships. With this, and their continuous focus on China and Korea as their main target markets, Andersen said that they have increased market share in segments, rather than in regions.

OceanSaver actively seek new opportunities and continuously monitor the market. They are good at gathering information from a broad range of customers and markets, and quickly get information if there is an order for a new ship to be built in their target segments. To gain this type of market knowledge, OceanSaver often buys intelligence services from other companies. So, the way OceanSaver generates customers is the use of their intelligence in combination with that they and their agents visit about ten ship owners per week. OceanSaver find it necessary to have a competent team with understanding of the market, so they only hire people with experience from maritime sector.

### **Key factors**

OceanSaver has managed to acquire financial capital and build up their brand. From being an entrepreneurial business to becoming world leading in their target segment, there have been major challenges in appearing as a professional operator, both towards employees and customers. They have had more focus on technology and product rather than structural capital, especially in the beginning, as they do not have a well established organization to absorb all challenges regarding fast growth in number of employees, customers, commitment in new markets and sales. To build structural capital is now a priority with OceanSaver.

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## INTERVIEW WITH MARITIME COMMUNICATIONS PARTNER

**Date:** *16.09.11 and 20.03.12*

**Type:** *Phone interview*

**Interview object:** *Eivind Madsen*

**Duration:** *A total of 2 hours*

*Eivind Madsen has been the CEO of MCP since April 2011. He has experience in software and management from Ericsson and the consulting industry, also internationally. Madsen is educated from NTH (NTNU).*

*Maritime Communications Partner (MCP) was established in 2002. They created a communication platform that allowed passengers of cruise and ferries to use their mobile phone when at sea. Today, MCP is a global maritime telecommunications operator reaching thousands of ship passengers and crew members mostly in Europe and America. Their vision is to be the leading onboard communications partner.*

### **General**

During the first couple of years MCP had about 15 employees, and many of them still work there. Today they have 47 employees in Arendal and three in Miami, and this number has been stable for the last years. In Miami they support customers who are sited there and have responsibility for sales in the US.

In 2003, a year after the establishment, the first demonstration was shown and the first satellite call was made. Investors showed interest in the idea, and it led to MCP having three major companies as owners by the middle of this year. In addition, MCP also received support from Innovation Norway and Skattefunn in the beginning. Telenor have had a share of MCP since the start-up, and since 2006 they fully owned the company. MCP has to an increasingly extent collaborated with Telenor and derives advantages from several of their business units. The board of directors mainly consists of representatives from Telenor.

The revenue growth has been positive for MCP, with the profit turning positive for the first time in 2011. They sold for 220 mill kroner in 2011 and currently have installations on around 120 ships. The company's ambition is to double the sales within two years.

### **Their offering**

MCP's core product (CellAtSea) is mobile communication (GSM) at sea, with which they offer additional services. This highly complex product was innovative at the time of establishment, but it has matured. Their business model consists of two main sources of income; roaming agreements with telecom operators with monthly charges, and installation contracts with ship owners. For the latter one, the ship owner receives a monthly share of the revenue that MCP generates from their service. MCP have different business models for different segments, even though all of their offerings are based on their core product. Their defined segments are Cruise&Ferry, which is their main segment, and Non-Cruise&-Ferry, which consist of Mega Yachts, Offshore Installations and Commercial Shipping. MCP offer different solutions to the different segments, as they have different needs.

Installations on ships are mainly carried out by subcontractors. The office in Arendal performs remote support, which means that the central in Arendal controls all devices and equipment installed elsewhere. A lot of maintenance can be done from the central, but it requires contact with the electricity crew on board.

Competitive advantages of MCP are their revenue share, optimized usage of satellite capacity and solid position in the market. Also, their roaming solution is global and their coverage is better than those of the competitors. For ship owners, the number of roaming agreements that MCP has is a competitive advantage. It is advantageous to have Telenor as owner because of their competence and financial solidness. The fact that MCP is independent from them, by having their own roaming deals and network, is an advantage that enables flexibility. Madsen stated that crucial for their first commercial contract was their ability to perceive and communicate the need in the market and their technologically solid offering that could be controlled from Arendal, and their suitable business model.

The battle between data- and telecom has been and still is essential for the market on land, and will also reach the market on sea. To meet this challenge, MCP are currently developing a solution for communication over IP, and thus complementing their core offering.

### **The Market**

MCP operates in a global niche market. Their most important customers are Princess Cruises, Color Line, DFDS, Carnival UK, P&O Australia and Stena Line. MCP only has two Norwegian customers; Hurtigruta and Fjord Line.

The market of mobile telecommunications has gone through major changes in customer behavior and use, and the tremendous growth has contributed to MCPs success. Still, there is significant potential in the usage of mobile services when at sea, and this potential of the usage amount is important for MCP to exploit. At the same time, it is important for them to reach new customers and new markets, and develop new solutions.

The Norwegian market is small compared to the international market, which is highly competitive. Today most of the ships already have solutions for mobile telecommunications solutions so that MCPs' offerings are not first time installations. The market has matured and consequently many market players are bidding over each other with the revenue share to gain market share. However, MCP is able to exploit economies of scale and is not forced to set adversely high revenue shares. "While many of the competitors today are struggling economically, MCP has proved that they can profit from the deals they now possess", Madsen said.

Madsen stated that their biggest competitor is Wireless Maritime Services (WMS), who is owned by the largest telecom operator in USA, AT&T. In contrast to MCP, WMS are dependent on their owner and lend the network of AT&T. In Europe, the largest competitors are companies from Iceland, Sweden and Italy. Also in Italy, the main competitor is owned by a large telecom operator. MCP has no competitors in Norway. The size of the competitors of MCP is about the same as their own. In Europe MCP is clearly the biggest actor, and WMS is bigger in the US. MCP perceives that the competition in the



US is pointing towards the telecom operator and not the competitor itself, because AT&T is so large of size.

### **The founder team**

The founder team consisted of three engineers with experience from Ericsson. At the time of MCPs establishment there were tough times in the telecom industry. The founders left Ericsson and because of their severance pay they had the possibility of funding their business idea. The idea was to provide communications at sea. They had competence in telecommunications and remote support, which means managing tele centrals all over the world from one central. Ericsson was in fact the first to develop remote support. The founders saw the market of telecommunications on ships as a Greenfield market, as there were very few existing market players and potential for new solutions. The targeted segment was Cruise&Ferry, naturally because of the amount of people on those ships. “The founders had strong technical experience, but lacked sales experience to be a more complementary team. To fill the gaps, they were therefore early interested to strengthen the team by employing people with sales competence”, Madsen explained. Challenges in the beginning were the roaming coverage and other technical aspects.

Madsen states that the founders’ past experience has led them to being more aggressive in relation to attaining market share. Their former network has on the other hand not contributed to faster market penetration. The founders had some international contacts on the technical side, but in general it was a limited international network. To be able to become an international company, MCP therefore had to obtain international contacts along the way and use contacts attained through the new employees. “It has taken a long time to get to the point where we are today. It is possible it could have been achieved at a faster pace if we earlier got hold on the right contacts”, Madsen said.

The founders of MCP have built up a competence that is invaluable. Two of the founders are still with the company. Madsen do believe that the founders have direct affect on the strategies that MCP performs today.

## **International entry strategies**

Given MCPs business idea, they needed to go international. To become profitable in long-term, it was crucial with an aggressive growth strategy, due to the large investment made at the beginning. In order to get there, obtaining enough roaming deals was fundamental and in focus at the beginning.

MCPs mindset regarding expansion to new markets is that they aim to sell where they can, and enter the market in which they believe they can sell the most. The biggest obstacle is the first sale, and when that is achieved, they expand further by using references. The same yield for reaching new segments. MCP focused on ferries at first and then they extended to serving cruise ships. Together they form the Cruise&Ferry-segment, which is their most important segment. Later they also started serving the Non-Cruise&-Ferry-segment.

MCP have internationally expanded in the following sequence; Scandinavia, Europe, USA, Africa and Australia. In 2004 they signed their first commercial contract, with the Danish ferry operator DFDS. Around these times, MCP went through a breakthrough with a technological solution that moved the transmission base from ship to shore, which made huge cutting costs. This cost saver allowed MCP to gain a solid foothold in the industry. Since 2005 MCP has experienced growth beyond Europe. They practiced well planned strategies toward the market in the US. After a big contract with Princess Cruises in 2005, which created a breakthrough in USA, they established a sales office in Miami. That was a strategic decision based on the belief that local presence is necessary to succeed. Two further breakthroughs followed in 2009 in the German and Italian market, and the African market in 2010.

MCP has customers in the following countries: Norway, Sweden, Denmark, USA, England, Italy, Australia and Germany. They divide their global market in three; North Europe, South Europe and USA with the rest of the world. However, they sell without regard of country borders, because they can control the systems from Arendal, to everywhere in the world. Their only consideration is that it may be more costly to sell to distant markets like Asia. As MCPs overall strategy is to maintain existing customers and at the same time win new ones,

they try to maintain their customer base in North Europe, gain new customers in South Europe and mix those two strategies in USA. Their market share in USA is about 20-25 % in the cruise segment, and WMS has mostly of the rest. MCP has as goal to outdo them and win their major customer, RCCL, within next year. In Europe MCP have more than 50% of the market share in the ferry segment. Madsen express aggressiveness towards gaining higher market share, as their goal is to double their sales within the two next years.

MCP considers Asia as a potential future market. They consider it as a less mature, but a Greenfield market, as the market of cruises in Asia is little, but growing. As with USA, they believe local presence is necessary to succeed. They plan to travel overseas to establish contacts either directly or by use of partners, and then follow one of their existing customers into the Asian market. Once they have built bridges to this market and learned to handle the challenges (e.g regulations), they will try to gain Asian owned ships as customers. The challenge of entering Asia is monetary resources, in terms of establishing a sales office, investing in people, and also the timing of the entry. Since MCP and the employees do not have any relevant contacts in Asia, Madsen stressed the importance of paying attention to the market. "It is the market that determines when we will strike", he said.

By drawing examples of USA and Asia, Madsen believe MCP has an aggressive attitude towards seeking new market opportunities and foreign partnerships or local establishment to increase their competitiveness. They have used systematic analysis before entering markets, for instance they hired a bureau to make market analysis in Asia. The markets that they enter and the customers that they gain are results from thorough analysis and long lasting sales promotion rather than from coincidences. At the same time, Madsen expressed that: "The fact that we are a relatively small firm enables us to be flexible as the market changes. So we are indeed responsive towards the market and changes in it.

The entry modes that MCP has used to enter new markets are direct export, export through agents or distributors and establishment of sales office. From their sales office in Arendal they can easily serve several markets, and end involvement whenever they want. They have for example delivered to Australia without having local attendance there. MCP found it

necessary with local presence in Miami to most cost effective serve the many important customers located there. Madsen said that the targeted sales volume is determinant for the type of entry mode chosen. If the market is limited, they prefer handling it themselves. They also have to determine how many employees they have to employ as a consequence, and weighting this against the fact that the potential partner typically have these employees in advance. There is a certain complexity regarding the business models for the Non-Cruise&-Ferry-segment. The cruise owners have different needs that must be understood and extensive industry knowledge is therefore necessary. “And so if we think that others have more ingoing relevant knowledge than we do, we will probably use them as a partner”, Madsen said.

They do not use strategic alliances today, but find it relevant in the future to further develop their market segments and strengthen their position, especially in the Non-Cruise&-Ferry segment.

### **Future challenges**

The threat of new technology and VoIP may be a future challenge for MCP. However, MCP will probably derive benefits of Telenor and have the possibility to meet the challenges of new technology with them. Another market threat identified by Madsen is new actors in the market, e.g. satellite vendors that are buying out some of MCPs competitors. A practical obstacle for revenue is the high prices of using mobile communications onboard. To meet this challenge, Madsen pointed out the need to inform people how to use their services in a safe way to avoid bill shocks.

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## INTERVIEW WITH MOBILETECH

**Date:** 12.09.11  
**Location:** Mobiletechs premises, Oslo  
**Interview object:** Espen Askvik; founder  
**Duration:** 1hour

*Mobiletech was founded in 2005 and is today a leading mobile services company in Scandinavia. They deliver mobile web, applications and SMS solutions. They have customers in 15 different countries and host over 40% of total Scandinavian mobile web traffic. According to a ranking from Deloitte from December 2010, Mobiletech is one of the 500 fastest growing technology companies in Europe.*

### **General**

Mobiletech has 30 employees in five different locations; Bergen, Oslo, Stockholm, Copenhagen and Washington DC. Most of their employees are located in Bergen, where administration and technological development is positioned.

Customers include some of the world's largest media assets and a wide range of enterprise customers from different sectors in Scandinavia. Mobiletech has had a positive revenue growth since the startup, from 1 mill per year to 26 mills last year. However, their first experience of profitability was last year.

### **Their offering and competitive advantage**

Mobiletech's core business is everything that runs in a browser on a handheld device, as they believe in the mobile web as the platform for all development on handheld devices. This naturally appeals to media customers, as it means distributing a mobile version of their newspaper/portal. They also offer value adding products. In other words, they help content owners increase profitability.

Their business model consists of their offerings both as a service and as software. When selling it as a service, the customer has to export content to Mobiletech, who install and integrate the product. The customer has to pay a start-up fee, a software fee and

maintenance fee. When the customers buy the product as software, they buy a license and install and integrate it themselves in their production system. Selling the solution as software includes start-up support as well as later updates. Especially for the customers outside the media industry, e.g banks, their offering as a software is the most preferable one, considering security and customer sensitivity. Today, most of Mobiletech's customers are buying the service. The largest contracts, however, are software which is the most profitable model for Mobiletech, and which they are selling increasingly more of.

Success factors have been their good technological offering and scaling opportunities with their two offering packages. What Mobiletech offers compared to competitors is high degree of control, freedom and flexibility, a solid product with higher quality, which may be sold as a service as many other competitors do, but also as software.

### **The market**

The market of mobile web is highly competitive and has had a tremendous growth in traffic. iPhone really opened the market for Mobiletech, as it enabled mobile content to be a more important and powerful channel. The financial crisis made the market even more complex and difficult. Also, the technology is changing, which constitutes a threat or a possibility. Askvik points out four sources of competition were technology shift is one of them. The others are pure competition from those who do the same, competition from those who do it in other ways, and web bureaus and internal IT.

In the year of establishment, 2005, they launched the first version of their offering. It turned out to be good timing in the market when their offering was launched. Many of Mobiletechs first customers had tried out WAP, were not satisfied and did not want to give up on the idea and need behind it. Also, the telecommunication providers upgraded to 3G, which enabled transferring more information at a higher speed.

One of their defined customer segments is companies in the media industry, in which Mobiletech has gained a solid customer base. They have typically bought products and services for the same purpose earlier. As of this, they consider the marked of media industry

as more mature for their offering than other sectors. Last year Norgesgruppen was their biggest customer.

### **Founder team**

The founder team consists of seven people who came together because two networks around Espen Askvik crossed, and they all had interest in and saw the same possibility in the market to be explored. Askvik worked with investment and funding in Orkla, and was looking for good investment opportunities, especially in the mobile market. He networked with people from Telenor and EDB Business Partner, and in addition to two people coming directly from university they formed the founder team of Mobiletech. Similar for all is a high education, either in economics or computer science. Obviously, the team differed in age and experience, with some of them with long experience with telecommunication or software. The founders have had different important roles in the company. Askvik was CEO the first four years, and now Christian Erichsen has taken over the lead. The founder team did in the beginning fund the company themselves and obtained external investors later. Askvik sees many advantages with being a large founder team, because it takes time to be established and make the first employments. With a large team they were able to plan and realize the first solution in a relatively short time, and in addition build up administration and other needed structure. One disadvantage with a large founder team is the need for larger capital requirement since more people are employed.

All the participants of the founder team shared a vision. However this is hard to accomplish as the number of employees increase. Askvik described that to communicate a growth oriented vision is challenging because people communicate and prioritize this differently. This requires substantial time and effort, and he stated that they may have used too little time on it. However, they have at later times put resources on this and introduced internetwork, jammer and other tools to cope with these challenges of internal communication.

### *Experience*

Founders' earlier industry specific experiences have been invaluable on the product and technical side, with them being innovative and far-sighted. Technology, rather than marketing, was in focus the first years and they invested a lot on technology development. In addition the founders have also adapted to market changes to provide better adjusted solutions to customers, and to be present in markets where there is a need. The team complements each other to be able to deliver a flexible and good solution to all the countries. This requires technical complexity because their customers distribute the products on sites in 60 countries and 57 languages. From working in Telenor they have valuable experiences of understanding challenges in the mobile world. From EDB Business Partner, they brought with them competence of how to develop scalable and mobile based software. The earlier experiences has affected them and made it possible to have a high international ambition from the beginning. Askvik said they have not yet reached all their goals, but have come a long way in doing so.

### *Networking*

Despite being a relatively large founder team, Askvik believe their network has not been substantial. The network consist mainly of Norwegian actors, and they have little prominent network internationally. Most of the team had international experience because they studied abroad, but Askvik was the only one with international work experience over a longer period. Mobiletech therefore had to create the network themselves by seeking those arenas where this type of network could be created. They attended many exhibitions and contacted people themselves to work with awareness. Christian Erichsen talks about a rotation program in his interview that they used early after the start-up. They sent employees to other countries to learn about other business cultures and methods. It not only created new knowledge, but it led to important network relations all over the world. The start-up in Sweden was affected by use of network, with a fellow student of Askvik and Erichsen at naval academy became a part of the company and actively participated to build up the company in Sweden. Later they got more footholds in several markets, and thereby used a



more resource committed approach. Askvik highlights the importance of network by stating: “Network is crucial. You don’t gain customers because of your network, but you need a certain network to gain customers”.

All people included in the founder team still works for the company, and Askvik states that the employees have been crucial for their success. He points out the fact that they have a certain safety in their business model, so that they feel more secure about their job and investment. Some of Mobiletechs important challenges have been scarce resources and internal need of leadership. Mobiletech had a clear product strategy, which made it possible to quickly be able to scale up their presence and delivery when there was an opportunity because they were many employees even in recession, instead of using consultants.

## **International entry strategies**

### *Internationalization strategies*

Mobiletech first targeted the media sector. They focused on physical close markets from the start-up, and gained a solid position in Norway and Scandinavia at first. In 2006 they gained the first Swedish customers, with many others followed the year after. “Even though Mobiletech had a thorough focus on the home market the first three years, we have always had ambitions for internationalization and see ourselves as a Born Global”, Askvik said. He defines their home market as the Scandinavian countries. Their strategy was to maintain the position in the home market and reach a new growth base by further strengthening their position in the media segment and reaching new segments. Mobiletech followed this strategy as they after they created foothold in the media sector in Scandinavia, reached several mobile operators as customers. This market was also a target segment due to the fact that media businesses possessed the highest level of maturity, as they perceived a need for the type of product Mobiletech provides. Mobiletech quickly created a solid customer base in the media segment as they received good references from customers and had a distinct value proposition to this segment.

As the company and the market got more mature, they reached segments in other countries and other sectors. Holland was the first market outside Scandinavia where Mobiletech got

hold of a customer in 2008. The international breakthrough was achieved in 2009, when revenue share from outside Norway contributed to 50 %. America and the UK had then become important markets, mainly within media. Mobiletech then also had managed to create a foothold within other sectors in Scandinavia, mainly within transportation and banking. Today the international market is of high importance, which is illustrated by a doubling in revenue attained from the customers outside Scandinavia last year.

### *Entry mode*

To reach customers in the 15 different countries they now operate, Mobiletech use different entry modes. Mobiletech has during the years managed to enter into several partnerships, for different purposes. They collaborate with TNS Gallup in Norway and Sweden, to measure the markets. They also have collaboration with Saxotech and CCI, who does print systems, in order to utilize their customer base. For the same reasoning they have partnered up with Excentric. They also collaborate with Blackberry. Askvik pinpoint that it often is difficult to achieve optimal utilization from partners, thus making it important to also work with direct sales. This is both to set own price levels, and work directly with chosen reference customers. In Mobiletech they still use much direct sales where they have to actively reach customers. “It takes time to build effective entry structures to scale up their sales, and that is challenges for a small company like us”, Askvik expressed. Europe is served from their offices in Scandinavia, and in USA an office in Washington DC was opened this year. Askvik express the importance of being more hands-on to be able to catch the changing needs over time. USA is an important market for Mobiletech much because iPhone and Google have created a large market for them. Mobiletech has now also entered into a strategic alliance with a company they cooperates with in the US. At first the network out to customers and partners was not important, but they had a more analytical approach to the market with use of market segmenting and targeting. It is resource demanding to build a strong position outside of the Nordic, and hence network relations as a part of the internationalization has now been more emphasized to give better prevailing conditions for establishment. Innovation Norway has especially contributed in USA with a network which opened several

doors and helped in the establishment phase to provide premises. Otherwise it would have been more expensive and difficult.

The international entry strategies are to a wide extent planned in relation to their goals and ambitions, but Askvik express that it will always be necessary to adjust and change them along the way. This is because of a constant development in the market in which they operate, related to competitiveness, market maturity and technological change. Askvik characterize their strategies as deliberate. “We are very partner oriented, and have a clear strategy regarding which partners we prefer, both related to technology and also distribution of our solutions to the market. We have worked systematically with partners that are good enough to provide reference customers to contribute to increase sales. It is resource demanding to establish partnerships, and hence follow-up is important”, he said. An important factor for Mobiletechs’ success has been their customer choices, said Christian Erichsen in an interview with Økonomisk Rapport (Münchow, 2011). They quickly got Bergensavisen as a customer followed by a lot of important customers a little later.

### **Future challenges**

The market has put up challenges, and the competition is tough. Christian Erichsen points out that one of their biggest challenges is communication. Potential customers do not see the effect of the solution before it is delivered, and signaling that message out to the market while still being best technologically, is essential for Mobiletech in the future.

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## INTERVIEW WITH SCATEC SOLAR

**Date:** 12.09.11  
**Location:** Scatec Solar premises, Oslo  
**Interview object:** Anne Jorun Aas  
**Duration:** 1 hour

*Aas is Senior Vice President in Strategy and Organization and also a part of the management team. She joined Scatec Solar in 2010, after working in Scatec AS for three years. In Scatec AS she worked with strategy and the company's portfolio of early phase solar energy investments. Prior to Scatec, she worked as consultant in McKinsey.*

*Scatec Solar, founded in 2007, is a leading and fast-growing turnkey supplier of photovoltaic (PV) energy solutions. The company takes care of all aspects of PV projects, from securing permit rights to final commissioning and operation of the solar system. Their objective is to establish solar PV as a sustainable and lucrative future source of energy all over the world.*

### **General**

The company has grown from two employees in 2007 to now being eighty. These are diversified with 20 employees located in their head office in Oslo, 30 employees in the competence centre in Germany, and the remaining distributed in other countries all over the world.

Two main shareholders, Scatec AS and Itochu, finance the company. The board consist of members from these two shareholders as well as one of their subsidiaries. The financial result was positive first in 2010, with earnings before tax of nearly 115 million kroner. Scatec Solar had early this year ambitions to continuing the growth from last year, but had to revise their plans due to huge reduction in market demand.

### **Their offering and competitive advantage**

When being a turnkey supplier of energy solutions, Scatec Solar develop, design, build and operate solar plants worldwide. The sources of income can be sales of project rights, EPC

services (sales of turnkey projects and operation and maintenance) and sales of electricity or assets. In terms of EPC offerings, Scatec Solar can provide groundmounted PV, rooftop PV, and carports. She expresses that it has been large market changes, which lead to huge varieties in number of deliveries from year to year.

The core competence is to early identify the attractive markets and position ourselves to get access to attractive projects, knowledge and competence about how to structure and finance the projects and design and building of solar parks. Scatec Solar arose out of Scatec AS as a technology company, but the technology aspect has become less important as the industry has been commoditized.

A major advantage is that Scatec Solar is technology independent. Many of their competitors are mutually owned or partner with a technology company; while Scatec Solar can buy from which supplier they want on each project. This also leads to the competitive advantage of flexibility. “Being placed along the entire supply chain means that we can be flexible and vary which partners we cooperate with. We can also develop projects ourselves or work with local developers, hence buy the project rights from them”, Aas explained. The reason for in some cases preferring to buy project rights, is because the development is time consuming with identification of markets, studies in how it affect the environment, getting permits and secure access to grid. Being present in many markets compared to other local companies is also an advantage because they rapidly get access to the best projects.

It may serve as an advantage being a Norwegian company because of good support arrangements. Scatec Solar has considerable experience with public actors like Eksportfinans, Innovation Norway and Norad, which Aas believes have mutually incentives with them.

### **The market**

Germany has been a major driver in introduction of solar energy and while its relative importance is decreasing, around 70 % of all installed solar energy in the world is still in Germany. The reason for this is due to stable and predictable support from the German

government. The solar park owner is guaranteed a feed-in tariff, a set price for the electricity the solar power plant produces. The tariffs are gradually decreased or removed due to costs of installing solar energy has fallen tremendously. “The costs of solar energy have over the past two decades fallen with 20% for every doubling of installed capacity, and are now reaching a level where they start to be competitive with other forms of energy. I believe that in a couple of years, the feed-in tariff will disappear completely, meaning that there will be no difference if energy comes from solar or other sources” Aas said.

There are extreme shifts regarding market demand and supply. In some periods it has been difficult to obtain PV modules from suppliers to an affordable price. Now the prices have fallen 50 % due to decreasing market demand Aas claims that solar energy is a difficult industry to be an actor in because of the rapid market changes. The costs have as said dramatically decreased, which led to an annual growth of more than 100% last year of installed capacity.

With this increase in installations, it is clear that Scatec Solar operate in a competitive market with high competition. Competitors are large installation companies like SunEddison and UWI, but also many small companies. They see the importance of studying companies with other business models that can be more profitable.

### **The founder team**

Scatec Solar was founded by Scatec AS, an investment company within the areas of renewable energy and environmentally friendly ‘advanced materials’. Their basic business idea before establishment was to make an outlet for solar technology, as solar energy becomes cheaper and more used. Scatec AS is owned by Alf Bjørseth, who is a high profiled person in solar energy industry after also being the founder of REC. Scatec AS was themselves the management team in the entrepreneurial phase, with two employees from Scatec AS dedicated to work with Scatec Solar. Later, they started to gradually hire external people. Today there are still three members of the management team from Scatec AS, but the remaining was hired externally to become a part of the company. Scatec Solar managed early

to get the Japanese trading company Itochu as investor, which contributed to avoid financial issues at the beginning.

Aas stressed the importance of Scatec Solars' utilization of Alf Bjørseth's network for acceptance in the market. They have been able to use his network and reputation in the solar energy industry. She believes that they have become more recognized because of that fact, and some might have taken them as a greater actor than they actually were. As of this, his network and their utilization of it may have contributed to a quicker accept in the market.

As they have grown in terms of number of employees, it is a challenge to communicate a global vision of growth to all the employees, as they no longer consist of a small team. Aas stresses the importance of the management team to be present to the employees, and knowing that not everyone knows each other. Also, they use brochures and monthly newsletters to communicate their vision.

### **International entry strategies**

Scatec Solars' first solar plant was built in Germany in 2007. Following, they expanded further to other parts of Europe and later USA and South Africa. Most of the existing customers are cited in Europe, with Czech Republic, Italy and Germany. Because of reduction in government support, the market both in Czech Republic and Italy has now disappeared. Other important markets where Scatec Solar is present are Africa, USA and France. Scatec Solar is not focusing on their home market because the solar conditions are not optimal and there are no incentives for PV in Norway Aas explains.

They also have some on-going projects in the US. They perceive that USA has potential with its sunny days and large areas. South Africa has a program that aims for installation of a considerable amount of renewable energy, and is therefore becoming increasingly important. Scatec Solar has developed several projects there, and also investigate other places in Africa to invest. They are now in progress with an agreement with the government in Mali. Aas pointed out that it is an existing project with IFC Infraventure, a unit from the World Bank, as partner. It is difficult to find regular commercial banks willing to invest in projects in Mali

because of high perceived risks and difficulty of doing business. “It is therefore very important for us to work with a partner such as IFC, it will make Scatec Solar more unique”, Aas said.

Their typical pattern of international entry strategies is to collaborate with local partner after conducting market analysis of their targeted market. Local presence is valuable as it enables local product development. Also, it may lead to greater information and knowledge about the market and ease the process of getting permissions. The partnership with local actors has in some cases led to tighter collaboration as they have become fully owned subsidiaries. Scatec Solar has fully owned subsidiaries in Germany, France, The Czech Republic, Italy, US and India (Scatec AS, 2010). Scatec Solar's competence centre in Germany is mainly based on the acquired company, Solar Competence. They had knowledge of design and building of solar parks, and this has been further used with the unit in Germany now being responsible of design and construction. The Czech company Signo Solar was also acquired to be able to fully emerge into the Czech marketplace.

Because of major shifts in market demand and governmental support, there are also shifts in the importance of different customers. Scatec Solar is positioned where the markets are and focus on the customers in these markets. As the market is relatively unstable, Aas sees it as a necessity to adjust their strategies to changes in the market. Planning strategies and doing market analysis at hand is important, but they do to a larger extent let the strategies form as the market changes. When opportunities emerge, they do have the capability to take chances and respond to changes in the market. In this way, Aas describe Scatec Solar as aggressive, and also optimistic. When looking back, some of these initiatives may have been too aggressive and optimistic. However, Aas points out that these characteristics are useful for relatively small companies that do not have large analysis divisions.

### **Future challenges**

One future challenge is to be correctly positioned in the market and decide which markets to aim at. It is also important to know how the market will develop, and which business models would be most applicable. Aas express that it is demanding to be an actor in a constantly



changing industry. Since the installation costs have been reduced, there is no longer a need for large subsidies from the government. They therefore have to know how to act when feed-in tariffs disappear and Power purchase Agreement (PPA) becomes normal also in the solar energy industry.

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## INTERVIEW WITH CATCH SOLAR ENERGY

**Date:** 19.09.11  
**Type:** Phone interview  
**Interview object:** Hans-Christian Francke: owner, founder and CEO  
**Duration:** 30 minutes

*Catch Solar Energy AS (hereafter Catch Solar) was founded in February 2010. Catch Solar is developing and producing flat solar collectors to provide customers with solar energy to heat water and buildings. In addition to solar collectors, they offer other parts in a standard solar energy system in cooperation with supporting industries to offer a total package.*

### **General**

The company is 100 % financed by Hans-Christian Francke. With Catch Solar being a new start-up company which recently started production, the turnover is zero and the result from 2010 is negative of 216 000. Future prospects next year is to scale their production to reach 70 000 m<sup>2</sup>, which lead to a turnover for solar collectors of about 120 millions.

### **Their offering and competitive advantage**

The primary product is flat solar collectors which are based on patented technology, and thus utilizes about 90 % of the solar energy as opposed to solar cells that utilize about 10 % as electricity. In addition to solar collectors, Catch Solar also provides their customers with additional products included in standard solar thermal energy systems. However, they do not manufacture other parts themselves but cooperate with other industries and manufacturers to provide the best package. Catch Solar does not deliver after-sales service, but their customers often do.

Francke believes Catch Solar has competitive advantages compared to other producers. Efficiency is important, with the solar collectors being 30-40 % more efficient than competitive ones. In addition, production costs are below half of those of the competitors. He also includes appearance as a competitive advantage. The solar collector looks like a

window, and it is then easier to find attractive solutions for integration into a new or existing building.

Catch Solar has many competitors, but they all provide solar collectors with copper and aluminium in. Catch Solar does it differently as they use water as refrigerant instead of glycol. Due to technological complexities the product is hard to imitate. Thus, he does not see competitors as major threats.

### **The market**

The world market for solar collectors is huge with total sales of 150 billion and an annual growth of 40%. Francke express that the demand for solar collectors is large and he thinks it will increase in the future. The customer base consists of plumbers, and also project owners related to water supply, heating etc.

### **The founder**

Francke is 48 years old and educated from legal faculty at the University in Oslo, BI and the military. He has worked in PGG industries, was export director at OSO hotwater and managing director at Solarnor AS for three years. From these he possesses long international business experience, also from the solar energy industry. From Solarnor, where Francke previously was managing director, the idea about using water in solar collectors instead of glycol was introduced. From this he developed the technology further to be patented. Francke also put emphasis on his other experiences and claim them equally valuable. In PGG Industries, Francke was leader of the glass division in Scandinavia, and aluminium division in Europe. “The experience from this has shaped much of my way of thinking regarding international business”, Francke said.

His basic business idea was to develop a solar collector that is easier to install, cheaper to produce and with a better appearance. The motivation behind the start-up of Catch Solar was to contribute to make solar energy competitive with other energy sources and make it a normal energy source all over the world.

So far Francke does not see any large disadvantages by being the only founder. The financial situation with him as only investor does not seem to worry him. He has received commitments for grants for further research and development of the products from Innovation Norway.

### **International entry strategies**

The company has been in a development phase since the start-up until recently. Francke planned the production to start in September 2011, but it got delayed and had not started at the time of the first interview, but started shortly after.

Before the production started, Catch Solar already had many orders. These orders came from several different countries including USA, China, South Africa, Italy, Spain, United Kingdom, Russia and Hungary. Francke explains that he from the start did not focus more on the international market compared to the national market, or the other way around. “The product is equally valuable all over the world, and I don’t think demand in different countries will vary that much. Sure some will develop faster than others, but I think the product will be widespread all over the world” he said. Francke states that the international market is crucial because the Norwegian market simply is not large enough for his growth ambitions. To gain customers he made a web page both in Norwegian and in English, but besides that he have not been marketing Catch Solar in other ways. The customers contact him when they are interested in the products Catch Solar provides.

A part of Franckes network contributes to spread information and position the company waiting to become ready to deliver in export markets. Before the product was ready, he had preliminary not focused exploiting his network. To reach customers, Francke use both national and international network partners. He do however find the network potential internationally much larger than in Norway.

Both direct export and sales through agent or distributor are entry modes Francke plan to use to distribute the products. The international strategy for Catch Solar is to build an additional factory in another country when the production capacity of 250 000 m<sup>2</sup> in Norway

is filled. The factory in Norway is a prototype that shall be used as a template for new factories. Their growth ambition is to be the number one supplier of solar collectors in Europe during the next ten years. In addition to the planned factory, he also considers strategic alliances to gain a better position in the international market.

“The international entry strategies will be relatively systematic, but based on experience they will always need to be adjusted to the market”, Francke explains. He also claims that to the degree they manage to follow their own pace, they try to have an aggressive attitude towards identifying new markets to increase competitiveness.

### **Future challenges**

Logistics may serve as a challenge because large and heavy products are shipped over large distances to customers located all over the world. Francke identifies that being able to produce large enough quantities will be the biggest challenge for Catch Solar in the future. With production being right around the corner, Francke now see that it might be necessary to employ more people, mainly with tasks related to stock receipt and packing of goods.



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## **PART THREE: DISCUSSION**





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## 6 DISCUSSION

In this chapter we will discuss the case study findings in relation to the Born Global literature. The objective of this discussion is to answer the research question: *How do the founder team, product and market influence the international entry strategies of Born Global firms?*

Since we have used Born Global literature as a foundation for this study, it is useful to reflect over the extent to which the case firms are characterized as Born Globals. MCP, OceanSaver, Scatec Solar and Catch Solar did from their founding seek to derive a substantial proportion of its revenue from their sales in international markets. Mobiletech, T-VIPS and Boost Communications internationalized near to its founding, and did all attain a position in foreign markets. So, they are all in accordance with our previously stated definition of Born Globals (1.2). Other characteristics may deviate though, for instance the resource constraint, as Scatec Solar had substantial resources since Scatec AS supports them. Overall, we believe it is valuable to discuss our case findings based on finding from the Born Global literature.

Firstly, we discuss the international entry strategies in terms of strategy formation, proactiveness, distance, which serve to give an overview of the firms' strategic behavior, and will therefore not be discussed in relation to the influence from the different factors. Thereafter we discuss possible effects from the founder team on entry mode and pace of internationalization, and effects from the market and the product on market selection dimensions in addition to entry mode and pace of internationalization.

In the following discussion, all seven case firms are not included for all dimensions of the international entry strategies since some interviews were conducted during the project assignment, when we did not consider market- and product characteristics or market selection dimensions. So, the discussion of the influence from the founder team are based on MCP, Mobiletech, Scatec Solar and Catch Solar, and the discussion of effects from

market- and product characteristics is based on MCP, Boost Communications, T-VIPS and OceanSaver. So when we refer to “all case firm” it is all case firms relevant for that subject.

## 6.1 INTERNATIONAL ENTRY STRATEGIES

### 6.1.1 STRATEGY FORMATION

All of the case firms have shown that they adjust their strategies to market changes. Scatec Solar need to adjust their strategies to the market because it is unstable and dynamic, and they do exploit opportunities that arise. T-VIPS and MCP see themselves as responsive towards market changes. Madsen in MCP believes that since the firm is relatively small it enables flexibility towards market changes. Also, their mind-set is to sell where they can, and from that it may seem like their strategies are gradually shaped. Adjusting the strategies has been important for MCP and Mobiletech to cope with technological change and market maturity. As Boost Communications did not have any relevant experience or network from earlier, it has been a necessity for them to exploit the opportunities that have appeared along the way. The tremendous growth in the mobile web market was the reason for why they chose to focus on that segment. With OceanSavers’ change of segment focus in the financial crisis, they have shown that they have an ability to adapt to market changes. Based on these findings, it seems like that firms’ strategies are gradually shaped and that they exploit opportunities when they come across them. In this way, all the case firms have an emergent approach for strategy formation, and that is in accordance with what we suggested in the literature, based on findings from McDougall, Shane and Oviatt (1994) and De Wit and Meyer (2010).

At the same time, they may also have characteristics similar to the deliberate approach. Boost Communications stated that their sales result from both planned strategies and coincidences. This probably yields for the other firms as well, since they also have systematic plans and do market research. For example, MCP heavily planned their strategies towards USA and now plans to enter Asia. However, they said that they will let the strategy take form along the way as opportunities arise, and stress the importance of timing in the Asian market. In general, we believe that the strategy formation of the case firms is more emergent than deliberate,

because they are innovative and flexible to market changes. The case firms are relatively small of size and that may enable this flexibility.

### 6.1.2 PROACTIVENESS

MCP has with their entry to the US displayed an attitude towards seeking new market opportunities and partnerships, which makes them proactive. Scatec Solar, OceanSaver and Mobiletech are also proactive; the former two in terms of seeking and exploiting opportunities that arise, and the latter one in terms of seeking for new partners. T-VIPS have shown that they have an attitude of being alert towards the market with their belief in themselves and their international growth. Boost Communications believe that they have an aggressive strategy towards new markets, even though they do not always have the resources needed to follow it up. Catch Solar will try to have an aggressive attitude towards the market as long as they have the capacity to deliver.

Based on this, all of the case firms have shown that they are aggressive towards identifying and exploiting foreign market opportunities. This coincides with the literature saying that Born Globals are proactive (McDougall, Oviatt & Shrader, 2003; Moen, 2002).

### 6.1.3 DISTANCE

MCP, OceanSaver, Catch Solar and Scatec Solar attained their first customer outside the home market and continued to sell internationally, and thus geographic distance seems unimportant for them. OceanSaver also expressed the importance of understanding cultural differences and adapt to the culture of their customers, but it has not seemed to influence their choice of which markets to target. MCP did express one concern regarding geographic distance; that it is more costly to sell to more distant markets like Asia. Costs and resource constraints can also be the reasons for why Mobiletech waited to expand to more distant markets, and rather focused on gaining a strong position in close markets first. However, it may be more determined by the fact that they waited for market maturity in those markets. Boost Communications also focused more on the Norwegian market in the beginning, also still do to some extent, but they also have customers in far distance countries like South Africa and the Middle East. T-VIPS first focused on the European market, and claimed this

to be because their network contacts were located there. T-VIPS expressed that it requires more cultural learning to enter other markets than Europe and therefore they consider the issue of psychic distance, but do not limit their market expansion because of it.

Some of them have considerations about psychic distance, but they all sell their products and services without regard of country borders, which coincide with the literature suggesting that geographic and psychic distance do not seem like an important decision for Born Globals (Bell, Crick & Young, 2004; Boter & Holmquist, 1996; Crick & Jones, 2000; Keeble et al., 1998; Madsen, Rasmussen & Servais, 2000).

#### 6.1.4 MARKET SELECTION DIMENSIONS

##### **Systematic versus opportunistic market selection**

All firms do exporting and are therefore likely to answer to unsolicited orders, and in that way display an opportunistic strategy approach. Catch Solar have fully depended on unsolicited orders to sell their products until now, thus they act highly opportunistic. MCP sells wherever they can, and in that way unsolicited orders may be influential for which markets they target. Boost Communications has gained many customers based on coincidences when participating in trade exhibitions and travelling to meet customers, which includes a random search process and an opportunistic approach for market selection. Trade fairs have also been important for T-VIPS to get in contact with customers. Other opportunistic market selection strategies for them have been to initially choose markets where network contacts from earlier employments are utilized, and also more randomly choose markets and customers according to their own preferences.

The systematic approach for choosing target markets has been most evident for OceanSaver, Scatec Solar and MCP. OceanSaver actively go after their customers, in which they continuously gather information and monitor the market to find potential ones to target. For Scatec Solar the use of market analyses have influenced the choice of which markets to target and which local partners to collaborate with. Even though they sell wherever they can, the market selection decision for MCP is not a result of coincidences, but rather a result of

exhaustive analyses and sustained sales work. T-VIPS and Boost Communications also use systematic analysis, but they find them time consuming and resource demanding. Boost Communications believe that new product ideas, rather than market analysis will provide them with more new market opportunities. However, Boost Communications believe systematic analysis will be more important for the future since they now have extensively more capital to fully exploit them.

For the case firms, both systematic and opportunistic market selection can be observed. The findings are therefore in line with Madsen (2011) who stated that there usually exists a mix of systematic and opportunistic behavior. The companies undertake systematic analyses before entering markets, but they have all shown an opportunistic approach by being responsive to market changes and take advantage of opportunities that arise. Some of the case firms have a penchant toward one approach while others have a penchant to the other, but the trend is that they are more opportunistic, which coincide with the findings of Van Hoorn (1979). Since it is seen from Boost Communications that the importance of systematic analyses increase in relation to their amount of resources, it can be argued that firms at first have an opportunistic market selection and as they possess more resources incline towards a more systematic approach. This also substantiates Bradley (2005) who stated that it was typical to start off with an opportunistic approach and later refinement and testing evolves into a more systematic approach.

### **Concentration versus Diversification**

All the case companies have rapidly entered several country markets. They do focus on some key markets, but none of them limit their sales to only these markets, but rather have a relatively broad geographic scope. This indicates that they undertake diversification strategies to target country markets. This is exemplified with MCP who aim to sell where they can, and T-VIPS who have a partner network spread worldwide and aim for further diversification. OceanSaver have a diversification strategy for their market segment of ship owners. This is in accordance with several researchers that agreed on that Born Globals serve many markets instead of concentrating efforts in dealing with a few key markets (Crick & Jones, 2000;

Knight & Cavusgil, 2004; Oviatt & McDougall, 1994). At the same time, the firms do in addition also have some elements of concentration strategies when targeting country markets. For example, Boost Communications have a strategy to strengthen their position in their main markets instead of targeting new markets. Mobiletech and T-VIPS have gradually become more diversified, probably because they did not have resources to target all markets from the start and therefore concentrated on near ones in the beginning. Generally though, with their broad geographic scope the firms are penchant towards diversification strategy.

For customer segments, the firms display a different pattern than the more extensive use of diversification strategy that is seen for the choice of target countries. The inclination towards a concentration strategy for segments can be because dual diversification is resource demanding, which often is a challenge for Born Globals. Common for all case firms except Boost Communications is that they first started to focus on one segment, and afterwards targeted increasingly more. MCP started with ferries, and now target several other segments including cruises, mega yachts, offshore installations and commercial shipping. This may also be the case for T-VIPS, as they have focused on broadcasters, with the other segments (service providers and telecom operators) becoming more important in the future. Mobiletech gained a strong position in the segment of media customers before they reached new segments, mainly transportation and banking, thus they first exhibited a concentration strategy. Boost Communications believed it was important to concentrate on few segments from the start, and Skiri highlighted the challenge to stay focused and not be too diversified. They targeted media companies, sports and also shopping centers, so they were early relatively diversified. OceanSaver target the segment of large vessels, but shall now include medium-sized ships as a target segment to be able to attain their goal of market share. From these findings, a concentration strategy is most evident for customer segments from the start-up with them later inclining more towards diversification strategy.

Based on the findings from the relevant case sample, it is found that all firms seem to have a diversified entry strategy for countries, but their strategy toward customer segments vary. From their start-up, country diversification and customer segment concentration is most

common. It seems like they have a strategy to later be more diversified also for segments. MCP is the one firm that apparently has overcome resource constraints and now has dual diversification as they try to reach new customer segments and also new country markets.

#### 6.1.5 ENTRY MODE

All the case firms use export, either direct or indirect or both. Several firms have stated that it is preferable with export as it maintains high control. The use of partners or agents to distribute their products is also seen evident for many of the firms. T-VIPS and OceanSaver use their partners or agents to promote and sell their products, and both claimed that some of their partners were difficult to control and cooperate with, which have made them also use entry modes with higher commitment and control. T-VIPS did also from the start have export through an OEM agreement. For Scatec Solar it is essential to collaborate with local partners, which implies more commitment, before entering a new market. MCP and Mobiletech also use indirect export to distribute their products.

Scatec Solar is the only firm that uses the highest commitment entry mode, wholly owned subsidiaries. They have also established a competence center in Germany. The other firms (except Catch Solar) have established sales offices, which require medium commitment. Mobiletech has several offices in Scandinavia and one in Washington DC to have local presence in the most important markets. They did however express that it is difficult to build effective entry structures for scaling up and build a solid position outside the Nordic with limited resources. T-VIPS, Boost Communications, OceanSaver and MCP also have offices in key markets. MCP stated that the office provided them with less flexibility than their other entry modes as it required large investments. The reason for why OceanSaver established a sales office was that they found it difficult to cooperate with their agents in two of their key markets, and hence found it necessary with use of higher control modes in those markets.

Catch Solar use only direct export since it is in the start-up phase. That provides a simple and effective entry mode for them since they perceive the market demand as high. Later, they plan to use sales through agents or distributors and built a factory in another country. Especially the latter will require substantially more commitment. They also perceive strategic

alliances as interesting for the future, to gain a substantial position in the international market. That means that Catch Solar prefers low commitment in the current phase, and higher commitment modes as the company grows.

Born Global firms prefer low commitment entry modes according to several researchers (Burgel & Murray, 2000; Coviello & Munro, 1997; Crick & Jones, 2000; Gabrielsson & Kirpalani, 2004; Madsen, Rasmussen & Servais, 2000; McDougall, Shane & Oviatt, 1994; Shrader, Oviatt & McDougall, 2000), and therefore we expected more prominent use of low commitment entry modes for our case companies. In our findings, it is seen that they use several and different entry modes, as some other researchers have suggested (Andersson & Wictor, 2003; Sharma & Blomstermo, 2003). However, it may be a pattern that the firms prefer low or medium entry modes over high commitment entry modes. The only firm in our sample using high commitment modes was Scatec Solar, with their wholly owned subsidiaries. Their origins from Scatec AS may have benefited in terms of capital and other resources, which could have made them able to commit more than the other firms. Since the firms typically avoid the highest commitment modes, we confirm the findings of McAuley (1999), that high commitment entry modes are often not a realistic way into international markets in early stages. Nevertheless, as the firms have grown and gained more market share, they have a larger tendency to use medium and high entry modes.

Regarding the initial entries, our findings may indicate that the case firms prefer low commitment modes, typically exporting, rather than medium and high commitment modes. The use of direct export and export in combination with other modes as their initial international entry is in line with the findings of Crick and Jones (2000). All case companies except Catch Solar have made use of medium commitment entry modes, most of them by establishment of sales offices, but these entries were not among their first international initiatives. Also, the use of wholly owned subsidiaries for Scatec Solar was continued entry strategies in foreign markets.

A pattern seen from the case companies is the use of high control modes. All case companies use direct export, and five out of the seven also make use of sales offices. To be



more widespread over the world and take advantage of their resources and knowledge, lower control entry modes is evident as several of them make use of agents or partners to promote and sell their products. OceanSaver, T-VIPS and Mobiletech expressed that some of their partners are difficult to control and cooperate with. That was the main argument for OceanSaver to build up a sales office that gave them higher control.

So, it is seen that high control modes are preferable, entry modes with high commitment is mostly avoided, and the initial market entries are typically low commitment entry modes. But overall the case firms do not display a specific pattern in their use of international entry modes, which is consistent with Melen and Nordman (2009).

#### 6.1.6 PACE

Within four years after the establishment or the product was ready, all the case companies had international sales. Scatec Solar built their first plant in Germany the same year as their establishment. The first commercial contracts achieved by OceanSaver and MCP was international, and it was respectively one year after the system was approved, and one year after their first product demonstration. Mobiletech got their first customer in Scandinavia one year after establishment and two years later they attained customers from other parts of the world. Boost Communications got their first customer in Scandinavia four year after their establishment, and one year later they targeted the US. T-VIPS got their first international customer the same year as the product was ready. Catch Solar had international orders before production started. It is therefore clear all the case firms have had a fast speed of internationalization, in terms of the time elapsed between the establishments of the firm or when the offering was ready, to the first foreign sale. Noticeably, the markets MCP, OceanSaver, Catch Solar and Scatec Solar are involved in, have limited or no domestic market. That implies that a latency period for internationalization, where the firms establish a foothold in the home market, may not be necessary. Nevertheless, we see that all case firms except Boost Communications have the Born Global characteristic of first foreign entry within three years after establishment (McDougall & Oviatt, 2000; Rennie, 1993).

Close to its establishment, Scatec Solar continued to expand to different parts of the world. For OceanSaver China, Korea and Japan have been the most important markets since their first contract. T-VIPS mainly focused on markets in Europe in the beginning, but have customer spread around the world today. They have had at least 50 % international sales from the start. One year after their first sale, MCP had growth beyond Europe and established a sales office in Miami. So, these four companies have been global early after their first sale. Four years after establishment, Mobiletech had their international breakthrough with more than 50% of their profit coming from foreign countries. Boost Communications is the only company that did not gain a global or international position within three years, and their international sales have still not reached 50 % of total sales, which was one of the criteria presented for Born Globals (Gabrielsson & Kirpalani, 2004). In accordance with Burgel and Murray (2000), all the case firms have had several different entries within the same year. Catch Solar seem to follow the same pattern as they already have many international inquiries.

Based on this we state that the case firms have had a fast pace of internationalization. Because four of the companies operate in an industry with a customer base almost non-existing in Norway, they need to sell internationally. So, for these firm the fast pace of internationalization is a consequence of the fact that they started international operations before or along with domestic sales, as stated by Luostarinen and Gabrielsson (2006). The reason for why Boost Communications still not has achieved a global position can be because the Norwegian market is more attractive for them than for the other case firms. This may also be part of the reason for why Mobiletech used four years to gain a global position, but for them it was also due to that they waited for market maturity. The assets of Scatec AS may have contributed to the early internationalization that Scatec Solar have had.

### 6.1.7 SUMMARY OF THE INTERNATIONAL ENTRY STRATEGIES

Several of the Born Global characteristics described throughout the literature review are consistent with our case companies. The strategy formation is more emergent than deliberate, which reflects that they are innovative and flexible to market changes. They are all

proactive as they have an aggressive attitude towards identifying and exploiting foreign market opportunities. The case firms have expanded internationally regardless of the distance issue. Opportunistic market selection is seen more prominent for the case firms, but they become more systematic as they gain more resources. The firms seem to undertake diversification strategies country markets. Regarding the customer segments the firms have mostly concentration strategies in the beginning and later more diversification strategies. The firms use different and several entry modes, but entry modes with high commitment are mostly avoided. Initially is direct export seen evident for the firms, and as the firms have grown and gained market share, they have a larger tendency to use medium and high entry modes. They display a fast pace of internationalization, as they both internationalized early and quickly in terms of several markets in relatively short time span. Noticeably, several of the firms have insignificant home markets.

## 6.2 THE INFLUENCE FROM THE FOUNDER TEAM ON INTERNATIONAL ENTRY STRATEGIES

Firstly the characteristics of the founders are described, and then we discuss how the founders affect the international entry strategies with regard to the literature and the empirical data.

### 6.2.1 FOUNDER CHARACTERISTICS

#### 6.2.1.1 GENERAL CHARACTERISTICS

All the founders of our case companies have taken higher education, as suggested by Barringer, Jones and Neubaum (2005). Also consistent with our suggestion in the literature review, the founders of Catch Solar and MCP are middle-aged. These characteristics have probably enabled industry relevant knowledge, and contributed to their ability to recognize business opportunities in foreign markets. The founder team of Mobiletech consisted of five middle-aged persons and two persons in their twenties. The fact that they were a bigger team may have been beneficial in terms of more experience and larger networks. Further, it may have been an additional benefit that the team consisted of people at different ages, as that could have provided diversity to the team. Overall, we have found that the founders of the case companies are highly educated and most of them are middle-aged, which is in accordance with the literature.

#### 6.2.1.2 EXPERIENCE

The founders of all the case firms are strong entrepreneurs with prominent industry specific experience. They all started business in the same industry as some or all of the founders' earlier work places were operating in, as Westhead, Wright and Ucbasaran (2001) suggested. MCP used their knowledge with remote support from Ericson to provide communications at sea, while Catch Solar further developed the idea from Solarnor of using water instead of glycol in solar collectors. Mobiletech exploited their experience both from Telenor and EDB Business Partner, in terms of understanding challenges in the mobile world and how to develop scalable and mobile based software.

In accordance with several researchers (Crick & Jones, 2000; Madsen & Servais, 1997; McDougall, Shane & Oviatt, 1994), Catch Solar and Scatec Solar had also from earlier work places gained international business experience. The founder of Catch Solar was convinced that his experience from PGG Industries as division leader in Scandinavia and Europe have affected his way of thinking in international business. Only one member of the founder team in Mobiletech had substantial international business experience, and none from MCP.

So it is more prominent that the founders of the case firms have industry specific experience rather than international business experience, which is not in accordance with (McDougall, Shane & Oviatt, 1994; Crick & Jones, 2000; Madsen & Servais, 1997). Because the offerings of the case firms are highly technological and many of the founders have technological backgrounds, they may be focused more on technical aspects of the product, instead of marketing and distribution. The business representatives also stressed the importance of the industry specific experience. They could have compensated for the international business experience with their industry specific experience, since their offerings are global of nature. *So, the answer to Q1.1 is no because industry specific experience, rather than international business experience, has been most important for internationalization of our case firms.*

#### 6.2.1.3 NETWORK

Since Scatec Solar was founded by the investment company Scatec AS, which is owned by the high profiled Alf Bjørseth, they had a large network. Mobiletech and MCP had some network contacts from their earlier employments, but it was limited in an international sense. This contradicts Barringer, Jones and Neubaum (2005) who claimed it to be typical to have a substantial amount of industry contacts when founders started business in the same industry as they were previously employed. Catch Solar have used network contacts to spread information, and stated that it will be more important to make use of in the future.

#### 6.2.1.4 INTERNATIONAL ORIENTATION

All the founders did have a global vision from the beginning, and since three of the four case companies immediately targeted international markets, they can be said to consider international markets as open and exploitable. With Mobiletech focusing on their home

market and other physic close markets at first, it can be questioned if they have a lower international orientation than the others. However, it is likely that other factors affected their later internationalization, for instance that they strategically wanted to wait for maturity in the more distant markets before they entered them, and Mobiletech may therefore not necessarily have a lower international orientation than the other case companies. They did see themselves as a Born Global firm, and had ambitions for internationalization from the start-up. So, all the case companies have had a relatively strong international orientation from their start-up.

### 6.2.2 THE EXPERIENCE AND INTERNATIONAL ORIENTATION OF THE FOUNDERS IS CRUCIAL FOR A FAST PACE OF INTERNATIONALIZATION

With three of the four relevant firms being international from inception, and one relatively shortly thereafter, they have all been acknowledged to have a fast pace of internationalization and we will here discuss the influence from the experience and international orientation of the founders.

Some of the founders' had built up international business experience before firm establishment. Scatec Solar and Catch Solar had substantial experience in doing international business, and that may have contributed to their early internationalization, as Rialp, Rialp and Knight (2005) stated. Mobiletech did also have international business experience, but to a lower degree, since it was only through one of the members of the founder team. Nevertheless, the foreign market knowledge gained through the international experience that he had, have helped them to enter foreign markets rapidly. Also, the international experience that Scatec AS (or Alf Bjørseth) possesses has given Scatec Solar an advantage in exploiting key markets in the solar industry. The case firms did not need to wait for organizational learning before entering the markets, which support the suggestion by (Laanti, Gabrielsson & Gabrielsson, 2007). Based on the findings, international business experience affects the pace of internationalization for several of the case firms, as seen in the literature.

We have earlier argued that the influence from the industry specific experience of the founders is even more prominent for our case firms than international business experience,

yet this was not highlighted in the literature. The founders of MCP saw the field of telecommunications at sea as a Greenfield market, and with their experience from Ericsson they were able to provide a product targeting this market. Their industry specific experience has been necessary for product development, leading to a global product that is placed in several markets. Similarly, the technological experience was important for Mobiletech. All the case firms highlighted the importance of having experience from the industry that they operate in, in order to understand the business. As of these findings, industry and international business experience seems to have played a crucial role for the early internationalization.

The founders' international orientation is also seen important for the pace of internationalization. All the founders did have a global vision from the beginning and that may have enabled their earlier internationalization, as suggested by several researchers in the literature (Laanti, Gabrielsson & Gabrielsson, 2007; Rialp, Rialp & Knight, 2005; Rialp-Criado, Galvan-Sanchez & Suarez-Ortega, 2010; Zucchella, Palamara & Denicolai, 2007). With their international orientation they typically see international markets as open and exploitable, and that contributes them to exploiting the international potential. In addition, the founders of the case companies may be less risk averse as a consequence of their international orientation, which also can contribute to a faster pace of internationalization, as Acedo and Jones (2007) suggested. However, their international orientation may be a consequence of the fact that the markets and products are highly global. In this way, market and product characteristics may be important underlying factors for early internationalization.

Based on the previous, the founders are crucial for the fast pace of internationalization. We stated earlier that the literature focused on the international business experience rather than industry specific to explain a fast pace of internationalization. However, we stress the importance that the market knowledge can explain the fast pace of internationalization as described in literature (Autio, Almeida & Sapienza, 2000; Knight & Cavusgil, 2004; Oviatt & McDougall, 1994), and this can be gained through both international and industry specific

experience. *In conclusion, the experience of the founders is crucial for the firms' rapid pace of internationalization. Since the industry specific experience is seen more important than international business experience for a fast pace of internationalization, we find contradiction for Q1.3. Also, we do find support Q1.7; the international orientation of the founder team is important for a fast pace of internationalization.*

### 6.2.3 THE FOUNDERS HAVE MINIMAL INFLUENCE ON THE CHOICE OF ENTRY

#### MODE

There are opposite suggestions in the literature about the influence from the founders' international business experience on the choice of entry mode. MCP and Catch Solar are the two companies that do or plan to sell their products through intermediaries, but they are not seen to have more international experience than the other firms. Therefore, we do not find any support for the findings presented by Burgel and Murray (2000); that international business experience may lead to less use of intermediaries. Also when considering the entry mode choice more generally, and not only considering use of intermediaries, we do not for our case firms find any relations to the founder experience. This is in accordance with the findings from Moen, Gavlen and Endresen (2004), as the firms choose one entry mode in one market and a different one in another similar market. The choice of entry mode may rather be subject to product factors. Exporting through distributors is a less suitable entry mode for Mobiletech and Scatec Solar because of product factors. They have highly customized offerings and have interaction with the customers, and thus prefer direct export to maintain high control.

Scatec Solar had the most prominent founder network and they have established strategic alliances with some of these network contacts. So their founder network may have eased the process of finding relevant partners and possibly led to acquisition of specific subsidiaries. From these findings we can support the suggestion by several researchers (Coviello & Munro, 1997; Moen, Gavlen & Endresen, 2004); that the network contacts of the companies influence the choice of entry in terms of including network contacts in the entry mode chosen. However, it can only be observed for one firm since the others did not have substantial networks. Yet, the founder network does not directly affect the firms' preference



for high or low commitment or control. Rather, the network may be more important for the market selection choice. The case companies have entered markets in which they have network contacts, which is in accordance with other suggestions from Coviello and Munro (1997) and Moen, Gavlen and Endresen (2004). For instance, the founders of Mobiletech targeted the Swedish market after hiring an earlier fellow student so that he could work with that particular market.

Since we have found that our case firms have a high international orientation and use a variety of entry modes, there may be no connection between the aspects. On the other hand, since the case firms are internationally oriented and highly explore possibilities abroad, they can be more motivated and have an eager to attain a strong position in foreign markets, which can lead to more use of high commitment entry modes, as Laanti, Gabrielsson and Gabrielsson (2007) suggested. However, we do not have substantial empirical data that confirms this. The choice of entry mode seems rather to be affected by market- and product characteristics for these case firms.

Overall, it is seen that the investigated founder characteristics have minimal influence on the decision of which entry mode to use. *The answer to Q1.4 is thus; the founder network has some, but limited influence on the entry mode since it enables using network contact in their entry mode. We cannot clearly answer Q1.6, since we cannot confirm the influence from the international orientation of the founders on the entry mode. The answer to Q1.2 is no, the founders' experience does not seem to have any influence on the entry mode decision.*

#### 6.2.4 THE NETWORK OF THE FOUNDERS IS NOT CRUCIAL FOR THE PACE OF INTERNATIONALIZATION

Scatec Solar has become more recognized in the market because of Alf Bjørseth, and this has resulted in that possible customers have taken them as a greater actor than they actually were. Because of the more quickly recognition, the network of Scatec Solar has therefore led to a faster pace of internationalization. In contrast, Mobiletech did not have a substantial international network, and used longer time before they internationalized than the other case firms. Based on the findings from these two companies, we may support that network is a

vital factor to facilitate early internationalization of start-up firms, as several researchers have found (Ibeh & Kasem, 2011; Oviatt, McDougall & Loper, 1995; Rialp, Rialp & Knight, 2005; Zahra & George, 2002; Zucchella, Palamara & Denicolai, 2007). However, it is not necessarily the lack of network that led to the slightly slower pace of internationalization for Mobiletech, as they strategically waited for market maturity. Neither MCP had a mature founder network, but they were able to internationalize early despite of their lack of a large and dense network. They did however express that if they earlier got hold on the right contacts they could have internationalized at a faster pace. Consequently, they recognized the need to build a network throughout the initial founder network to be able to successfully exploit several more markets. Mobiletech have seen the usefulness in hiring people with network they could further utilize, and from there build a larger network. For example they hired a Swedish fellow student of the founders to further use his contacts to penetrate the Swedish market. This illustrates that since both Mobiletech and MCP did not have a substantial founder network it has been essential to develop relationships throughout their initial network, which coincides with Coviello and Munro (1997).

Since most of the case companies have had an early and rapid pace of internationalization without extensive use of network contacts, the lack of network has not contributed to a slower pace. *So, our case findings indicate that the network is not crucial for the pace of internationalization, which does not support Q1.5.* However, the business representatives believed that if they had a larger network they could more rapidly have reached several markets. So, if a firm possesses a large founder network, it can enable a fast pace of internationalization, and if not, further developing the network is therefore important.

#### 6.2.5 SUMMARY OF THE INFLUENCE FROM THE FOUNDER TEAM

We have with the empirical data supported the literature findings stating that the pace of internationalization is strongly influenced by the founders in terms of their experience and international orientation. Those factors seem to have made them to more rapidly use their market knowledge and exploit the international potential. The industry specific experience has been seen most influential and more prominent than the international business

experience, while the opposite was suggested in theory. The founder network has had minimal influence for the case firms on the pace of internationalization, which contradicts the literature. However, several of the firms had limited networks to utilize, so if they had a larger network of contacts, it could also have contributed to a rapid pace of internationalization. The choice of entry mode has minimal influence from the founders' experience, network and international orientation.

Based on these findings, we can support our hypothesis H1 that was based on the literature findings for the influence from the market; *founder teams are more influential for the pace of internationalization than the entry mode.*

## 6.3 THE INFLUENCE FROM THE MARKET ON INTERNATIONAL ENTRY STRATEGIES

Firstly the characteristics of the market in which the case firms operate are described, and then we discuss how the market affects the international entry strategies.

### 6.3.1 MARKET CHARACTERISTICS

The case firms operate in international industries. They target relatively small markets, namely niche markets, which is in accordance with several researchers (Cavusgil, 1994; Bloodgood, Sapienza & Almeida, 1996; Keeble et al., 1998; Knight & Cavusgil, 2004; Moen, 2002; Knight, Madsen & Servais, 2004). Boost Communications operate in a highly attractive industry, as it has been a tremendous growth in the mobile web market. The market in which MCP operates has matured, but there is still large potential, both for new customer segments and for the mobile content usage among existing customers. For OceanSaver has the market been highly attractive since their start-up and will continue to be that for the coming years, due to the convention stating that all ships shall install the type of system that they provide. The domestic conditions vary among the firms, and the Norwegian market for OceanSaver and MCP is considered almost non-existing.

When there is large market potential, several firms typically enter the market to exploit the opportunities, and that intensifies the competition. Boost Communications and T-VIPS are highly exposed to competition both nationally and internationally. The competition from Norwegian actors is small for MCP and OceanSaver. T-VIPS and MCP compete with larger actors, and it is challenging for them to cope with the competition since they have substantially less resources. Even though there are high entry barriers due to financial requirements in the industry that OceanSaver operates in, there is high competition. However, OceanSaver benefit from the fact that they have been in the market since the beginning. Yet, they have chosen to target market segments with less competition.

All the industries that the case firms operate in are exposed to environmental uncertainties. The threat of new technology is high for Boost Communications and MCP, and constitutes

a continuous change that they need to cope with. Also, T-VIPS and OceanSaver both pointed out that they were strongly affected by the financial crisis in 2009.

### 6.3.2 THE MARKET IS IMPORTANT FOR A FAST PACE OF INTERNATIONALIZATION

Limited domestic demand has been an important motivation for the internationalization of all the case firms, especially for the two companies that operate in industries with almost non-existing domestic market. That, together with the potentially higher demand in foreign markets, seems to have contributed to the rapid internationalization displayed by the case firms, as they all expressed that their key markets are abroad. This is in accordance with several researchers (Bell, Crick & Young, 2004; Westhead, Wright & Ucbasaran, 2001; Zahra & George, 2002). Also, there exist globalization factors that may have enabled them to distribute their offering worldwide faster, in which all the case firms have globally spread potential customers and they have fairly similar needs, as (Alahuhta, 1990) suggested. So, similar needs across countries, globally spread customers and limited domestic demand have contributed to the fast pace of internationalization of the case firms. *Thus, market characteristics are important for a fast pace of internationalization, which supports Q2.4.*

### 6.3.3 FAMILIARITY FACTORS ARE NOT IMPORTANT FOR THE CHOICE OF ENTRY

#### MODE

All the case firms provide their offering also in distant markets, meaning markets not similar to their home market. Compared to their home market there may be differences in supply, demand and uncertainty for the important markets of OceanSaver and Boost Communications, respectively Asia and Africa. The same may yield for T-VIPS and MCP with USA. This contradicts the suggestions from Davidson (1983) who said that these differences make these distant markets unattractive. All of the companies established sales offices in distant markets, so they dedicated high commitment entry modes in markets that are unfamiliar compared to their home market. This contradicts the general suggestion made by Stopford and Wells (1972), Johanson and Vahlne (1977) and Roberts and Senturia (1996). Based on the description of distance (4.3), this can be a result of the fact that the case firms target specific niche markets rather than geographic regions (Bell, 1995; Madsen, Rasmussen

& Servais, 2000). Since Born Globals view the world as their marketplace (Baronchelli & Cassia, 2011), they may perceive the distance to markets as lower than other firms would have done.

According to Stopford and Wells (1972) and Johanson and Vahlne (1977), market knowledge is the reason for why firms may prefer low commitment entry modes for unfamiliar markets. It is required less country specific market knowledge when Born Globals enter new markets, because of the driving forces of their own existence; technological developments, market conditions and capabilities of people (Madsen & Servais, 1997). Madsen and Servais (1997) also stated that Born Globals often have prior knowledge about the international marketplace, and we have earlier confirmed that the firms especially use the former experience of the founders to gain market knowledge. Also, all the case companies do market analysis to further increase their market knowledge.

All of this coincides with what we suggested in the literature; the finding from the study done by Stopford and Wells (1972) and Johanson and Vahlne (1977) does not yield for Born Globals. Born Globals do not necessarily favor low commitment entry modes if the location unfamiliarity is great, because they easier attain the market knowledge required and view the world as their market place. Rather, if the market is essential for the firm, the farther away it is, the more resources is committed. The important markets would have been easier to serve if they were less distant, and then it may not have been necessary with high commitment entry modes. T-VIPS and MCP established sales office in USA to be close to the customers there, because they were important. OceanSaver and Boost Communications also consider the markets in Asia and Africa respectively as important. So, given an important market, they commit more resources, especially if the market is distant. If the market is unfamiliar it is also easier to gain market knowledge after dedicating a higher commitment entry mode there.

*In conclusion we can support Q2.3: the choice of entry mode for Born Globals is not determined by familiarity factors. And we have also seen that;*

**Market importance appeals for higher commitment entry modes.**

#### 6.3.4 MARKET CHARACTERISTICS ARE IMPORTANT FOR WHICH MARKETS TO TARGET

All the firms stress the importance of the market, and they all adjust their strategies to changes in it. So, overall it is reason to believe that the market is determinant for the international entry strategies, and especially the choice of which markets to enter. Even though we in the literature did not assess the effect from the market on the choice of which markets to target, we have seen this connection for the case firms, both in terms of which country markets and market segments they target.

Naturally, firms want to sell in markets where they have most potential for sale, and Boost Communications pointed out that the competition and market potential is determinant for the market selection in terms of which countries they target. They do not enter markets where the market potential is limited, like in Malaysia, or where the competition is high, like in India where many other actors can deliver similar services to a lower price. T-VIPS stated that market potential and market imbalances affect where they operate. Because OceanSaver have focused on less competitive market segments, we can say that the competition is a factor that they consider before entering a market.

Boost Communications and OceanSaver have shown that environmental changes may affect their market selection, in terms of which segments to target. The burst of the dot-com bubble made the market for Web-based solutions less attractive, and Boost Communications chose to focus on SMS-solutions instead. Because of the financial crisis, OceanSaver changed focus from one market segment to another.

*So, we see that market characteristics like competition, market potential and environmental changes are determinant for which markets the case firms choose to enter.*

#### 6.3.5 TRIVIAL FINDINGS

Our findings do not clearly state the effect from competition in terms of level of commitment on the choice of entry mode. All the case firms operate in markets that are highly competitive. T-VIPS have reacted on the heavy competition from larger actors like

Cisco by focusing their resources on that particular market, and we interpret that it implies dedicating more commitment in the entry mode. They believe that they must put other markets on hold to stand a chance against the competition and win market share. From this we see that the more competition in a market the more resources are committed in that market, which is the opposite of the findings from Lin (2000). The impact is however questioned as we only based it on empirical data for one of the four relevant case companies. *The answer to Q2.2 seems to be no because competitiveness in a market may rather appeal for high commitment entry modes, but we cannot clearly confirm this.* At the same time this may also reflect what we stated in the above paragraph; market importance appeals for higher commitment entry modes. Despite very intense competition, T-VIPS have used high commitment entry modes because of the importance of that particular market.

Also, the findings about the influence from the market on the dimensions of market selection are uncertain. Daniels, Radebaugh and Sullivan (2009) suggested that market characteristics like growth rate and sales stability may affect whether a firm performs a diversification or a concentration strategy. OceanSaver focus on the markets in China, Korea and Japan for the customer segment consisting of yards, and that illustrates a concentration strategy. This may be preferable as 90 % of all shipbuilding is actually located in Asia. So, since the sales in Asia are stable, we may therefore find consistency for the suggestion that sales stability results in a concentration strategy. However, the focus on these markets can also be due to lack of other alternatives as these are the key markets and the potential in other markets is limited. For the other firms we do not find any data that supports this, *so to answer Q2.1; it does seem like that the market does not strongly influence the dimensions of market selection.*

### 6.3.6 SUMMARY OF THE INFLUENCE FROM THE MARKET

Market characteristics including limited domestic demand, similar needs across countries and global customers are important for pace of internationalization, which coincides with the literature. The entry mode decision is not determined by familiarity factors as the firms do not necessarily favor low commitment entry modes if the location unfamiliarity is great. This was also seen for Born Global firms from theory. The level of competition may also affect



the choice of entry mode, but the importance of the market seems to have a higher influence as it appeals for high commitment entry modes. So the influence on entry mode is somewhat lower than what we expected from the literature. There were few empirical findings regarding the influence from the market on the identified market selection dimensions, as also seen in the literature. However, we found that the market characteristics competition, market potential and environmental changes affect the market selection decision for which countries and segments to target.

All in all, our findings coincide with the literature findings that market characteristics are most influential on the pace of internationalization. However, we cannot confirm that the effect from the market on the entry mode is larger than the effect on the dimensions of market selection. Thus we can only partly support the hypothesis formed by the literature finding about the influence from the market; *Market characteristics are more influential for the entry mode and pace of internationalization than the dimensions of market selection dimensions (H2).*

## 6.4 THE INFLUENCE FROM PRODUCT CHARACTERISTICS ON INTERNATIONAL ENTRY STRATEGIES

In the following, the case study findings regarding the influence from product characteristics on the international entry strategies are discussed, but firstly the product characteristics are shortly described.

### 6.4.1 THE PRODUCT

The case firms offer global high-technology niche products. They all have limited domestic market potential in their niche markets, with the domestic market for MCP and OceanSaver being almost non-existing, and thus they needed to expand internationally. Further, the products are highly complex, not highly customized, and are or have been innovative.

### 6.4.2 THE COMPLEXITY OF THE PRODUCT AFFECTS THE LEVEL OF CONTROL IN THE ENTRY MODE

The product that OceanSaver offer is highly complex and they mostly use direct sales from their office in Drammen because they hold most knowledge about their product themselves. They find it difficult to make their agents use sufficient resources on getting decisive insight about their system, and they do not trust all their agents. So, with these reasons for preferring high control entry modes, we find consistency with the suggestion from Zahra, Ireland and Hitt (2000), that high-control modes are preferable for products which require technological learning. MCP, T-VIPS and Boost Communications also have complex products. They use, and probably prefer, the high control entry modes direct export and sales offices. MCP does however prefer low commitment entry modes when the partners possess more ingoing relevant knowledge. So if the partners have considerable industry knowledge, they do not necessarily favor high control entry modes when offering complex products. T-VIPS also use low control entry modes by using partner networks because it is an efficient way of distributing their products around the world. In other words, the product appeals for this particular choice of entry mode. So even if the product complexity appeals

for high control entry modes, the product generally favors one particular entry mode, namely using partners for T-VIPS, as that is most efficient for distributing their product.

So, all the case companies offer highly complex products and high control is primarily preferable for all the firms. The complexity of the product seems to have resulted in that firms perform more tasks internally to have control over the knowledge transfer process, thus reduce the use of intermediaries, which coincide with the findings from Madsen, Moen and Hammervold (2011). Yet, the product is seen to appeal for one specific entry mode, so that also lower commitment entry modes are used. *In conclusion, we answer Q3.2 by stating that complex products appeal for high control entry modes.*

#### 6.4.3 PRODUCT INNOVATIVENESS ENABLES A FAST PACE OF INTERNATIONALIZATION

OceanSaver can be said to offer the most innovative product since they early introduced their product on the market, and thus entered the market in an early phase of the product life cycle. At that time, there were few others with this type of system, and in that sense, the product was quite innovative. T-VIPS is also innovative, which can be illustrated the first company to introduce JPEG2000, a video transport solution, and today they are market leader in that segment. The fact that few others than OceanSaver and T-VIPS could provide the market with their offering, may have given them the possibility to reach potential customers more quickly and then establish a customer base before other actors entered the market. From this they did benefit from first-mover advantages described by Klepper (1997).

MCP offer products that were innovative at the time of launch, but not as much today as the market has matured with the product life cycle. Also the innovativeness of MCPs product may have accelerated their pace of internationalization, as there were few actors on the market at the time of their launch. Since the product now is more mature and with many customers already have an equivalent installation on their ship, it may result in challenges for MCP and their further expansion. It may be harder to reach new customers and they illustrate that many actors need to lower their revenue shares to cope with the competition. However, MCP seems to have gained a certain position in the market, which contributes to

ensuring that they stay in the game. Some of the products that Boost Communications offer are also innovative, with them being at the forefront with their do-it-yourself mobile ad maker. However, the fact that they focus on being unique with the combinations of products they offer, rather than product itself, illustrates that they might not be innovative to the same extent as the other case firms. Still, they stress the importance of keeping up with technology changes in the industry.

So, all the case firms are or have been innovative. At the time of launch, OceanSaver, MCP and T-VIPS were highly innovative, which is associated with their early entering in the markets, and this may have enabled their fast pace of internationalization. They have all reached several markets within a relatively short time span. We have argued that Boost Communications are slightly less innovative than the other firms, and they also have had a slower pace of internationalization. *So we do support Q3.5, which states that innovative products appeal for a fast pace of internationalization.* This is in accordance with the suggestion from several researchers (Knight & Cavusgil, 2004, Madsen & Servais, 1997, Rennie, 1993, Zahra & George, 2002; Baronchelli & Cassia, 2011). Additionally, all the products offered by the case firms are highly global, which means that they have potential to be sold over a broad geographic scope relatively fast without large organizational or production related issues, hence contributing to a fast pace of internationalization.

#### 6.4.4 GLOBAL NICHE PRODUCTS APPEAL FOR DIVERSIFICATION STRATEGIES

All the case firms serve niche markets and perform diversification strategies, so we may find consistency for the suggestion that niche products appeal for serving several markets (Luostarinen & Gabrielsson, 2006). Also, all of the products are global, which may imply that the product can be sold to several markets around the world. So, we do see that product characteristics of Born Globals may appeal for a diversification strategy. However, we did not find any influences from product characteristics on the other dimension of market selection, which was also the case in literature. *In conclusion, we support Q3.1 since the product characteristics influence the market selection strategy in terms of the preference for diversification. However, the*

*empirical data cannot confirm the influence from the product on the preference for opportunistic or systematic market selection.*

#### 6.4.5 INNOVATIVENESS AS A PRODUCT CHARACTERISTIC DOES NOT INFLUENCE THE CHOICE OF ENTRY MODE

The literature suggested that the entry mode decision is affected by the liability of alieness issue again may be affected by product innovation. To address these relationships the actions of the case firms regarding the liability issue will be addressed. With the OEM agreement T-VIPS had with Tandberg Television, they used a well-known firm to distribute their product worldwide. In addition, they use partners who have ingoing knowledge about the relevant market(s). It may be more preferable for the customers to have contact with these partners, which probably are local or well known for the customers in the respective markets, rather than with T-VIPS itself as a foreign company. Both actions might have prevented the problem of liability of alieness. However, it is not necessarily the reason for why they use partners, as it for example is considered as an efficient way to distribute their offering around the world.

OceanSaver have used well known agents who have a certain position in the relevant markets to promote their products and be in contact with the customers on a daily basis. Many of the transactions in China go through their agent, since some Chinese are uncomfortable with dealing with foreign actors. So the use of agents has probably eased the business in some markets, and increased the customer base as customers often prefer known or local suppliers. However, OceanSaver has heavily worked with branding to become more recognized in the most important markets, and in that way reduce the liability issue.

MCP also use partners, but the reason for this is to make use of their knowledge or resources, not necessarily to build up customer confidence. Having Telenor as owner might have helped them to become a more well-known actor in the market, and in that way reduced the liability of alieness. Boost Communications is the only one of these four case

firms that does not seem to have any issues with this liability or that have not done anything that prevents it.

Findings from the case studies indicate that the use of local or well-known partners is prominent. Additionally, all of the case firms have established sales offices, and that may gradually prevent the liability issue. So, based on our findings, we agree with Madsen (2011) that use of intermediaries that are known by the customers have probably helped the case firms to overcome the liability issue. However, it was conflicting findings from the literature of if the product innovativeness enlarges or decreases the issue of liability of alienness, and we do not find arguments for any of them. The influence from innovativeness as a product characteristic remains unclear. *The answer to Q3.4 is thus no, innovative products do not necessarily give them a better chance of overcoming the liability of alienness, nor worsen the issue, and thus not significantly affecting the choice of entry mode.*

#### 6.4.6 TRIVIAL FINDINGS

Boost Communications and T-VIPS try to standardize their products as much as possible, but they also adapt their solutions to customers. The product and services provided by MCP require some customization and customer interaction since the system shall be delivered to different ships. The integrated system provided by OceanSaver needs flexibility, and hence it is believed that they do more tailoring than the other case companies. Their components are standardized, but the solutions are tailored to the different ships. However, they do not use entry modes that maintain more control than the other firms. Consequently, *we cannot confirm the suggestion from Burgel and Murray (2000) and Anderson and Gatignon (1986) that more customized products require high control entry modes, and thus we cannot clearly answer Q3.3.*

#### 6.4.7 SUMMARY OF THE INFLUENCE FROM THE PRODUCT

The choice of entry mode is affected by product characteristics since high control entry modes are preferable when offering highly complex products and the product may appeal for one specific entry mode. The pace of internationalization is also influenced by the product, as a fast pace is enabled by innovative products. The product influences the market

selection strategies because it is preferable with a diversification strategy when firms offer global niche products. All of this is in accordance with findings from the literature. Product innovativeness does not seem to influence on the entry mode choice, as it does not necessarily give them a better chance of overcoming the liability of alienness, or worsen the issue.

Based on the above, the choice of entry mode, rather than market selection strategies and the pace of internationalization, is more affected by the product. However, we cannot confirm that the product has more influence on the pace of internationalization than on the dimensions of market selection. Consequently, the hypothesis that was formed from the literature findings assessing the influence from the product; *product characteristics influence the entry mode more than the pace of internationalization, and again more than the dimensions of market selection (H3)*, can only be partly support.

## 6.5 REFLECTIONS OF THE INFLUENCE FROM FOUNDER TEAM, PRODUCT AND MARKET

Throughout the discussion it has been seen that the factors identified affect other dimensions of the strategies than those identified. Also, the factors in themselves rather than the identified characteristics of them affect the strategies. Here we discuss some of these findings to enrich the overall reflection of our problem statement.

The founders' influence on the market selection dimensions is not initially discussed. However, we see that if the founders have a large network, they can be pulled by their network contacts to specific markets, and thus undertake an opportunistic approach. The founders do for example decide how many, if any, resources they will use on systematic analyses, and hence they decide if the firms are penchant towards opportunistic or systematic market selection strategies.

It has been seen that both the market and founder teams influence which markets the firms choose to enter, which is an aspect of market selection not focused on in this thesis. The market affects both which country markets and market segments they target, with competition, market potential and environmental changes as influencing factors. For firms with random and opportunistic market selection strategies where they for instance answer to unsolicited orders, the market and its demand are determinant for which markets they enter. This yield especially for Catch Solar who only answer to unsolicited orders, and those orders are thus determinant for which customers they gain or markets they enter into. Additionally, all the firms are emergent and consequently adjust their strategies to market changes. From these findings it is seen that market conditions are determinant for which markets they enter. Founders also influence this choice through their experience and network. OceanSaver, Mobiletech and T-VIPS have entered markets where they have network contacts, and in addition have the choice of the first markets to target for T-VIPS been influenced by their knowledge and experience from earlier employments.



Despite that we did not find specific influences from the founder characteristics including experience, network and international orientation on the entry mode choice, we still believe that the founders are important for this choice since they are decision makers and set the path for their strategies. The choice of entry mode is a response to the perceived uncertainty and opportunities in the market (Lin, 2000), so that the choice depends on the preferences of the decision makers and also their risk perception. However, even if a firm decides to enter a foreign market, the form of entry itself is shaped by the competition conditions of the market (Lin, 2000).

### **Reflections of the factors in a time perspective**

Both according to the literature and the empirical data, the founder team is important. We will further consider this in relation to time, and ask us; *are the founder teams important early after establishment, with the product and market being more important later?*

The founder of Catch Solar, the newly established firm with less than ten employees, plays a crucial role as he constitutes almost the whole firm. As the firm grows in number of employees, other employees also affect the firm's strategies, which lower the influence from the founders. Since the case firm typically have around 30-50 employees today, the founders' influence on the strategies has declined since early after the establishment.

In four of the seven case firms, the present CEO was also founder, so they still have a critical role in the firm. For the other firms some of their founders still have an important role in the company, either as part of the management group or as technical staff. They influence the firm in terms of sharing their valuable knowledge, experience and eager for the business idea. MCP, one of the companies in which the present CEO has not been founder of the firm, stated that the founders still are important internal resources of the company, as they have invaluable technical experience.

As the firms grow in size and the more influences on the strategies arise, the market and product can become more important. However, the internal capabilities and product is crucial when they introduce their offering and they constantly need to consider their

environment. The innovativeness of the product is seen important for the early and rapid pace of internationalization. Also, the Born Globals often have an emergent strategy formation especially in the startup, so they highly adjust to market conditions and exploit opportunities that appear in the market.

To summarize, the founders are most important early after establishment since they are the decision makers and contribute with their network, experience and international orientation, but the market and the product is also important factors. Even though the founders' influence decline as more employees are hired, they still pose critical roles of the firm in terms of sharing their experience and eager for the business idea, and for some still be the decision makers.

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## 7 CONCLUSIONS AND IMPLICATIONS

### 7.1 CONCLUSION

In answering the research question *How do the founder team, product and market influence the international entry strategies of Born Global firms?*, we will introduce and explain figures that illustrate the influence from each of the three factors. The thickness of the arrows represents how important each factor is, for each of the type of international entry strategies, based on the findings in this study.

#### **The founders are crucial for a fast pace of internationalization**

As seen in Figure 3, the founders highly influence the international entry strategies in terms of pace of internationalization. Furthermore, their prior experience is the most influential factor. Their industry specific experience, rather than international business experience, has been prominent for the case firms and crucial for a fast pace of internationalization. It has also been affected by the firms' high international orientation and genuine entrepreneurial spirit. The influence from the founders is however not evident for the choice of entry mode. Also the influence from the founders' network has been prominent for the case firms, and thus we consider it less important than stated in the literature. We did find, though, that when doing business with contacts from the network, they may choose an entry mode that suits with that particular relation. However, several of the case firms had limited founder networks to utilize, so for firms with prominent networks it may contribute to a rapid pace of internationalization. International orientation may contribute to a preference of high commitment modes, but we have not been able to confirm that for our case firms. However, assuming that the founders are decision makers of the firm, they do have a general influence on the choice of entry mode and also which markets to target.

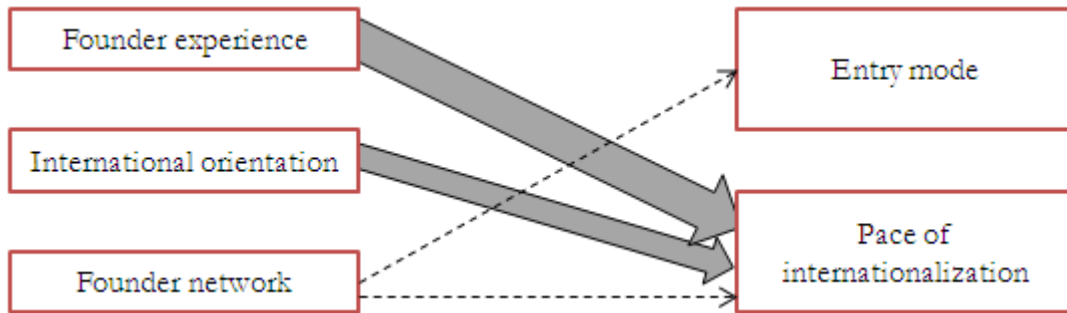


FIGURE 3: THE INFLUENCE FROM THE FOUNDERS

**The market is important to take into consideration, and characteristics of it can enable a fast pace of internationalization**

Figure 4 illustrates that the market influences the international entry strategies, both in terms of market selection dimensions, entry mode and pace of internationalization. The case firms are involved in highly global markets that are constantly changing, and they clearly adjust their strategies to these market factors. The market is most influential on the pace of internationalization of the firm, in which it is enabled by market characteristics like limited domestic demand, similar needs across countries and global customers.

The influence from the market is less prominent for the entry mode and the dimensions of market selection. The level of competition in the market may affect the level of commitment in the entry mode, and sales stability may result in a concentration strategy, but these findings are not prominent for our case firms. It was shown that the entry mode choice was more influenced by the importance of the market and particular customers in it. Rather than influencing the identified dimensions of the market selection, market characteristics seem to be of great importance for which markets the firms choose to enter. Especially market characteristics like competition, market potential and environmental changes affect the market selection decision for which countries and segments to target.

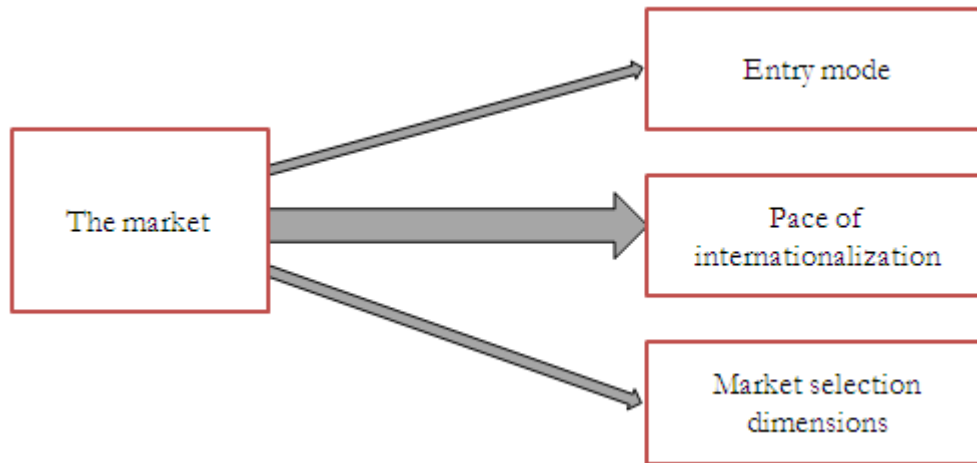


FIGURE 4: THE INFLUENCE FROM THE MARKET

### **The product influence all the identified dimensions of international entry strategies**

As seen in Figure 5, the product also influences all dimensions of international entry strategies identified. We have found that complex products favor high control entry modes and that the product can appeal for some specific entry modes. For example software products seems to appeal for direct export or establishing sale offices, while it is necessary to use partners to distribute video transport solutions. We have also found that global and niche products appeal for diversification strategies. Also, innovativeness as a product characteristic may result in first mover advantages, which contributes to a fast pace of internationalization. So we have identified specific characteristics that affect both the level of commitment, pace of internationalization and market selection dimensions, and since the product itself can appeal for a certain entry mode, the products may be more influential for the choice of entry mode.

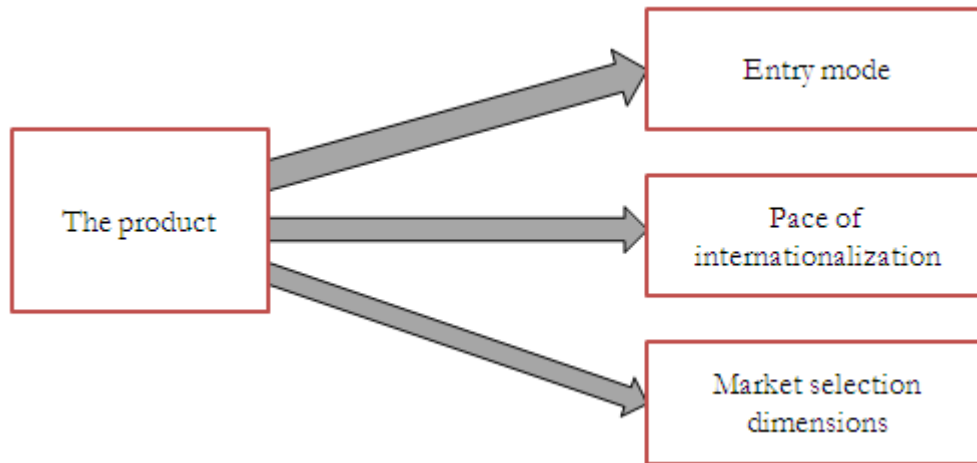


FIGURE 5: THE INFLUENCE FROM THE PRODUCT

In order to more specifically answer our research question we need to clarify how important the different factors are in relation to each other.

**The founder team has the strongest influence on the international entry strategies, while the market and product are important underlying factors**

It has been especially prominent in this study that the previous experience and international orientation of the founders result in increased market knowledge and a fast pace of internationalization for the firm, and thus the founder team is the most contributing factor to a fast pace of internationalization.

The preference for high or low commitment and control in the entry mode is more determined by the market and the product, rather than the founder characteristics we have identified. The product seems to have the strongest influence as it may appeal for specific entry modes. However, we have reflected over that the importance of certain markets or particular customers in that market is determinant for the entry mode, and since the founders are decision makers (at least early after establishment) and set path for their strategies, their preferences may also play a role for the choice of entry mode.

The dimensions of market selection are not highly influenced by any of the characteristics identified. Rather, we have seen that the market is important for the actual choice of which

markets and segments to enter, in terms of competition, market potential and environmental changes. At the same time, the founders are determinant for this entry decision as they are decision makers and have their own preferences based on their experience and network.

With this said, the different factors clearly affect the international entry strategies in different ways, but the founder team points out to be an especially important influencing factor. It seems like that the market space provides the opportunity for globalization, the product sets its boundaries for the strategies that a firm can perform, and the founders (and later also managers) provide the means for globalization. So the market and product serve as underlying factors for internationalization. However, since the founders (and managers) take the market and the product into consideration and then set the path for the strategies, we believe that they are of greatest influence from the factors identified in this thesis. Since managers within the same industry can view their environments differently, which can lead to significant different strategies, it emphasizes the importance of the founders and their experience and preferences. We have also argued that they are highly influential also later, in terms of sharing their valuable experience and knowledge and eager for the business idea. Since the market is constantly in change and taken into account when setting international entry strategies, we believe that it is more important than the product.

## 7.2 IMPLICATIONS

### 7.2.1 IMPLICATIONS FOR BUSINESS MANAGERS

Managers should be aware of the effects from the different factors assessed in this study, as they are shown to affect the firm's international entry strategies in different ways. The findings of our study stress the importance of the market and product as important underlying factors for internationalization. Since the market is in constant change, business managers should stress the importance of constantly gaining market knowledge and adapt to changes in the market. This can imply dedicating more resources for market analysis and constantly monitoring the market. When investing in market analysis, they should acquire information about those market characteristics that are critical for success, and therefore it is important to know the effect from the different characteristics. When planning which entry modes to use, managers should take into account that the product may appeal for one specific entry mode, and make most use of this particular mode as it may increase the efficiency of the distribution process. Also, they should take into account that complex products appeal for higher commitment entry modes.

Some of the factors identified can be subject to change from the managers while others are more given. The product is mainly given after product development, so while they still can change the product it can be valuable for the founders to increase their knowledge of its influences on the entry strategies. In that way they can understand the boundaries that the product sets and find a best fit with their desirable goals and strategies. For example if their goal is a broad global outreach, a global niche product will be suitable. Market characteristics are also given, but the firm chooses which markets to enter. In this way, they can choose which market characteristics their strategies are to be subject to, and thus choose markets with the market characteristics that best cope with their desirable strategies.

On the other hand, it is easier to form the founder team. Since we found that the founder team especially with its experience and international orientation can contribute to a fast pace of internationalization, the founder team composition is crucial, and we are led to the question; *Should people forming start-up companies pay more attention to the characteristics of the*



*individuals that they gather to form the founder team, to become more successful?* According to the importance of the founders argued in this study, it may be beneficial to do so. They should include individuals in their founder team who possess the desirable characteristics. Our study implies that the founders' experience and international orientation is crucial for a fast pace of internationalization, so this particular factor should be emphasized in the assessment. However, this may be difficult in practice because, as we have seen with our cases, the formation of the founder team often is of an emergent character and subject to their networks and random events. These people typically have a vision and an excitement for the establishment and business idea that is invaluable, no matter how their characteristics are. It may be easier for investment companies or board of directors to cope with, in which they actually gather a team rather than letting it emerge. However, paying attention to both aspects may be beneficial and in conformity with each other. It can provide a founder team that both has excitement and motivation for the business idea and the appropriate experience and network. Anyways, with knowledge about the characteristics of the founders it becomes easier for managers to understand and predict how they affect the international entry strategies of the firms, from which they can draw crucial success factors.

The implications from our study applicable for founders can be extended to also yielding managers, and be useful either when hiring new ones, or to increase awareness of the current composition of managers. Since the experience and international orientation is crucial for a fast pace of internationalization and management teams can be composed, stakeholders of a firm can actually influence the pace of internationalization by composing management team with ingoing industry specific and international business experience and a high international orientation. Also when considering investing in other subsidiaries or so, it can be valuable to assess the characteristics of relevant partners to value its contribution for the success of its own firm. We also advise managers to focus on further elaborating their network since it was found important for the firms that had limited founder network, and it will probably enable them to exploit more markets successfully.

To summarize, we advise business managers to;

- Take into account that the product may appeal for one specific entry mode or a certain level of control
- Constantly gain market knowledge and adapt to market changes
- Acknowledge how the market characteristics affect their strategies when choosing which markets to enter
- Increase the awareness of the founder characteristics to fully utilize their capabilities
- When composing founder teams, take the founder characteristics into consideration to find a team that possess the desirable characteristics
- When composing a management team, compose a team with ingoing industry specific and international business experience if a rapid pace of internationalization is desirable

### 7.2.2 IMPLICATIONS FOR FURTHER RESEARCH

As stated earlier, several researchers have stated that the internal capabilities of a firm is seen important for entry in foreign markets (Autio, Sapienza & Almeida, 2000; Oviatt & McDougall, 1994; Zahra, Ireland & Hitt, 2000), and industrial and environmental factors are critical factors for new ventures' globalization (Bloodgood, Sapienza & Almeida, 1996; Knight, 2000; Knight & Cavusgil, 1996; Moen, 2002; Rasmussen, Madsen & Evangelista, 2001; Roberts & Senturia, 1996). However, not many researchers have focused on the area of how these characteristics affect the international entry strategies, so we will here point out implications from our study for further research to elaborate this area of research.

Some of the findings were not in coherence with the literature, and it could therefore be useful for researchers to focus on these areas to further invalidate or verify the findings. As the effects from founders' network were seen less important than what has been seen in other studies, it should be investigated how important founder network actually is for the performed international entry strategies, and especially whether the network affects the pace of internationalization since this was seen strongly influential. We also call for a study of the

market characteristics' effect on entry mode as we found that the influence was uncertain or non-existent while theory considered it more prominent. From this is the influence from competition especially interesting to investigate since we found some relations between high competition and high entry modes. Larger samples should also be considered to increase the domain for the generalization of the findings. For example, the importance of industry specific experience for Born Global firms should be investigated with a larger sample, as it was seen more important for our case firms than what was stated in the literature.

We suggest that others should assess the influence from the market and the founder team on the choice of which markets to enter, as we have seen that there is a connection, without thoroughly assessing it. We found that market characteristics like competition, market potential and environmental changes may affect this decision. We also believe founders' network to be important in the sense that it affects the choice of which markets to target.

An interesting discussion for other researchers to focus more specifically on is if the founders is crucial from the start-up and with the market and product becoming increasingly important over time. We did find that the founders all still had an important role for the case firms with many of them still are highly influential on the firms' strategies. But as the firms grew in size their importance decreased as the influence from others in the firm have arisen. It could therefore be enlightening to further investigate if and when it is most beneficial for the founders to let others take the lead in the company.

As we have put the founder team perspective together with market and product perspectives, it has enriched the insight to the understanding of Born Globals internationalization strategies. However, it may be useful to understand other characteristics and factors that could affect these strategies to gain a more holistic view of internal and external factors. It could therefore be interesting to include more internal effects like management team, board of directors, the financial strength or other firm characteristics. Also, external factors like government policies, regulations in the market, economic conditions, and the risk related to each market, can be included in other studies.

As a summary, we recommend other researchers to assess the following areas:

- The influence from the founder network on international entry strategies
- The influence from the market on the choice of entry mode
- The influence from the founders, market and product on the choice of which markets to enter
- How the founders' influence on the strategies decline with time

### 7.3 CONCLUDING REMARKS

Figure 4 provide an overall and concluding illustration for this study and is a combination of the figures earlier described. (The colors are not of any significance, it is only to distinguish the different factors from each other.)

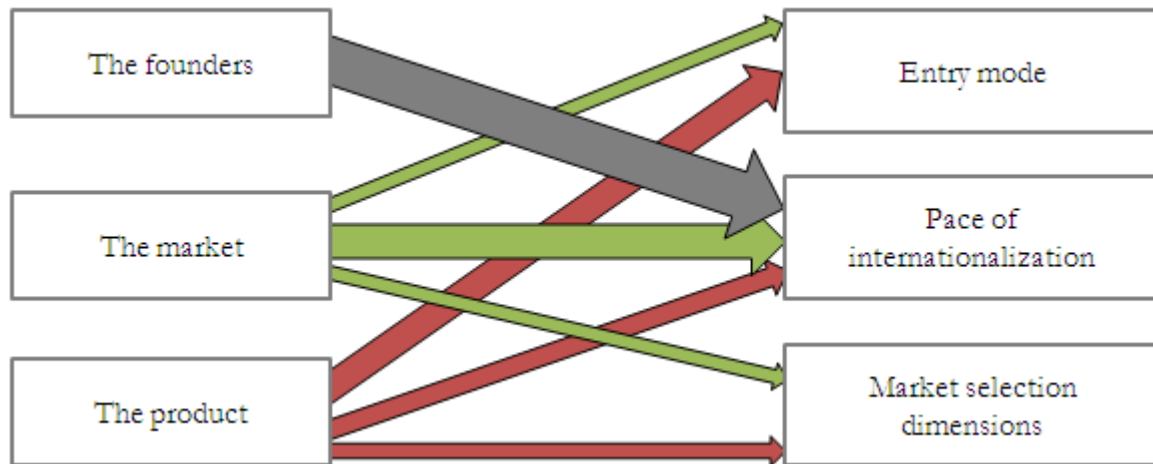


FIGURE 6: CONCLUDING INFLUENCES ON INTERNATIONAL ENTRY STRATEGIES

The founders are the most influential factor for Born Globals' international entry strategies as they take the product and the market into consideration and set the path for the strategies. Their international orientation and especially their experience is crucial for a fast pace of internationalization. Thus, this study implies for paying attention to the team composition when establishing a founder team. The founders are also important for the choice of which markets and segments to enter.

The market and the product are important underlying factors for international entry strategies. The market space provides the opportunity for globalization, and the product sets its boundaries for the strategies that a firm can perform. The latter is especially determinant for the entry mode. The market is important because it can enable a fast pace of internationalization and influence the choice of which markets and segments to enter. Consequently, we stress the importance of using market analysis and enhancing the firm's ability to adjust to market changes.



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