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The Internationalization Process of Born Global Companies

A study of born globals without prior
internationalization experience

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Problem Description

How can we understand the internationalization process of born globals without prior internationalization experience?

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Supervisor: Associate Professor Lars Øystein Widding, IØT, NTNU

Preface

This thesis is written in the spring semester of 2012, and it is the finishing work of my five-year master's program at the Norwegian University of Science and Technology (NTNU). My degree is a Master of Science in Innovation and Entrepreneurship at the Department of Industrial Economics and Technology Management (IØT). The degree is achieved after a two-year specialization course at the NTNU School of Entrepreneurship and three preceding years of Engineering Cybernetics at The Department of Engineering Cybernetics (ITK).

The thesis was sparked by observations in the intersection between practical experience and theoretical knowledge from courses at NTNU. The practical experience is obtained by co-founding a company together with a NTNU alumnus which is in the midst of an internationalization process. The company, which is called Db Equipment AS, will be referred to as the illustrative case company, Db. Db will be used for some illustrative references throughout the thesis, and some practical reflections on the results in relation to Db will be given in Appendix A1.

I would first like to thank my supervisor Lars Øystein Widding for much appreciated guidance in a hectic period prior to the submission date. I would also like to thank the case company interviewees for their time and for providing interesting and valuable insights. Thanks to my partner in Db, Truls, for handling business while I wrote this thesis. Special thanks to friends in Trondheim for letting me sleep at their place while working long days at NSE, and to Marit and my parents for their support throughout this quite demanding period.

Asker, 16.6.2012



Erling Magnus Solheim

Summary

Background

Observations of born global firms breaking with the traditional paradigm of stage-wise internationalization processes led to the emergence of the field of International Entrepreneurship (IE), an intersection between International Business and entrepreneurship. Literature calls for stronger theoretical foundation in IE research and increased use of theory from the field of entrepreneurship. A recent research stream employs effectuation theory from the entrepreneurship domain in modeling the internationalization process, though in various ways. There is also a consensus that experience is necessary to found born global companies and to do it using effectual logic.

Purpose

The purpose of this thesis is to increase the understanding of the internationalization process and the role of experience in born global firms. It aims to contribute to the recent stream of research employing effectuation theory on internationalization processes. For practitioners, it aims to increase the knowledge of effectuation as viable internationalization logic and the role of experience to born globals.

Method

An empirical case study has been conducted using two case companies which recently have gone through an internationalization process, both without prior internationalization experience. Transcribed and coded interviews with founders from both firms were analyzed using a theoretical framework developed from a literature review.

Results

The results show that both case companies, despite lack of prior internationalization experience, comply with the definitions of being born globals and their internationalization processes seem to follow an effectual logic. Both firms show tendencies to rely on key resources within their network for knowledge and confidence.

Theoretical Implications

This thesis firstly shows that prior internationalization experience is not necessarily required for founding born globals using effectual logic. Effectuation is also shown to be a viable theoretical framework for understanding the early internationalization process of born global firms, also those without prior internationalization experience. This thesis suggests that a possible substitute for experience among inexperienced born globals is knowledgeable key resources within their network.

Practical Implications

Entrepreneurs and stakeholders of born global firms in an early internationalization process are recommended to acknowledge the likely effectual character of the process, for example by focusing on exploiting contingent opportunities rather than making detailed plans of the process ahead. It is also recommended to be attentive to the importance of key knowledge resources in the network for firms without prior internationalization experience.

Originality / value

Few studies have employed effectuation theory to understand the early stages of the internationalization process of born global firms, and especially on firms without prior internationalization experience. This thesis increases the generalizability of effectuation as theoretical framework to understand internationalization, and develops the understanding of experience's role in born global firms.

Limitations and future research

The thesis had a limited time frame, and future research is recommended to incorporate a temporal perspective through for example longitudinal studies of born global firms from inception toward successful internationalization. By including firms with and without prior internationalization experience in the sample, knowledge could also be gained as to how this influences their behavior and potential success.

Keywords

International Entrepreneurship, Born Globals, Effectuation

Sammendrag

Bakgrunn

Observasjoner av «born global» selskaper som brøt med det tradisjonelle paradigmet om stegvis internasjonalisering førte til utviklingen av det akademiske feltet «International Entrepreneurship» (IE). IE er et felt i skjæringspunktet mellom «International Business» og entreprenørskapslitteratur. Litteraturen har uttrykt behov for et sterkere teoretisk fundament i IE-forskning og økt bruk av teori fra entreprenørskapsfeltet. En nylig forskningsfront bruker effectuation-teori fra entreprenørskapsdomenet for å modellere internasjonaliseringsprosessen, men på varierende måter. Det er også en konsensus om at erfaring er nødvendig for å starte born global selskaper og å gjøre det ved bruk av effectuation logikk.

Hensikt

Hensikten med denne oppgaven er å utvide forståelsen av internationaliseringsprosessen og rollen til erfaring i born global selskaper. Den sikter på å bidra til forskningsfronten som bruker effectuation på internasjonaliseringsprosesser. For praktikere sikter den på å øke kjennskapen til effectuation som en reell og nyttig fremgangsmåte for internasjonalisering, og kunnskapen om rollen til erfaring for born globals.

Metode

Det er gjort en empirisk case study av to firmaer som nylig har vært gjennom en internasjonaliseringsprosess. Ingen av de to har tidligere erfaring fra internasjonalisering. Transkriberte og kodede intervjuer med gründere fra begge firmaer ble analysert med et teoretisk rammeverk basert på en litteraturgjennomgang..

Resultater

Resultatene viser at begge selskapene, til tross for at de mangler tidligere internasjonaliseringserfaring, tilfredstiller definisjonene på å være born globals og ser ut til å

følge en effectuation logikk. Begge firmaene viser tendenser til å belage seg på viktige ressurser i netterket sitt for kunnskap og selvtilit.

Teoretiske implikasjoner

Denne oppgaven viser først at tidligere internasjonaliseringserfaring ikke nødvendigvis er påkrevd for å starte born globals ved bruk av effectuation logikk. Effectuation er også vist til å være et godt rammeverk for å forstå den tidlige internasjonaliseringsprosessen til born global selskaper, også de uten tidligere erfaring. Oppgaven foreslår et mulig substitutt for erfaring blant uerfarne born globals til å være kunnskapsrike ressurser i nettverket deres.

Praktiske implikasjoner

Entreprenører og interessenter i born global selskaper i en tidlig internasjonaliseringsprosess anbefales å anerkjenne effectuation pregene i prosessen, for eksempel ved å utnytte oppdukkende muligheter istedet for å lage detaljerte planer for prosessen fremover. Det anbefales også å være oppmerksom til viktigheten av nøkkelressurser i nettverket for firmaer uten tidligere internasjonaliseringserfaring.

Originalitet / verdi

Det er få studier som har brukt effectuation-teori til å forstå de tidlige trinnene i en internasjonaliseringsprosess hos born global selskaper, og spesielt få på selskaper uten tidligere internasjonaliseringserfaring. Denne oppgaven øker generaliserbarheten til effectuation som teoretisk rammeverk til å forstå internasjonalisering, og utvider også forståelsen av erfaringens rolle i born global selskaper.

Begrensninger og fremtidig forskning

Oppgaven hadde et begrenset tidsperspektiv, og fremtidig forskning anbefales å inkludere et tidsperspektiv gjennom for eksempel langsgående studier av born global selskaper fra begynnelsen mot vellykket internasjonalisering. Ved å inkludere selskaper både med og uten tidligere erfaring i utvalget kan kunnskap om hvordan erfaring påvirker oppførselen og eventuell suksess.

Stikkord

International Entrepreneurship, Born Globals, Effectuation

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1 Introduction

1.1 Background and objectives

The overall goal of this thesis is to contribute to our understanding of the internationalization process of firms. Good understanding of the internationalization process is important to entrepreneurs and stakeholders operating in an increasingly global economy, and for governmental institutions that work towards internationalizing firms. The domain of study is International Entrepreneurship (IE), a field in the intersection of International Business and entrepreneurship (McDougall & Oviatt, 2000). The field of IE emerged in the late 1980s and early 1990s from observations of firms seemingly breaking with the current paradigm of stage-wise internationalization (Turnbull, 1987; McKinsey & Co, 1993; McDougall, Shane, & Oviatt, 1994; Bell, 1995; Knight & Cavusgil, 1996). One of the most prevailing models of the stage-wise paradigm, the Uppsala model of internationalization (Johanson & Vahlne, 1977), prescribed that firms gradually expand their international presence as knowledge of foreign markets increases. But these observations found young firms going broadly international very early or even from inception. Hence, a growing interest in these firms followed, known among others as *born globals* (Aspelund & Moen, 2005), leading to an expansion of IE literature.

However, literature reviews criticize the phenomenological nature of IE, and call for a stronger theoretical grounding and especially an increased inclusion of theory from the entrepreneurship domain (Keupp & Gassmann, 2009; Rialp, Rialp, & Knight, 2005a). A recent stream of research heeds these calls by employing effectuation theory (Sarasvathy, 2001; 2008) from entrepreneurship theory on the internationalization process of firms (Bhowmick, 2008; Mainela & Puhakka, 2008; Schweizer, Vahlne, & Johanson, 2010; Andersson, 2011; Harms & Schiele, 2012). But, there is no consistent model of how effectuation is to be employed. Also, there is a general consensus that prior internationalization experience is necessary both to found born globals (Madsen & Servais, 1997) and to use effectuation logic (Harms & Schiele, 2012).

This consensus on experience contradicts my practical observations through working in a young, born global company called Db Equipment (Db). I will refer to this firm as an illustrative case throughout the thesis in order to include a practitioner perspective where

considered relevant. Db is a young company with founders lacking prior internationalization experience in the midst of an internationalization process. Through working on the internationalization of Db, I have made a few reflections on our process in the light of theory from the university courses. Specifically, it struck me that the process was more reminiscent of effectuation logic from entrepreneurship courses than the models I had been exposed to from International Business such as the Uppsala model. These reflections sparked the interest for investigating the subject further, leading to a literature review of IE and subsequently this thesis. The point of departure is therefore that effectuation logic is thought to be central in the internationalization process. Also, the contradiction between practice and theory in that experience is thought not to be as necessary for founding born globals and using effectual logic as literature prescribes.

This thesis will follow the recent research stream describing the internationalization process of firms using effectuation theory. It will specifically focus on the early internationalization process of young firms that are founded by entrepreneurs without prior internationalization experience, but still have international activity in the first years.

It aims to give three concrete theoretical contributions. Firstly, to demonstrate that such firms, meaning inexperienced firms as described above, may comply with the theoretical definition of being born global despite the lack of experience, contrary to consensus found in the literature. Secondly, to demonstrate that effectuation is a viable theoretical framework for describing the internationalization process of such firms, increasing the generalizability of effectuation theory in IE. If the two first contributions turn out to be validated, it is indicated that experience may not be a necessary requisite to found born globals or to use effectuation logic, as believed in literature. Therefore, the third contribution will be to develop our understanding of the role of experience in born globals, by exploring and suggesting possible substitutes for experience that the firms rely on.

For practitioners, meaning both nascent internationalizing entrepreneurs and stakeholders such as investors or governmental institutions, the thesis' objective is to raise awareness of effectuation as a viable internationalization process and to increase the understanding of the role of experience to born globals.

1.2 Research questions

The main research question of the thesis is: “How can we understand the internationalization process of born globals without prior internationalization experience?” To guide the research on the main question, three sub-questions are employed.

First, the consensus that internationalization experience is needed to found born globals is challenged through a simple question, used to validate that the case companies are born globals: “Can entrepreneurs without prior internationalization experience found born globals?”

The second question concerns the main body of the study, investigating if effectuation is viable in this specific context of IE: “Can effectuation theory describe the internationalization process of entrepreneurs without prior internationalization experience?”

If the two first questions are answered positively by the results, it is shown that inexperienced entrepreneurs may found born globals and do it using effectual logic. The third question will therefore explore alternative explanations to experience: “What are the possible substitutes for internationalization experience to born global entrepreneurs using effectual logic?”

1.3 Method

The thesis is an empirical case study of two firms, chosen because they are relatively similar to the illustrative company Db and within close geographical and network proximity, following the principle of convenience sampling (Merriam, 1998). Data are collected through semi-structured interviews with one of the founders from both companies. The interviews are recorded and transcribed literally, followed by categorization and translation of meaningful quotes. The quotes are compared to the theoretical framework based on the initial literature review, and clustered according to validating and invalidating results.

1.4 Scope and limitations

The thesis employs effectuation theory from the entrepreneurship field on the internationalization process of firms, thereby clearly positioning it in the International Entrepreneurship domain, following the recent research stream employing effectuation on internationalization. The unit of analysis will be the entrepreneur and the firm, and how the

internationalization can be understood, as well as the role of experience. The study aims at understanding how the process can be described, but does not involve any consideration of the firms' prospective international success. An assessment of which suggested model of the mentioned research stream is the most relevant is not performed. The thesis has only focused on the applicability of effectuation, not regarding how it is modeled.

1.5 Structure of the thesis

The reader is first presented with a description of how the literature review was conducted, in order to clarify the choices and structure. Secondly, the literature review is presented giving a theoretical background for the following empirical research. The structure of the theoretical background section is detailed in figure 1 in section 2.2. The method section will elaborate methodological choices and the empirical research process, as well as presenting the case companies. Next, the results from the analysis of the empirical data will be related, followed by a deeper discussion of the results in relation to theory. In the last section, conclusions will be drawn and both theoretical and practical implications will be given.

2. The literature review process

The following section will give a description of how the literature which forms the theoretical basis of this study was selected and analyzed. The process will be described as two linear parts, search and analysis, even though the chronological development was partly iterative. For example, new literature was often searched out while reviewing and analyzing as interesting citations were noted. Though, primarily, the first part of the process was concerned with discovery and mapping of the relevant literature, while the second part was a more focused analysis of the literature found.

2.1 Literature search

My initial theoretical points of reference were some of the basics from International Business (IB) such as Johanson and Vahlne's U-model (1977) and the concept of effectuation (Sarasvathy, 2001) from the entrepreneurship literature. Through working in the illustrative case company, Db, which was in the middle of an internationalization process, I recognized that our process resonated more with my understanding of effectuation than with the processes described by the IB literature. The idea that it should be possible to frame internationalization using effectuation was sparked, and I immediately wondered whether any scientific work had been performed on this already.

Therefore, I started searching online on Google and Google Scholar with the keywords "internationalization effectuation", which led to a collection of some of the newer and also some of the most relevant literature. This was largely international entrepreneurship (IE) papers from the last 8-10 years.

After skimming the papers I subsequently searched specifically for articles that were cited often and on central points. This led to an overview of the IE literature dating back to the early 1990s, whereby I understood that IE was a field of study in the intersection between IB and entrepreneurship (Oviatt & McDougall, 2005). A number of the IE papers were positioned as criticism to some of the traditional IB literature, specifically the so-called stage-models of internationalization (e.g. the U-model by Johansson and Vahlne, 1977). I was compelled to understand the cause of these conflicting views as well as the historical background in general. Therefore the original U-model paper was included, and I also read

some historical essays at the website “Library of economics and liberty”, such as (Kling, 2008).

The literature basis of this study consists of published papers, a working paper, a conference proceeding, a book section, books and websites. The brief historical perspective makes the literature date back to 1776, but clearly the most relevant literature is from the last two decades. The research stream employing effectuation in the IE context, as is also the main purpose of this paper, spans only the last four years (Bhowmick, 2008; Mainela & Puhakka, 2008; Schweizer, Vahlne, & Johanson, 2010; Andersson, 2011; Harms & Schiele, 2012). This indicates the up-to-date relevance of the subject, and the fact that the mentioned scholars are from different communities credit a certain momentum to this stream of research. In business terms, existing competitors confirm the existence of a market and the newness indicates the window of opportunity.

The literature review process may be criticized for not incorporating any explicit criteria for evaluation of the literature. The process is largely characterized by snowballing and in fact effectuation logic (Sarasvathy, 2001), a central theme of this study described in section 3.2, in terms of following citations considered relevant to the study as emerging opportunities in the literature. Papers that has gone through a double blind review process, and that is published or coming from an otherwise considered credible source is presumed to be of adequate quality.

2.2 Literature analysis

The analysis was conducted by systematically mapping the papers using the table tool in the software program Microsoft OneNote 2010. Papers were qualitatively rated on perceived relevance to the thesis, and key points and citations was extracted and placed in the tables.

Firstly, all points regarding “effectuation” and “internationalization” were noted. As it became clear that the field of IE was main source of this research stream, all points regarding the field was noted so that an understanding of the field could be obtained. Two literature reviews of the field (Rialp, Rialp, & Knight, 2005a; Keupp & Gassmann, 2009) were of much help when trying to obtain an overview of the literature.

Next, the IE literature was scoured for arguments concerning firm's early internationalization process, born globals and arguments similar to those of effectuation theory.

The background and essentials of IE were noted, as well as the main arguments of effectuation theory. Based on this, the literature explicitly employing effectuation in the IE context was investigated. Notes from the papers were made and tabulated based on how they employed and modeled internationalization using effectuation. Suggestions, conclusions and interesting citations were also noted.

The literature overview became the basis for making the research design explicated in section 4.1. After the data collection phase (see section 4.2), the data analysis called for a more rigorous framework from which to interpret the results. The framework is laid out in the end of the theoretical background section. In hindsight, the framework should have been made out completely before the data collection, but the research design was still good enough to make the data sufficiently relevant.

The literature review is presented in the following section, and it is structured as illustrated in figure 1 below.

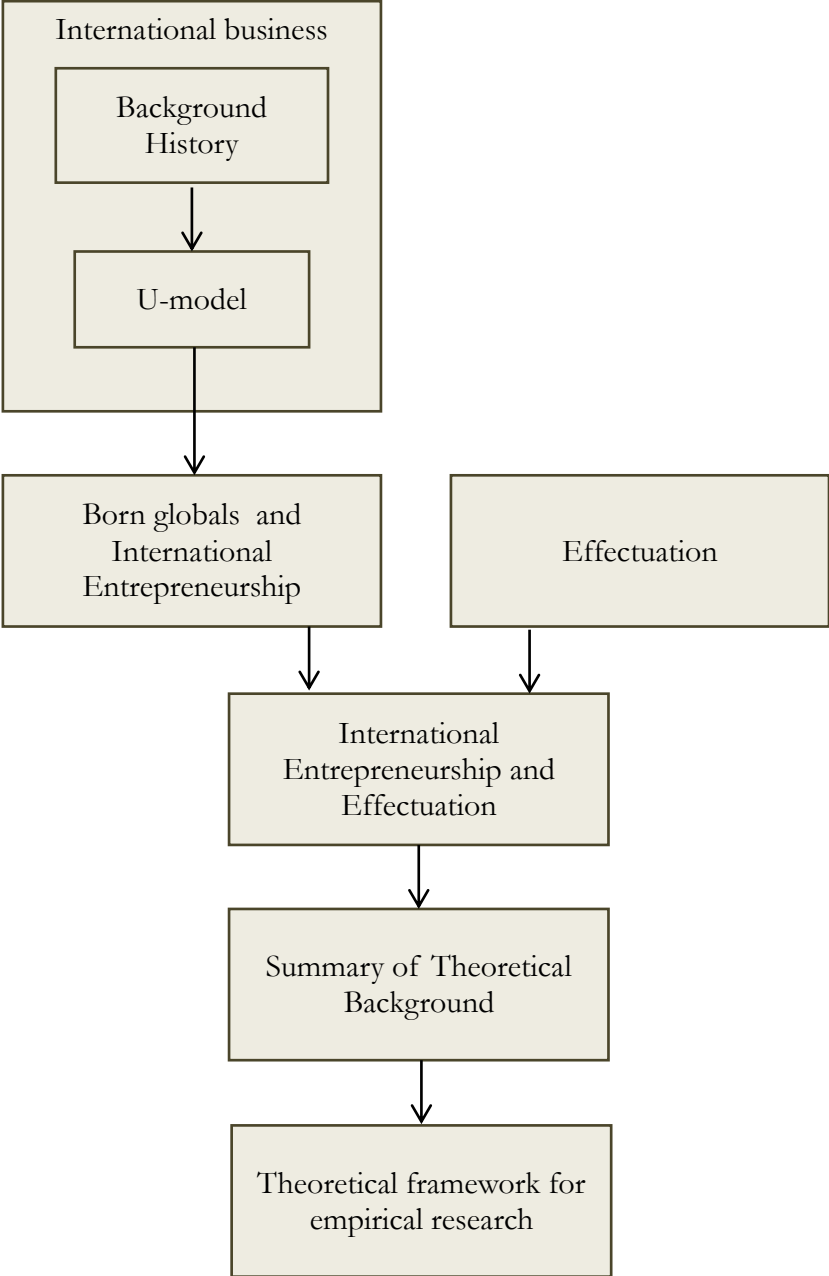


Figure 1: The literature review structure

3. Theoretical background

In the following section, I will give a comprehensive introduction to the relevant theoretical background which leads to the frameworks used in this empirical study.

International Entrepreneurship (IE) is the primary domain of the thesis, but as a viable research field it is still under development (Keupp & Gassmann, 2009). Therefore, to get an adequate understanding of how international entrepreneurship relates to the more established field of international business, I will give a brief recapitulation of the historical evolution of the theories which eventually led to its emergence. Next, I will introduce the theory of effectuation (Sarasvathy, 2001; 2008). Thirdly, I will review the IE literature making relevant points implicitly supporting effectuation, followed by a more thorough consideration of the papers explicitly employing effectuation in the IE domain. Lastly, the theoretical background will be summarized and in the end operationalized for empirical research.

3.1 International Business – from comparative advantage to born globals

The following section will provide an overview of the field of international business. The intention is to give a rich historical and theoretical context for the study, and further to narrow down the field of international business to the most relevant subjects.

3.1.1 A brief history of international business literature

The first academic accounting on international trade is found in Adam Smith's magnum opus *The Wealth of Nations* (1776). Smith gave name to the term "mercantile system" to describe the existing economical political paradigm which "sought to enrich the country by restraining imports and encouraging exports" (LaHaye, 2008, p. 1), thereby seeking a positive balance of trade for each nation. He opposed the current mercantile system and instead proposed the idea of free trade between countries, which is based on his famous notion of how rational self-interest among actors in a free-market economy is for the best of all (Smith, 1776). His argument rested on the idea of absolute advantage, which means that each country should make and sell what they were the most efficient at.

Following Smith, David Ricardo developed Smith's idea of absolute advantage into the principle of comparative advantage (Ricardo, 1817), which still holds ground today

(Boudreax, 2008). The main difference from Smith's idea is that each country now should focus on what they're good at, *relative* to other countries. Into the 1960s economists largely followed the tradition of trying to explain national trade patterns, such as the product life-cycle theory of Raymond Vernon (1966) focusing on the technological development of the product traded. But, as seen in the literature of these years, there was also a focus shift towards the internationalization of the actual firm and not only trade between nations. The most widely cited and acknowledged paper on the internationalization process of the firm is Jan Johanson and Jan-Erik Vahlne's "Uppsala Internationalization Model" (1977).

3.1.2 The U-Model

The Uppsala Internationalization Model (U-model) is based on empirical observations from a series of studies of international business at the University of Uppsala, Sweden, in the 1960s and 70s. It was explicitly formulated in the widely cited 1977 paper by Johanson and Vahlne, "The Internationalization process of the firm – a model of knowledge development and increasing foreign investment commitments".

There are also other so-called stage-models of internationalization. Andersen (1993) describes two categories, where one is the U-model, and the other is the Innovation-Related Internationalization Models, "focusing on internationalization as innovation for the firm" (p. 210). The prominent scholars behind these somewhat different models but with the same focus, as summarized by Andersen (1993), are Bilkey and Tesar (1977), Cavusgil (1980), Czinkota (1982) and Reid (1981). The two categories are in the simplest form similar in that they both describe the internationalization process as a slow and incremental process, where the firm gradually increases its international operations.

The U-model will be the model of reference from the stage-models if internationalization for two reasons: firstly, the U-model is cited most widely throughout the literature review on international entrepreneurship, and secondly, because Johanson and Vahlne recently (2009) proposed a revisited model incorporating effectuation theory (Sarasvathy, 2001), which will be returned to later in the literature review.

The observations made in the preceding years before Johanson and Vahlne's 1977 paper showed that "Swedish firms often develop their international operations in small steps, rather than by making large foreign production investments at a single point in time" (1977, p. 24). These observations contradicted the current stream of research holding that firms evaluate

various foreign market opportunities before entering the optimal alternative with direct investments. Johanson and Vahlne posited that the incremental character was largely due to the lack of and difficulty of obtaining foreign market knowledge, and that this knowledge mainly can be acquired through operations abroad (Johanson & Vahlne, 1977).

Their empirical observations showed that firms typically start with only domestic sales, then begin exporting to a given foreign market through an agent before establishing wholly owned sales subsidiaries and then sometimes going into foreign direct investments (ibid). An important concept of this model, *psychic distance*, was developed through the observation that the time order of international expansion typically relates to the distance, in terms of language, cultural differences et cetera, between the home and host country (ibid). A schematic illustration of the model is shown below, with further explanation following.

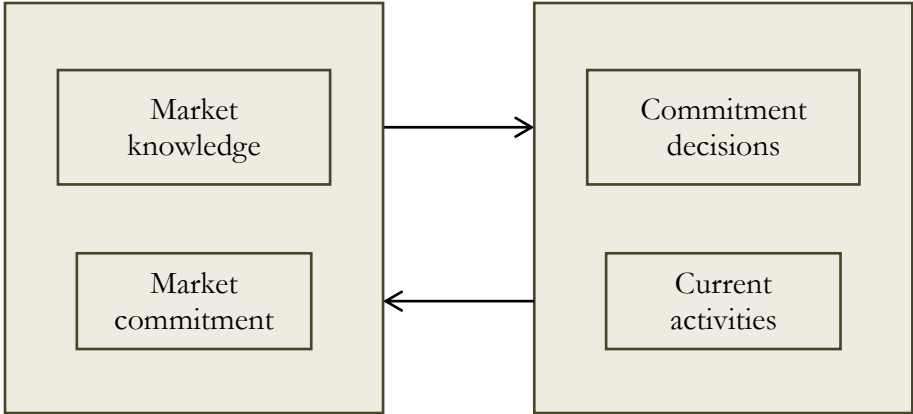


Figure 2: The basic mechanism of the U-model (from Johansson and Vahlne, 1977)

The figure above shows the basic mechanism of the U-model. Johanson and Vahlne mean to illustrate that the model consists of two state aspects, and two change aspects. The state aspects are market knowledge and market commitment, and the change aspects are commitment decisions and current activities. Presence in a given market means that a given level of commitment increases the learning of market knowledge. Through increased market knowledge, the firm does commitment decisions thereby expanding current activities, resulting in an increase in foreign market commitment (Johanson & Vahlne, 1977).

Assumptions of the model include that the firm strives to increase its long-term profit while keeping risk-taking at a low level (Johanson & Vahlne, 1977), as well as uncertainty and bounded rationality (Johanson & Vahlne, 2009).

Andersen (1993, p. 227) notes that the stage-models “seems to benefit from a general acceptance in the literature”. Further, in their 1990 paper Johanson and Vahlne did a review of the literature on internationalization since their seminal paper in 1977, concluding that the U-model had received substantial theoretical and empirical support. Also, some recent literature indicate that the internationalization process as explained by the U-model has a positive impact on performance (Johanson & Vahlne, 2009).

But, the U-model has also received substantial criticism, where a large amount of the newer criticism is due to emerging observations of firms seemingly breaking with the U-model descriptions of internationalization behavior (McDougall, Shane, & Oviatt, 1994; Autio, 2005; Bell, 1995; McKinsey & Co, 1993; Turnbull, 1987). The focus will therefore be directed towards the literature on this type of firms in the following section.

3.1.3 Born Globals and International Entrepreneurship

Before going international, a conceptual definition of entrepreneurship is in order. In their widely cited paper, Shane and Venkataraman (2000, p. 218) define the field of entrepreneurship as “the scholarly examination of how, by whom and with what effects opportunities to create future goods and services are discovered, evaluated and exploited”. Relevant to this study is specifically the part of ‘how’ opportunities are discovered, evaluated and exploited, and specifically international opportunities.

In the late 1980s and early 90s, the first observations and empirical studies of firms that appeared to break with the current paradigm of stage-wise internationalization were done (Bell, 1995; McKinsey & Co, 1993; Turnbull, 1987). Oviatt and McDougall’s were subsequently the first to summarize the phenomenon in their seminal 1994 paper, considered the starting point of IE research (Autio, 2005), where they proposed the first explicit definition of these types of ventures: “We define an international new venture as a business organization that, from inception, seeks to derive significant competitive advantage from the use of resources and the sale of outputs in multiple countries.” (p. 49).

McDougall, Shane and Oviatt (1994) concluded from their study of 24 born globals that the stage-models fail to explain these firms’ internationalization due to their assumption that firms become international only long after they have been formed. Also, they recognize that the stage-models of internationalization, and in large all the earlier theories on internationalization, “ignore the individual and small group level of analysis (i.e., the

entrepreneur and his or her network of business alliances)” (p. 469). Following, a large interest in these firms formed the research field known as *International Entrepreneurship (IE)*. At the core is the focus shift from internationalization of well established firms, typically found in the research following Johanson and Vahlne’s U-model, to young firms going international from the outset.

A recent review of IE literature by Keupp and Gassmann (2009) problematizes this ubiquitous connection between IE and young or small firm internationalization in the literature. But, as the IE literature in fact has focused on these kinds of firms and they are also the focus of this study, this problem will be left until the end of this section. Keupp and Gassmann also strengthen the existence of the field of IE though, by pointing out that IB theory, such as the U-model, fails to explain the early stages of internationalization characterized by entrepreneurial behavior. Further, a review of the IE literature will be provided, with specific regard to the findings which are most relevant to this study, followed by some criticism. But first, a brief clarification of the term ‘born global’ follows.

The terminology employed when addressing these kinds of ventures has varied over time, summarized in a literature review by Goran Svensson (2006): “born global firms”; “born-again globals”; “small firms’ internationalization”; “internationalization of SMEs”; “theory of early internationalizing firms”, in addition to the already mentioned “international new venture”. Svensson (2006) provides his own suggestion, meant to synthesize and unite the currently used terminology, *born glocal*, but there is not any significant adoption of this proposal in the literature. Aspelund and Moen (2005) suggest a typology of three types of small international firms, of which the Born Global firms “are more resolutely focused, and therefore appear to be more able, than others, to succeed in internationalizing extensively from start-up” (p.19). Following their typology, and for brevity, the term Born Global (BG) will be used from now.

The observation of the BGs apparent break with the widely accepted theoretical paradigm of stage-wise internationalization naturally caught the interest of a number of scholars within the field, resulting in a rapid expansion of the literature (Keupp & Gassmann, 2009). Following, the theoretical point of departure in IE literature is typically that dominating theories on international business, i.e. the stage models, are too deterministic (Madsen & Servais, 1997; Andersson, 2011) and generally fail to explain the prevalence of BGs, implying that there is a need for a new frame of reference (Rialp et al, 2005a; Aspelund & Moen, 2005)

Keupp and Gassmann (2009) further supply an organizing framework from content analysis of the articles reviewed, dividing the research variables in three top-level categories: antecedents, elements and outcomes of IE. They also summarize the research focus in the literature in terms of causal links between variables. Their results show that most IE literature have focused on how the antecedents of IE, especially socio-cognitive factors at the individual level and patterns and degrees of internationalization at the firm level, influence the outcome of the born global venture.

Following, some of the prevailing findings that are relevant for this study will be related. Networks, for instance, has received considerable attention in the IE literature and its importance in internationalization is “widely recognised in the extant literature” (Loane & Bell, 2006, p. 468), and “has proven to be very insightful for explaining specific international development patterns of highly entrepreneurial ventures” (Rialp et al, 2005, p.158). As early as 1997, Madsen and Servais stated that network models have some merit on explaining BGs. Some are supporting Granovetter’s (1973) emphasis on *weak ties* as more important to international success than close network relationships (e.g. Chandra, Styles & Wilkinson, 2009), while Harris and Wheeler (2005) found that strong, inter-personal relationships are the best foundation to build an international strategy. Freeman, Edwards and Schroder (2006) found that an extensive personal network among the top management of a born global is a way of overcoming constraints such as lack of knowledge and risk aversion.

These views can be considered complimentary, rather than opposed, though, as the weak ties are emphasized in relation to international opportunity recognition, while the strong relationships can be transformational in giving confidence to the novice internationalizing entrepreneur. Further, Mort and Weerawardena (2006) show that the founder-managers’ networking capability is important to the rapid internationalization of BGs, and Andersson and Wictor (2003) argue that young small firms are dominated by pro-active entrepreneurs who use their personal networks to expand abroad. The network models are also criticized, e.g. Loane and Bell (2006) point to a lack of predictive power and that they only partially can explain small firm internationalization.

More on the individual level, the early internationalizing entrepreneur’s characteristics such as proactiveness (Rialp, Rialp, Urbano, & Vaillant, 2005b; Frishammar & Andersson, 2009) and the international visions and ambitions (Andersson & Evangelista, 2006; McDougall, Shane, & Oviatt, 1994) is found to be important to BG development. It is also argued that it is

necessary for the BG to have at least one entrepreneur with previous international experience (Madsen & Servais, 1997). Chandra et al (2009) show that entrepreneurs with experience are more likely to search out their first international opportunity, rather than discovering it, compared to firms without experienced entrepreneurs. I find the general notion of experience as necessary for the development of a BG to be contrary with my experience from the illustrative case, as well as my impression of other similar companies. I will therefore get back to this point in the empirical research.

In itself an interesting point, the reason for BGs emergence, is typically explained by the globalization of markets, technological development in production, transportation and communication methods and the modern entrepreneur's capabilities (Madsen & Servais, 1997; Andersson, 2011). Other explanations include the increase of niche-focused markets which often are too small domestically to be financially viable (Madsen & Servais, 1997), especially in relatively small nations (Cavusgil & Knight, 2009). In relation to this, Moen and Servais (2002) found that firms not internationalizing early are less likely to be successful at it in the long term, suggesting that some niche-market firms in fact are obliged to become born global if they are to succeed.

However, a central point in the literature review by Keupp and Gassmann (2009) is the overall lack of theoretical foundation and rather phenomenological basis of IE literature, also supported by Rialp et al (2005a) as well as Madsen and Servais (1997). The phenomenological basis comes from the fact that it was the observation of BGs breaking with existing paradigms that led to the emergence of the field, and scholars has therefore been mainly concerned with small, young firms, something Keupp and Gassmann also consider limiting to the development of the IE field (2009). They emphasize the initial purpose of the IE field as stated by McDougall and Oviatt (2000), namely to be an intersection between IB and entrepreneurship, and this limitation of the IE literature's scope is therefore problematic.

Also, it is pointed out that where theory is included, it is almost entirely from the IB field and not from entrepreneurship research. Keupp and Gassmann explicitly ask for studies aiming to incorporate theoretical perspectives from both domains, especially from entrepreneurship theory, to increase the theoretical understanding of firms' initial stages of internationalization (2009). This study will, unfortunately in the light of Keupp and Gassmann, still focus on small and young firm internationalization. However, it will, as they call for, aim to bring in theory from the entrepreneurship domain to explain the early stages of internationalization.

3.2 Effectuation

The following section will explain the basics of effectuation (Sarasvathy, 2001; 2008) in general, thereby completing the foundation for the subsequent section 3.3 on IE literature employing effectuation theory.

First formally introduced in her seminal paper of 2001, Sarasvathy's concept of effectuation represent a paradigmatic change in our understanding of entrepreneurship (Perry, Chandler, & Markova, 2011). Traditional literature on entrepreneurship has mainly been founded on the neo-classical economical understanding of rational decision-making from analysis and planned behavior, which is also found in the international business literature such as the U-model explicated above. This decision-making behavior is what Sarasvathy terms causation.

Causation and effectuation refer to two distinct types of logic used in decision-making processes of uncertainty (Sarasvathy, 2001). Causation refers to the typical managerial rational planning behavior, where decisions are based on analysis and a distinct goal.

Specifically in the context of managerial problems, causation means starting with a given goal, focus on expected returns and competitive analysis when trying to predict the uncertain future and then assembling the means necessary to achieve the goal. Effectuation, on the other hand, involves considering the available means, keeping in mind what is affordable to lose, then seeking out strategic partnerships and exploit contingencies to control the unpredictable future (Sarasvathy, 2001; Perry et al, 2011). Using effectuation thus relates to emergent (Mintzberg, 1978) and resource based strategies at the firm level (Barney, 1991; Wernerfelt, 1984), where the environment is considered too dynamic and uncertain to base decisions on competitive analysis in the tradition of Porter (2008).

Sarasvathy (2001; 2008) holds that effectual logic will be of preference among expert entrepreneurs who typically operate under highly uncertain conditions. A recent study using think-aloud protocols to compare the logic used by expert entrepreneurs MBA-students confirms this notion (Dew, Read, Sarasvathy, & Wiltbank, 2008). In the study, the MBA-trained students did what they were trained to do and thus applied market analysis and calculations of expected returns to make a decision, i.e. using a causal logic, while the expert entrepreneurs applied effectuation logic and thus considered how to leverage their resources, how much they could lose and what they possibly could achieve with this. The expert entrepreneur typically prefers to be at the locus of control, not risking any more than can be

lost, and then exploit opportunities showing up instead of trying to predict what is nevertheless uncertain (Sarasvathy, 2001).

This logic implies putting the individual in center, acknowledging the entrepreneur, or the entrepreneurial team, as the most important factor shaping the future of the early-stage firm (Sarasvathy, 2001). It is their own vision of what is possible through seeing opportunities from what they know and who they know, i.e. their own network, and the ability to act on these contingencies that make goals emerge during the path of action (Chandler, DeTienne, McKelvie, & Mumford, 2009).

Sarasvathy's (2008; 2001) construction of effectuation was based on observation of expert entrepreneurs, where the experts among other things had prior entrepreneurial experience. Also put explicitly by Harms and Schiele (2012, citing Dew et al, 2009 and Read et al, 2009), "the amount of task-specific experience is a key antecedent to the choice of either causation-based or effectuation-based NVCPs (New Venture Creation Processes)" (p. 8, parenthesis added). The concern for task-specific experience, interpreted as internationalization experience in this context, is therefore evident on effectuation as well as the earlier mentioned BG. I find this contradictory to my own observations from the illustrative case, and will therefore get back to in the empirical research.

Effectuation was observed by Sarasvathy (2001; 2008) as the dominating logic among expert entrepreneurs, and therefore the logic of choice when describing entrepreneurial behavior in highly uncertain environments, such as born global internationalization. Importantly though, Sarasvathy does not hold effectuation as superior to causation in every situation, and posit that causation may be favorable in some environments, as seen from the following remark:

"Both causation and effectuation are integral parts of human reasoning that can occur simultaneously, overlapping and intertwining over different contexts of decisions and actions. Yet in this article I deliberately juxtapose them as a dichotomy to enable clearer theoretical exposition." (2001, p. 245)

Research on born global internationalization has also found planned and analytical approaches (Brewer, 2007, cited in Harms and Schiele, 2012), and shown that exporters using systematic international market selection outperform others (Brouthers & Nakos, 2005), which is clearly based on causation-based logic. This implies that the expert entrepreneur may

need to use both causation and effectuation based logic when developing a new venture, as has been argued by Gruber (2007).

This double-sidedness is one of the major criticisms by Moroz and Hindle (2011), who find that “there is a largely unsuccessful attempt to define effectuation in dichotomous contrast to causal or predictive logic while at the same time there is a largely unsuccessful attempt to convey that effectual and causal logic are cognitive tools that co-exist within the entrepreneur” (p. 25). Moroz and Hindle’s criticism relates to the goal of creating a generic and distinct model of the entrepreneurial process, and as such effectuation is argued as unsatisfactory (2011). Their critical review of literature on the entrepreneurial process ends in a call for a harmonized model, which in turn is answered by Hindle’s subsequent paper (2010). Hindle argues convincingly and presents an intriguing proposal for a harmonized model of the entrepreneurial process. Still, effectuation constitutes an important foundation of the model, and interestingly, Sarasvathy is acknowledged at the same level as Moroz who co-wrote the literature review (2011), implying that her thoughts has been thoroughly influential in the development of the model.

The criticism of effectuation discussed above related to the possible double-sidedness will be heeded in the following empirical research by checking for occurrence of both effectuation and causation logic in the data analysis, so that any co-occurrences will be observed.

However, even though there are some criticisms, there is sound reason for assuming that effectuation is the preferred logic in the internationalization process. Firstly, effectual logic is seen as a key differentiator between the expert and novice entrepreneur (Dew, Read, Sarasvathy, & Wiltbank, 2008). Secondly, entrepreneurship is suggested by several scholars to be an important element of internationalization (e.g. Andersen, 1993; Jones & Coviello, 2005; Madsen & Servais, 1997). Therefore, it seems likely that an expert internationalizing entrepreneur follows effectual logic, which supports the practical observations made through internationalizing the illustrative case company. In line with the suggestion of combining entrepreneurship and internationalization, the recent research field of International Entrepreneurship (IE) has emerged. Within this field there is a recent stream of research employing effectuation on the internationalization process (Andersson, 2011; Bhowmick, 2008; Mainela & Puhakka, 2008; Schweizer, Vahlne, & Johanson, 2010; Harms & Schiele, 2012). In the following section, the field of IE will be presented, and this highly relevant research stream explored.

3.3 International Entrepreneurship and effectuation

This section will first relate the IE literature proposing ideas parallel to effectuation theory, followed by a more thorough review of the papers explicitly employing effectuation in an internationalization context.

The original intention by establishing IE was to create a new field of study in the intersection between IB and entrepreneurship (Oviatt & McDougall, 2005), an intention which is still upheld by Keupp and Gassmann (2009) in their recent literature review of IE. The legitimacy of IE is confirmed by the observation that the early stages of internationalization, where entrepreneurial aspects are evident, is neither explained by IB nor entrepreneurship in isolation (Mathews & Zander, 2007). However, Keupp and Gassmann (2009), as well as Rialp et al (2005a), identify a severe lack of theoretical integration within the field. Keupp and Gassmann (2009) specifically request a stronger use of entrepreneurship theory in future IE research, a request that has motivated the employment of effectuation (Sarasvathy, 2001), a theory of rising prominence within entrepreneurship research, in the IE domain. Further, Rialp et al “make a call for more focused research based on case studies to better understand the nature and processes of early internationalizing firms” (2005a, p. 162). These arguments are considered both to validate and legitimize the contribution of this study, as it in fact will involve a case study of two early internationalizing firms’ process using effectuation theory.

3.3.1 Literature implicitly supporting effectuation

In the following section, I will briefly relate some of the literature reviewed proposing arguments which I argue to implicitly support the notion of effectuation in IE.

Madsen and Servais’ (1997) early focus on strategic alliances, along with an emphasis on networks instead of competitive analysis, resonate with Sarasvathy’s (2008) principles of effectuation. Harris and Wheeler (2005) state that planned networking approaches to building relationships, reminiscent of causation, which is “... advocated in much of the normative marketing literature may not be relevant” (p. 187). They also refer to Mintzberg and Waters (1985) notion of emergent strategies as a reflection of how relationships develop. Emergent strategies are later cited by scholars such as Andersson (2011) in relation to effectuation-based decision processes.

Frishammar and Andersson (2009, p. 69) cite Tzokas, Carter and Kyriazopoulos (2001), stating that “in the initial years of a new enterprise, growth often occur without a formal or planned marketing effort”, which is highly similar to the skepticism of prediction-based planning in effectuation logic.

Lastly, Loane and Bell (2006) recognize a renewed interest in contingency frameworks used on internationalization, citing Reid (1983) as the initiator of the framework and referring to several papers employing it in an international context. Loane and Bell (2006) further argue how this connects with the resource based view (RBV) of the firm, referring to the works of Wernerfeldt (1984) and Barney (1991). Loane and Bell (2006) state that “... the RBV has applicability for the growth of small firms and also for their internationalization activities” (p. 479). Both being ready to leverage contingencies and being means-driven are central aspects of an effectual entrepreneur (Sarasvathy, 2001).

3.3.2 Literature implicitly supporting causation

According to Lukas, Whitwell and Hill (2007), there is substantial positive evidence from the export literature showing a positive relationship between export planning and export performance. Also, Brouthers and Nakos (2005) found that systematically choosing foreign markets makes for better performance than choosing markets ad hoc. There is evidently support in the literature for causation-based logic as well. However, in their research on high-tech born globals, Crick and Spence (2005) finds that managers often adopt emergent strategies, as much of their international opportunities arise from serendipitous encounters. Harms and Schiele (2012) suggest that entrepreneurs in born globals may not have the time for research, analysis and deliberate planning, especially in dynamic markets of high uncertainty.

It is clearly necessary to investigate for causation-based behavior in the case companies as well. But, as the research stream elaborated below shows, there is a recent, increasing belief in the prevalence of effectuation-logic in the internationalization process of born globals.

3.3.3 Literature explicitly mentioning or employing effectuation

Next, the literature explicitly employing or relating to effectuation in the internationalization context will be reviewed. All are very recent, i.e. from 2008 to 2012. This section is structured

according to the papers in order to explicitly show how effectuation is employed in quite different manners concerning the same process, internationalization.

3.3.3.1 Chandra et al – The recognition of first time international entrepreneurial opportunities

Chandra et al (2009) do not actually employ effectuation in their model, but adds a connection between effectuation and Entrepreneurial Orientation (EO) which is worthy of notice. The study frames internationalization as an entrepreneurial act in order to study the international opportunity recognition. Their results suggest that a previously conceived dimension of EO, aggressiveness, is less about competitors but “rather aggressively seeking to leverage opportunities when they present themselves” (p. 53). As they accordingly note, this way of exploiting contingencies is similar to Sarasvathy’s (2001) effectuation logic. This indicated parallel further increase the likely relevance of effectuation in an internationalization context.

3.3.3.2 Bhowmick – Internationalisation of entrepreneurial firms: an enactment-effectuation dance

Bhowmick (2008) is the first to actually use effectuation theory explicitly within the IE domain. Bhowmick proposes that the internationalization process of small firm entrepreneurs is best described by a combination of enactment and effectuation. The enactment concept is described such that the entrepreneur is part of the situation they face and thus acts without entire knowledge of the situation, though both the situation and the decisions are often rationalized in retrospect (Bhowmick, 2008). As Bhowmick also suggests, I find the enactment concept to be quite similar to effectuation. The major difference is that in the enactment process the entrepreneur starts the situation, but may stand without entire control of it, whereas the effectuating entrepreneur always seeks to control the situation (Bhowmick, 2008).

Bhowmick propose a construct of the “enactment-effectuation dance” with a two by two matrix illustrating how a high level of both enactment and effectuation is the recipe for success. I find the model interesting and a fresh input to the field, but I cannot see how it describes the process fully nor have I found any literature referring to the model. Bhowmick also states that the construct is proposed “in the spirit of “provoking thought”” (2008, p. 793). It may certainly have succeeded at that, and at least it includes effectuation as a central element of the entrepreneurial internationalization process.

3.3.3.3 Mainela and Puhakka – Organising new business in a turbulent context: Opportunity discovery and effectuation for IJV development in transition markets

Mainela and Puhakka (Mainela & Puhakka, 2008) write specifically about International Joint Ventures (IJVs), which is slightly outside the current domain of small firm internationalization. But, since IJV creation likely involves similar processes, it is explicitly stated to be under the IE field, and their application of effectuation clearly makes it interesting. They conduct an in-depth case study of the development of an IJV in uncertain environment, that is, in the Polish transition economy. Their research shows the complicated process that is international entrepreneurship, and that effectuation logic, proactiveness and partnering strategies is the means for success in such environments (Mainela & Puhakka, 2008). Their paper clearly supports the notion of effectuation as an important element in the domain of IE.

3.3.3.4 Schweizer, Vahlne and Johanson – Internationalization as an entrepreneurial process

In their 2009 paper, Johanson and Vahlne propose an update of their U-model from 1977, where the focus is shifted heavily towards networks as the foundation of internationalization. To some extent they also answer the criticism of the U-model received in the last few decades. I will not discuss their answer to the criticism in depth, but I make a few notes:

- Firstly, Johanson and Vahlne do not seem to meet the criticism with much openness or humility, but largely redirects, refuses and render the criticism irrelevant, or find ways of making the critical arguments fit into their model.
- Secondly, within their answers, they employ some arguments which I find to be quite weak. For example, Johanson and Vahlne writes, in answer to the claim that BGs are not consistent with the U-model, “We think they are, to the extent that most born globals are really “born regionals”, with international activities that do not really span the globe in any significant fashion” (2009, p. 1420). Following, they include an old company example used in their studies from the 1970s, showing how it’s “born regional” but still describable by the U-model. I disagree on two points: One, I will argue that there exists true born globals “spanning the globe in a significant fashion”; and two, I will argue that the example company used implies that they do not acknowledge the major differences in core business activities, and thus likely also the internationalization activities required, between traditional industrial companies and for example a 2000s software company.

However,, the major change from the 1977 U-model is that Johanson and Vahlne (2009) now view the business environment as a web of relationships, a network, instead of the neoclassical market of independent actors. The major challenge for companies seeking to expand to a market outside their national borders thus is a question of outsidership in relation to the relevant network of the market, rather than foreignness to the country the market is in. Their emphasis on networks is highly relevant, as seen from the focus on networks in the IE literature related in section 3.1.3. Among them is Sarasvathy. Her arguments interestingly are included in a single paragraph after a reviewer of the 2009 paper, made Johanson and Vahlne aware of the “effectuation process”. They “consider the effectuation process as developed by Sarasvathy to be fully consistent” (Johanson & Vahlne, 2009, p. 1423) with their model, although they point out that Sarasvathy includes the individual level of the entrepreneur, something which they do not.

But, the individual level of analysis is in fact included in the subsequent update by Schweizer, Vahlne and Johanson (2010), where effectuation plays a bigger role. In the 2010 paper, they seek to adjust the 2009 model by including the entrepreneurial aspects of the process through three theoretical perspectives, one of them being effectuation. The authors largely agree with Saravathy’s (2001) logic of effectuation, stating that “such a view of rationality corresponds better with the often unintentional internationalization of a company as the result of managerial or entrepreneurial efforts – the view taken in this paper” (Schweizer, Vahlne, & Johanson, 2010, p. 368).

Their conceptual model, as shown in figure 2 above, is updated in both the 2009 and the 2010 papers. Whereas the 2009 update naturally emphasize the network perspective, the 2010 update explicitly include “exploiting contingencies”, a central element of effectuation, as a change variable leading to progress in the process of internationalization. Though they disagree with much of the earlier IE literature, the experienced IB scholars Johanson and Vahlne clearly recognizes that effectuation “can strongly contribute to our understanding of the internationalization of firms” (Schweizer, Vahlne, & Johanson, 2010, p. 368).

3.3.3.5 Harms and Schiele – Antecedents and consequences of effectuation and causation in the international new venture creation process

Harms and Schiele (2012) explicitly position their paper as a contribution to both IB and IE literature. They argue that effectuation theory is applicable because internationalization can be framed as an entrepreneurial process of decision making under uncertainty, drawing on Jones

and Coviello (2005) and Schweizer et al (2010). It is also stated that this is the first paper to apply effectuation to specific IE research (Harms & Schiele, 2012). Although we see that Andersson (2011) became the first of the two to be published it is evident that both are among the very first. The focus in this paper is on entry-mode selection, and using the framework provided by Chandler et al (2009), a quantitative study of 65 high-growth firms is conducted. They also explicitly contribute to the IB literature by showing that decision-making matters, thereby making effectuation a relevant theoretical starting point.

It is also found that psychic distance correlates to causation-type behavior. They believe entrepreneurs perceive psychic distance more as a lack of knowledge which can be changed by research and analysis, and not as a fundamental uncertainty (Harms & Schiele, 2012). As I see it, this actually seems to correspond well with Johanson and Vahlne's (1977; 2009) U-model, in that psychic distance is overcome by increasing foreign market knowledge (1977), or network presence (2009).

3.3.3.6 Andersson – International entrepreneurship, born globals and the theory of effectuation

Svante Andersson has been an active scholar within the field of IE for some years, and it is interesting to make a brief note of some points in his research leading up to his latest paper (2011). Andersson started early to promote the individual level of analysis in IE research (Andersson, 2000), continuing in several papers (e.g. Andersson & Wictor, 2003; Andersson & Evangelista, 2006). In the 2009 paper with Frishammar, he promotes the concepts of Entrepreneurial Orientation and specifically the proactiveness element as a factor for international performance. Market Orientation is also considered in the paper and although not found to lead to performance, it is concluded that the existing meaning of the term is too much founded on causation logic, whereas small firms “rely on learning-by-doing and effectuation logic rather than systematic procedures and causation models” (Frishammar & Andersson, 2009, p. 72). In this way Andersson also introduce effectuation to the IE field, which by the title clearly is the main theme for the 2011 paper.

Andersson start of the 2011 paper with the earlier mentioned literature reviews' call for stronger theoretical foundations in the IE field (Keupp & Gassmann, 2009; Rialp, Rialp, & Knight, 2005a), by stressing the importance the individual level of analysis, and thereby, to state a need for further investigation on decision making in an IE context. Decision making in uncertain environments, typical for the BG, and on the individual entrepreneur level of

analysis, is the domain of Sarasvathy's (2001) effectuation logic. The purpose of his study is therefore to study the BG entrepreneur's internationalization decisions using effectuation theory. A case study was done on a single company, which was chosen to be able to get the necessary depth of information.

Andersson concludes that effectuation brings new understanding to the field of IE on the internationalizing entrepreneur's decision-making, specifically in two ways. Firstly, by treating both the individual, firm and network level, and, by including "a pro-active entrepreneurial perspective that better describes the firm's development than earlier theories used to analyze born globals' internationalization" (2011, p. 637). Effectuation is also said to complement earlier research on born globals using the resource-based view and networks.

In the IB context, effectuation makes for a better understanding of BG market choices by recognizing how the entrepreneur/firm leverages internal resources and network to exploit opportunities as they are created or discovered. The BG can expand quickly abroad by using resource-lean, low-risk entry modes such as distributors (Andersson, 2011). In the IE context, effectuation logic found a development of the firm where the entrepreneurs' growth vision leads to internationalization but where the firm is still open for contingent opportunities.

In general, Andersson unsurprisingly recommends including effectuation in future research on BGs. The individual level is again promoted, and further research is recommended on the individual entrepreneurs' behavior, intentions, aspirations and motivation for going international early, and not only the traits and characteristics of the typical BG entrepreneur. It is also stated that future research should include the pre-start phase of the born global.

3.4 Summary of the theoretical background

The preceding sections on theoretical background started with a historical perspective on international trade and showed how it evolved to the widely mentioned U-model (Johanson & Vahlne, 1977). Then, the emergence of born globals and the field of international entrepreneurship were described. Effectuation (Sarasvathy, 2001) has been introduced, followed by a thorough discussion of existing literature that has employed effectuation in the IE context. Using effectuation in the study of born globals is also the purpose of this study.

As seen from the preceding subsection, there is still no consensus on precisely *how* effectuation should be employed in the understanding of internationalizing born globals. I will not try to vindicate one model over the other, but rather try to strengthen the agreement that there *is* a place for effectuation in understanding born global internationalization. As well, there has been a call for focus on the early stages of a born global internationalization (Andersson, 2011), which will be explicitly addressed..

As pointed out in the sections on IE and effectuation, a consensus seem to prevail in that task specific experience is required for early internationalizing in an effectual manner. Through my experience with the illustrative case and from observations of other firms, I do not believe fully in this necessity of experience, and I intend to disclose what might be other possible antecedents for inexperienced entrepreneurs starting born globals using effectuation logic.

Based on the objectives just stated, I will next develop a rigorous theoretical framework for empirical research.

3.5 Initial framework

This study aims to increase the understanding of born global internationalization specifically, and it is therefore paramount to include some sort of metric on born globals in the following empirical research. The terminology of these types of firms is discussed above, leading to the choice of term, i.e. born global. Aspelund and Moens (2005) definition, which is included above, actually include both of the two dimensions that are to be employed. Firstly, that born globals are “more resolutely focused” (Aspelund & Moen, 2005, p. 19) resonates with Evald, Klyver and Christensen’s (2011) understanding of *true* born globals, which are firms that have intentions to internationalize at the pre-founding stage. Evald et al (2011) build on the works of Krueger et al (2000), who found that entrepreneurial intentions are a strong predictor of future entrepreneurial actions, assuming that it applies equally to international intention. They operationalize international intention with a scale on the proportion of customers the entrepreneurs expect to live outside their own country eventually (Evald et al, 2011). In this study, pre-founding international intention is operationalized as a binary variable depending on whether or not the founders had decided that the firm should have international sales eventually prior to firm establishment.

Secondly, that born globals appear more able to “succeed in internationalizing extensively from start-up” (Aspelund & Moen, 2005, p. 19), thereby requiring a certain level of early internationalization, is coherent with Andersson and Wictor (2003) who states that “Born Globals begin exporting one or several products within 2 years of their establishment and tend to export at least a quarter of total sales” (p.252).

Consequently, to make sure that the specific firms studied fall into the born global category, the following two proposals will be tested:

1. The founders had pre-founding intentions to internationalize
2. The company has achieved international sales within the first two years and has equal to or more than 25 % international sales as part of total sales

In order to identify effectuation among the born globals studied, there needs to be some sort of operationalization of the effectuation theory. Among the papers reviewed in section 3.3.3 applying effectuation in the IE context, there is a slight lack of consistency in the operationalization among the papers indicating it explicitly, as shown in appendix A2, and among some it seems to be more vaguely applied, at least not explicitly given. Appendix A2 shows the dimensions the different papers apply, and in a superficial analysis they are clustered in columns. The top row, which forms the basis for the clustering, is based on five principles proposed by Sarasvathy (2008). These are five principles of entrepreneurial expertise, which together point to the logic of effectuation. Therefore, these principles will form the theoretical framework for investigating the presence of effectuation. The principles are coherent with the logic described in section 3.2 on effectuation above. The following list states the principles and what they indicate on how an effectuating entrepreneur operates, from Sarasvathy (2008):

1. The bird-in-hand principle: the use of a means-driven rather than a goal-driven approach. Looking at what resources are available first to see what may be done, instead of gathering resources to achieve a pre-defined goal.
2. The affordable-loss principle: instead of calculating expected returns, the focus is on costs and how much it is affordable to lose. Expected returns are in any case based in predictions which is not credited much value, so it is better to keep control of costs not getting too high.

3. The crazy-quilt principle: focusing on partnering and networking rather than analyzing competitors. This means pro-active networking and leveraging of this, rather than trying to predict what competitors might be up to.
4. The lemonade principle: leveraging contingencies rather than trying to avoid, overcome or adapt to surprises. Being open to emerging events and opportunities, and then seeking to take advantage of the interesting ones rather than trying to predict and avoiding such events by sticking to a pre-defined plan.
5. The pilot-in-the-plane: viewing human action as the primary driver of opportunities, not external events. This means that opportunities are created, and not discovered, being part the tradition of opportunity creation theory as depicted by Alvarez and Barney (2007).

These principles are then operationalized into a table of binary dimensions given below. The background for including the invalidating findings column is the findings of some correlation between causation and effectuation, first shown by Chandler et al (2009) and then confirmed by Harms and Schiele (2012). Their solution to this issue was to not only check for effectuation, but also to check for potential occurrence of causation observations, and the same logic will therefore be applied here.

	Research component	Confirming findings	Invalidating findings
1a	Born global	Early international sales	No early international sales
1b		Expressing early international intentions	Denying early international intentions
2a	Effectuation	Means-driven approach	Goal-driven approach
2b		Affordable loss	Focus on expected return
2c		Pre-commitment, partnering, not worrying with competitive analysis	Focus on goals before partners and focus on competitive analysis
2d		Acknowledging and leveraging contingencies	Trying to avoid, overcome or adapt to surprises
2e		Opportunity creation	Opportunity discovery

Table 1: Summarized and tabulated theoretical framework for empirical research

The methodological approach on the third research component, substitutes for experience, will be somewhat different, and the framework is therefore not as rigorous as the table above. I will get back to the methodological aspects of this in the methodology section. However, it is related to the framework for the components above, as the premise for exploring what may possibly have substituted experience relies on the validation of the firms being born global by definition and employing an effectual logic. If this proves to be the case, further investigation will be done on this component, and possible explanations sought out.

4. Method

This study's empirical evidence is gathered from a case study of two companies. This section will explicate the methodological aspects related to the study, starting with the research design. Then, the processes of data collection and analysis will be described, respectively. The choice of case companies and a short description of these will be given in the data collection section. Lastly, the case study will be criticized and limitations elaborated.

4.1 Research design

The thesis is an empirical case study (Yin, 2009; Wacker, 1998). Firstly, seeking to validate the use of existing theory in a relatively new context, thereby offering evidence for the development of new theory, and secondly to build possible explanations for findings which contradicts existing theory.

The choice of using the case study as a research method is based on the following:

- Using case studies has been called for in the literature review of IE by Rialp et al (2005a)
- Yin's (2009) conditions for using the case study is fulfilled, which is that I'm posing "how" research questions, do not require control of events and deal with contemporary events
- Insightful relationships may be developed within a limited set of companies, in line with Wacker (1998)
- I have good access to the case companies involved, a prerequisite for good insight (Yin, 2009)

Further, the methodological framework employed in this study is largely based on the book "Case Study Research" by Yin (2009) as well as a working paper on analysis method by Widding (2006).

The main research question of the thesis is: "How can we understand the internationalization process of born globals without prior internationalization experience?" This overarching question is based on the initial idea, sparked in the intersection between education and practice, that the internationalization process of a presumed to be born global company, the

illustrative case company Db, may be described using effectuation theory. To guide the research within the main question, three sub-questions are employed. First, the consensus that task-specific internationalization experience is needed to found born globals is challenged through a simple question, used to validate that the case companies are born globals: “Can entrepreneurs without prior internationalization experience found born globals?” The second question concerns the main body of the study: “Can effectuation theory describe the internationalization process of entrepreneurs without prior internationalization experience?” If the two first questions are answered positively by the results, it is shown that inexperienced entrepreneurs may both found born globals and do it using effectual logic. The third question will therefore explore alternative explanations to experience: “What are the possible substitutes for internationalization experience to born global entrepreneurs using effectual logic?” See figure 3 below for an illustration of the logic of the research design and analysis process. As seen in the figure, each of the three questions is linked with a respective research component.

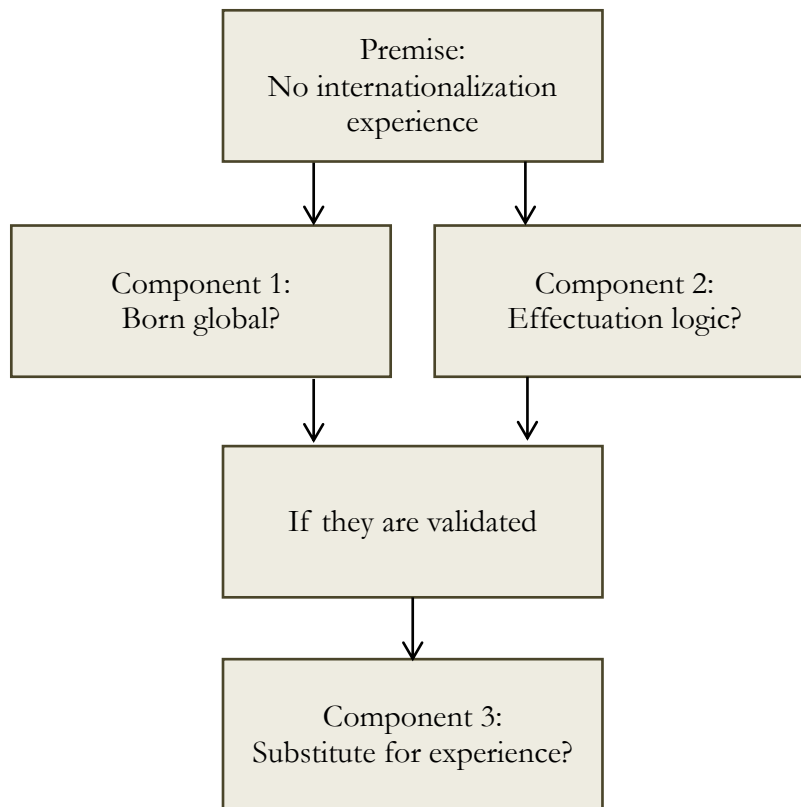


Figure 3: The overall logic of the research design

The units of analysis are the entrepreneurs and their company. As the case companies are so small that the entrepreneurs are a large driver of the firm internationalization (Andersson, 2000), the research may focus on the individual level and the firm level interchangeably. Because effectuation theory is applicable to both the individual and firm level (Sarasvathy, 2001; Andersson, 2011), these units are suitable for this study.

4.2 Data collection

This section will firstly explain the rationale for choosing the case companies followed by some background information. Lastly the process of data collection will be addressed.

4.2.1 How and why I chose the case companies

The data sources of this study are the two case companies, PramPack and Stereo Skis. They were chosen for the following reasons:

- The companies are in a close geographical and network proximity, making the crucial access to data (Yin, 2009) easier, following the principle of convenience sampling (Merriam, 1998).
- The companies are relatively similar to the illustrative case company, Db, making it possible to use my own specific background and knowledge (Yin, 2009).
- The similarity of companies also makes it possible to get a better understanding of these specific types of companies in the light of the applied theory, following the recommendation by Andriani and McKelvey (2007) (cited in Andersson, 2011).

Facts from the last operational year	PramPack	Stereo Skis
Founded	2008	2007
Industry	Branded consumer goods	Branded consumer goods
Revenue	4,5 MNOK	1,2 MNOK
# of international markets	5	27
International market scope	Sweden, Denmark, Finland, Iceland, Germany Planned (prior to acquisition): Most European countries, USA, Canada, Japan, New Zealand, Australia, South Africa	USA, Germany, Canada, France, Italy, France, Italy, Russia, Sweden, Denmark, Finland, Netherlands, Poland, Spain, Switzerland, Austria, Estonia, Lithuania, Brazil, Argentina, Chile, Singapore, South-Korea, South-Africa, Japan, Australia, New-Zealand, Ukraine

Table 2: Key information on the case companies

4.2.2 PramPack

MyNorse AS, which is the company behind the product PramPack, was founded in Norway in January 2008 by Anne Morkemo. The company was sold in October 2010 to the Norwegian company Stokke. Since the company in essence became a one-product company connected to the branding of that product, the company will be referred to as PramPack.

The product is a patented, reinforced bag for protecting prams during transportation by plane. The product has received wide acclaim and won several awards for both design and innovation of the year in the children equipment industry.

Anne Morkemo was the originator of the idea and the CEO of PramPack. She had varied experience from leadership in the Norwegian Army to starting and administrating a private high school in Bergen, Norway, before starting PramPack. Early 2009 she was joined by Anders Mjåset and Audun Ueland who got the responsibility for production and marketing, and sales, respectively. The two had relatively similar background at the point of joining PramPack, both being in the middle of their master's degree in Entrepreneurship at NTNU as well as having started a recruiting company together.

None of the three founders had any internationalization experience before joining PramPack. Following the team expansion until the sale of the company, PramPack showed a rapid and successful market introduction in Norway and abroad.

4.2.3 Stereo Skis

Stereo Skis AS was founded in Norway in 2007 by Jens-Martin Johnsrud together with Kristian Hvaara and Einar Strømstad. Jens-Martin Johnsrud has been the main founder and driving force behind the company, and is today the CEO.

The business idea was to bring the trend of twin tip skiing from snow to water, thereby creating the sport of wake skiing. The skis are designed to be used behind powerboats, with kite or at cable parks. Stereo Skis was the first company to introduce the sport to the world, and has been actively promoting and pushing the level of the sport through creating events and communicating the activity online through Facebook and action sports media ever since.

None of the founders had any internationalization experience before starting Stereo Skis. Stereo Skis' are the first and only company based on the sport of wake skiing, owned and driven by Jens-Martin Johnsrud Himself an active participant in the sport and pushing the level so that others can see its potential. Wake skiing has seen the biggest growth outside Norway since inception, and Stereo Skis has therefore been involved in international sales since the beginning.

4.2.4 The data collection process

The data was collected from three sources, firstly by investigating the companies' business plans, secondly through semi-structured interviews with one of the founders from each company, and lastly through follow-up e-mails. The choice of using a semi-structured interview is based on the following:

- It allows the interviewees to speak freely, so that they can tell their own, unique story which is likely to be the most important to the specific case company, in line with Widding (2006)
- It has been used by several scholars in relatively similar studies (e.g. Andersson, 2011)

The semi-structured interviews were conducted using an interview guide, found in the case study protocol (see appendix A3), to focus the dialogue towards the questions and themes

relevant to the study. The questions of the guide were designed specifically to connect with the theoretical framework and provide data for answering the research questions. However, the guide was not always followed precisely, because the interviewees often covered themes from different questions in one argument.

Before conducting the interviews with the two case companies, a test interview was done with the co-founder of the illustrative case company to test the interview guide and to get practice in the role of case study researcher, in line with Yin (2009). The interview guide worked satisfactory by making the interviewee speak freely though largely within the relevant subjects, and the guide was therefore not changed after the test.

The interviews were done in Norwegian, the native language of both the interviewees, to make for an easier flow of speech and thus increase the likelihood that the interviewees would engage in the subjects. The interviews were recorded digitally so that the dialogue may flow easier (Widding, 2006), and subsequently transcribed literally. The interviews was transcribed into a table format using the software program Microsoft OneNote, making coding easier in the following data analysis.

4.3 Data analysis

The initial data for analysis were the transcribed interviews in Norwegian. The first stage of analysis was to code sequences of quotes from the interviews and while doing this also translating to English. The sequences of quotes were selected by picking out the significant parts of an argument that built up around a meaningful point considered possibly relevant to the study. The coded sequences were tabulated as A-categories in a matrix by the abstraction logic described by Widding (2006), see figure 4. This approach made for a highly structured work-flow, which both eased the following analysis and maintained a chain of evidence thus strengthening construct validity (Yin, 2009).

In the next stages of data analysis the research took two different paths by applying different strategies to component 1 and 2 than component 3. Figure 3 on the research design also shows the overall logic of the analysis process in terms of how the three components relate.

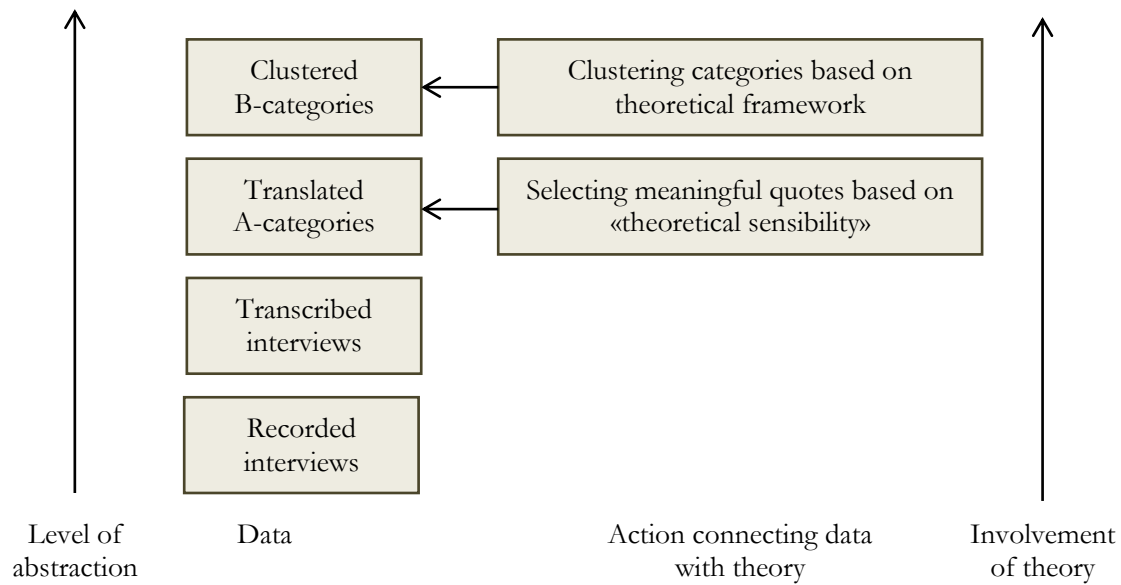


Figure 4: Steps of analysis. Inspired by Widding, 2006

Starting chronologically with the analysis regarding component 1 and 2, the A-categories were investigated using the framework in table 1 to identify categories validating or invalidating the research elements, thereby following a strategy of relying on theoretical propositions (Yin, 2009). The categories were clustered in matrices headed by the dimensions, following a pattern matching technique (Yin, 2009). Figure 4 above illustrates the abstraction process and how theory was involved at the different stages. The emerging matrices of propositions with validating and invalidating categories (see appendix A2) form the basis for evaluating the results.

When the results had been evaluated, investigation of the categories for evidence concerning research component 3, substitutes for experience, was done using an explanation building strategy (Yin, 2009). This was done by identifying elements in the evidence that could explain the case companies being born globals using an effectual approach while lacking task-specific internationalization experience. This process was more open ended than with the previous components, as the final explanation had not been stipulated at the beginning of analysis for possible validation or invalidation. The results of the explanation-building approach will be given in section 5, and the possible explanations will be discussed further in section 6.

4.5 Limitations and criticism

Even though called for in the literature reviews by both Rialp et al (2005) and Keupp and Gassmann (2009), this study is without a temporal perspective. Considering the limited time frame of the thesis relative to firms' internationalization processes, a longitudinal perspective would have been of small value.

The choice of case study companies is limiting as they are relatively similar, reducing generalizability, but the similarity is good with regards to understanding specific types of companies (Andriani & McKelvey, 2007, cited in Andersson, 2011). Keupp and Gassmann (2009) also call for broadening the perspective of IE to more than small and young companies, a call not heeded in this study due to the case companies' proximity which were crucial to data access (Yin, 2009) following the principle of convenience sampling (Merriam, 1998).

The theoretical framework employed naturally limits the study scope, and thereby possibly losing some perspectives in the data analysis. However, the use of such a rigorous framework enhances construct validity (Yin, 2009) and thus strengthens the study. A rigorous framework is also important to meet the general criticism of the case study method on lack of rigidity (Yin, 2009). Therefore, focus has been on following a case study protocol in the data collection phase and subsequently to maintain a systematic case study database for the data collected and analyzed, strengthening reliability of the study (ibid).

A clear chain of evidence has been maintained to secure construct validity (Yin, 2009), as well as some data triangulation on research component 1 by combining key figures in e-mails with the interviews. Also, the interviewees have reviewed the thesis draft. However, more data triangulation by interviewing various people familiar with the case companies would have strengthened construct validity and expanded data. External validity is strived for by using the same case study protocol and therefore basing the interview on the same interview questions, applying replication logic (Yin, 2009).

The objectivity of the interviews may be criticized as the interviewees are in the network of the researcher. It may be argued though, that this makes the interviewees more open and speak more freely. Lastly, the interviews concern events of the past although fairly recent, and there is thus a possibility of recall error by the interviewees. Concerning the effectuation-

causation dimension, it could be expected that the entrepreneurs in hindsight rationalize their process and thereby make it more causation-like in memory, but it does not seem to be the case.

5 Results

The following results section reports the findings of the empirical case study, organized according to the theoretical framework from section 3.5 and the respective research questions.

5.1 Research component 1: Born Global?

This component relates to the first sub-question, “Can entrepreneurs without prior internationalization experience found born globals?” If the answer is positive, this will form the premise of the explanation building research on component 3 regarding substitutes for experience. It will also be decisive for the applicability of the possible results from the research component on effectuation. The results on this component are both from the interviews and the e-mails where the specific key figures were given.

The first dimension regards the definition of a born global as a firm with early international sales. Both companies comply with this definition, showing both international sales from the first operational year, and international sales as a substantial amount of total sales. See table 3 for the data leading to these results.

	PramPack	Stereo Skis
1a International sales	Operating year 1	Operating year 1
Amount of international sales as part of total sales	38 %	90 %

Table 3: Data on component 1

The second dimension concerns the definition related to pre-founding international ambitions and intentions. In this dimension as well, both companies comply by expressing explicitly that they aimed at international sales from the very beginning of the venture.

The aggregated results from the two dimensions indicate that both case companies may justly be termed born global by any of the two definitions employed. The results are considered strong enough to set the premise for research component 3 on substitutes for experience, but will still be discussed further in the discussion section to provide conclusive results.

5.2 Research component 2: Effectuation in born global internationalization?

The main research component of the study was to investigate the validity of effectuation as a theoretical framework for understanding born global internationalization, phrased as the sub-question “Can effectuation theory describe the internationalization process of entrepreneurs without prior internationalization experience?”

In the framework of table 1, effectuation theory was operationalized as five different and binary dimensions, thereby allowing relevant findings to either validate or invalidate the presence of effectuation logic. The data forming the following results are exclusively from interviews with the firms.

5.2.1 Means-driven

The first dimension says that effectuators typically base their strategies and actions on what means are available to them, instead of gathering means to pursue a pre-defined goal. Both interviewees are concerned with what they have, and use this as a starting point for future action. Stereo Skis demonstrate this by their decision to travel to a trade show even before products were ready because what they had was newness in the industry, an essential mean to their potential success:

“We jumped at it without being ready at all, we went to the trade show without having skis in production even, but we knew that should we use our newness, which was all we got...”

5.2.2 Affordable loss

The second dimension is about affordable loss rather than expected return, meaning that the effectuating entrepreneur is more concerned about the maximal downside rather than the possible upside when considering opportunities. Both firms show a concern with risks and potential losses, and indicate a propensity towards using distributors internationally.

Distributors allow for international growth while keeping resource commitments low, but also letting go of a profit margin in that market, in line with a focus on potential losses rather than the potential profit. PramPack show their concern with risk and willingness to share a potential reward with distributors:

“There were many distributors in our industry... Many who were willing to share the risk.”

5.2.3 Crazy-quilt partnerships rather than competitive analysis

The third dimension relates to the effectual entrepreneur's tendency to focus on networking and involving any stakeholder willing to commit to the project without much concern for competitive analysis. As mentioned in the paragraph above, both firms were inclined to partner with distributors so they could increase international growth. As well, both firms explain how they sold their products before they even had it finished, a demonstration of creating pre-commitments from partners. Stereo Skis reveal some early concern for an initial competitor, which could be interpreted as a sign of a more causation-like process. But, their internationalizing decisions do not generally seem to be based on competitive analysis. Stereo Skis reveal their way of getting pre-commitments:

“But we got orders, based on the prototypes... The inside was good, but the surface ... Was only stickers.”

5.2.4 The lemonade principle of exploiting contingencies

The fourth dimension is about being open to, acknowledging and leveraging contingencies as they arise, instead of trying to stay clear of or adapting to surprises. PramPack was explicitly concerned with the generation of new opportunities, especially through pro-active networking, and explained how the team was all set on following an opportunity that involved some whole new aspects in their business model:

“But underway a new opportunity emerged... A great opportunity, and then we were all set on going for it and testing it out.”

Stereo Skis also talk about how it is hard to analyze and plan for how the international expansion develops, relating it for example to coincidental meetings at the first trade show that later turned out to be business contacts they still deal with. As well, they explain how their first idea of what their early adaptor customer segment was, eventually proves to be wrong, but by reconsidering their initial analysis they adapt and see new opportunities.

“We thought it would be easier to convince existing water sports customers... But they are loyal to their sport... So it's more those who're doing winter sports, and haven't found their summer sport, and that's after all more than those dedicated to water sports. And that's why we focused on cable parks... Relating it to twin tip skiing.”

6.2.5 Pilot-in-the-plane principle of opportunity creation

The fifth dimension regards the difference between the traditions of belief in opportunities as either created or discovered, where effectuators see human action and thus creation as the primary driver of opportunities. Recognizing the firms' behavior and attitude towards new opportunities, it is clear that they do not consider opportunities to be something exogenous, ready to be discovered by whomever most observant. PramPacks "extreme pro-activeness" and Stereo Skis' market activities and trade show attendance is, as they see it, what brought them international market opportunities. PramPack elaborates:

"Yes, we had sort of a foundational plan, which we were willing to change, and we tried to create as many opportunities as possible, and then we seized those we felt fit and were interesting, and we had enough focus to discard the ones that wasn't good."

6.2.6 Aggregated results on effectuation in internationalization

The aggregated result of this research component, based on the results of the five dimensions listed above, indicates that effectuation may be a viable theoretical framework for understanding the internationalization process of a born global firm. The discussion section will connect the above results with theory, possibly providing for stronger validation.

Also, the results indicate that entrepreneurs without internationalization experience may employ an effectual logic.

5.3 Research component 3: Substitutes for experience

Based on the findings on the two preceding components, i.e. that the case companies are born global and seem to be following an effectual logic, the empirical evidence was analyzed as described in section 4.3 to look for possible explanations or substitutes in the lack of experience. The research question related to this component is "what are the possible substitutes for internationalization experience to born global entrepreneurs using effectual logic?" The results from the analysis of the data are two observations of possible explanations which inherently are connected. The observations and the connection will be elaborated in the discussion section 6.

The first observation was that PramPack at several points mention how they took inspiration from another firm. For example, an excerpt from the interview:

“We saw how they (A Real Cool World) did it, and we saw how it fit us and our product as well...”

This firm was in the same industry and a few years ahead of PramPack, growing successfully in a manner that the PramPack founders strived for as well.

The second observation is that both firms rely on the advice and confidence of persons in their network whom they attribute knowledge and authority, such as a mentor. As Stereo Skis explicitly put it:

“Yes, it's just to jump in it with that trade show. He said so (the mentor, Lars Monrad-Krohn), and he has started big things like Norsk Data etc.”

Both observations will be elaborated further in section 6.

5.4 Summary of the results

This section has presented the findings from analysis of the empirical evidence. The results show that both firms are born globals by definition even though the entrepreneurs had no prior internationalization experience, leading to a conclusive result on the first research component. The internationalization process shows indications of being characterized by effectuation logic in all five dimensions explicated in the theoretical framework of table 1. These results set the premise for investigating what may possibly be the entrepreneurs' alternatives to experience, resulting in two observations which will be discussed further in the following section.

6 Discussion

The results explicated in the preceding section will in now be discussed and related further to the theoretical background.

6.1 Born Global by definition

The initial research component is relatively simply validated, confirming through the definitions from theory the intuitive notion of both firms being born globals. Firstly, both PramPack and Stereo Skis comply with the definition regarding expressed international intentions (Evald et al, 2011; Aspelund & Moen, 2005). Secondly, both companies comply with the requirement of international sales within two years and international sales being a substantial part of total sales (Andersson & Wictor, 2003).

As the founders of PramPack sold the company early, they did not get sales outside Scandinavia during their history with the firm, something that may be viewed as *born regional* as put by Johansson and Vahlne (2009). But, they had clear intentions of expanding further to among others Japan within a short time, and is therefore still to be considered truly born global. Stereo Skis on the other hand, started their international sales overseas in the U.S. and sold early to various parts of the world.

The fact that both firms are founded by inexperienced entrepreneurs, contradicts the observed consensus in literature of experience being a necessary requisite for the establishment of born globals. These findings thereby lay one of the two premises for research component 3 about substitutes for experience.

6.2 Internationalization as effectuation

The main research component was to investigate the validity of effectuation as a theoretical framework to understand born global internationalization. The results consistently indicate a clear presence of effectuation logic as described by Sarasvathy (2001; 2008). Following, I will elaborate on each of the five dimensions from the theoretical framework in table 1.

6.2.1 Means-driven

The first dimension, which describes effectuators as being means-driven, is supported by the results. The founders both show a tendency to base their decisions and future action on what

they have and not on what they want to achieve. The means-driven logic clearly links to the overarching effectual preference towards control of the future rather than trying to predict it. The case companies do not make any references to prediction of future conditions, but rely on what they have to create international opportunities and growth.

This means-driven approach is also connected to the resource based view (RBV). The RBV is based on the logic that the firm should build sustained competitive advantage from their resources when the environment is unstable and uncertain (Barney, 1991), which is generally the case for start-up companies bringing new products to potentially new markets. The case companies, specifically, were both bringing entirely new products to the market and a means-driven approach is therefore likely to be the most successful.

6.2.2 Affordable loss

Both PramPack and Stereo Skis show a bigger concern for the involved risk and that they limit their exposure when going abroad than what they may potentially reward from the internationalization. This is in line with Sarasvathy's (2001; 2008) affordable-loss principle, meaning that the case companies typically consider international opportunities based on the involved risk exposure rather than a prediction of expected returns. As such, effectuating born globals will typically seek to internationalize in resource-lean ways, such as using direct international sales and distributors rather than for example establishing foreign subsidiaries (Andersson, 2011). This is exactly what both PramPack and Stereo Skis aimed for, and when using distributors to grow they let go of a profit margin, though this is accepted when exposure and potential losses can be limited.

According to Dew et al (2008), the typical business-educated but entrepreneurial novice approach would be the employment of analytic predictions of which country-market will give the biggest return, and then gather resources to target that market. The expert entrepreneur, on the other hand, would as the case companies here, care more about how much they can afford to lose while targeting as many markets as possible based on a growth vision to see how it goes (ibid). Even though the entrepreneurs involved do not have earlier internationalization experience, they still apply the effectual principle of affordable loss.

6.2.3 Crazy-quilt partnerships rather than competitive analysis

By building partnerships like a crazy-quilt patchwork, the effectuating entrepreneur focuses on networking and involving any stakeholder willing to commit to the project without consideration of the opportunity-cost of getting them onboard. As both PramPack and Stereo Skis in fact did, pre-selling to customers before the products are ready, i.e. getting commitments is a clear indication of effectual logic in action (Sarasvathy, 2008).

They do not care much about competitive analysis, also in line with the general effectual skepticism of any predictions of the environment, other than Stereo Skis mentioning a competitor that they met at the initial trade show. The generally larger concern for partnering with stores and distributors is evident, and as Sarasvathy (2008) say, their international expansion is based on where they find good partners, not vice versa. This is also in line with Johansson and Vahlne's (2009) updated U-model where networks are seen as the most important factor in successful internationalization. Mainela and Puhakka (2008) show that pro-activeness and partnering is the means for success in uncertain international environments, something the case companies demonstrate, especially PramPack with their incessant pro-active networking.

6.2.4 The lemonade principle of exploiting contingencies

"When life gives you lemons, make lemonade", Sarasvathy (2008) quotes the old saying. The case companies also show the tendency to be open to contingencies and being ready to exploit them when at hand. PramPack for example mention an emerging opportunity which they were ready to go after if they had the resources.

The updated U-model (Johansson and Vahlne, 2009; Schweizer et al, 2010) explicitly include 'exploiting contingencies' as a change variable in their stage model of internationalization. In line with their model, Stereo Skis make a point of how an unpredictable encounter at for example a trade show may lead to subsequent internationalization. This way of acting also connects with Chandra et al's (2009) Entrepreneurial Orientation (EO) model, where firms with an EO aggressively seek "to leverage opportunities as they present themselves" (p.53).

6.2.5 Pilot-in-the-plane principle of opportunity creation

The born global following an effectuation logic will not expect opportunities to be out there, ready to be taken by whomever most observant or best at prediction (Sarasvathy, 2008). As

seen from PramPack and Stereo Skis, they will rather see internationalization opportunities as something to be created through human action. Both firms internationalized through proactively doing activities in the market and seeking out sales or partnerships that eventually led to international growth.

This behavior also connects with Bhowmick's (2008) model of the 'enactment-effectuation' dance, where the opportunities initially are enacted by the entrepreneur. Bhowmick says that the entrepreneur when enacting, or creating, the opportunity, is part of the situation they face and therefore act without complete knowledge of the situation. I would argue that the effectuation principle of affordable loss describes the situation better, in that the entrepreneur in fact know and control their possible loss when trying to leverage the created opportunity.

6.2.6 Summarizing discussion on effectual logic in internationalization

The research question in this component was: "Can effectuation theory describe the internationalization process of entrepreneurs without prior internationalization experience?" Based on the discussion above, the results from this study are considered to provide strong support in favor of a 'yes' to this question. It is therefore in support to the recent stream of literature applying effectuation to models of the internationalization process (Andersson, 2011; Bhowmick, 2008; Harms & Schiele, 2012; Mainela & Puhakka, 2008; Schweizer, Vahlne, & Johanson, 2010). Specifically, it shows that born global firms without prior internationalization follow an effectual approach. This contradicts the consensus observed in the literature and thereby sets the second premise for research component 3 on experience.

6.3 Substitutes for experience

From the premises laid out by component 1 and 2, there is basis to discuss the possible substitutes for experience as a necessary requisite to born globals and effectual internationalization. The discussion is based on the analysis of the evidence where I made two observations, both stated in the previous section 5, results.

The first observation was that PramPack at several points refer to a successfully growing firm in the same industry which they took inspiration from. The second observation was that both firms refer to the knowledge and confidence of certain persons within their network, such as a mentor which Stereo Skis explicitly refer to. These two observations are considered to converge to a similar point. As seen from both observations, the companies rely on

external sources of knowledge and experience within their professional network. This implies an increased importance of networks in the understanding of both the antecedents of born globals in general as well as born globals internationalization process. If an entrepreneur, or a group of entrepreneurs, lack internationalization experience, they can possibly compensate for this absence by relying on resources within their network.

Such compensation resembles one of the five strategies proposed by Freeman et al (2006) which smaller born-globals use to overcome constraints. Extensive personal networks among the born-global's top management may be essential to cope with constraints such as lack of knowledge resources and risk aversion (ibid). This is supported by Harris and Wheeler (2005) who find that close, personal relationships may be transformative for the firm's internationalization. Close, personal relationships such as Stereo Skis mentor. Stereo Skis explain how they likely would not have travelled to the trade show if not for the mentor pushing them to go:

“Yes, we had (internationalized slower if the mentor didn't push), at least the first year, but the idea was to go international the second year...”

Just as Freeman et al (2006) point out, risk-aversion is here overcome by Stereo Skis explicitly from the confidence of the more experienced mentor.

From the perspective of a prospective born global, it would therefore seem increasingly important to connect with the right resources at an early stage.

Early internationalization may be necessary for international success (Moen & Servais, 2002), and from the perspective of a prospective born global it would therefore seem increasingly important to connect with the right resources at an early stage. If, for example, the firm is in dialogue with early investors, it should aim for those with a track record of born global investments and/or management experience from a large firm (Moen, Sørheim, & Erikson, 2008).

The phenomenon of entrepreneurs without internationalization experience, who end up starting born globals using effectual logic, may be explained by networks linking them to knowledge and experience resources.

7. Conclusion and implications

7.1 Conclusion

The first purpose of this study was to show that founders without prior internationalization experience may start companies complying with the theoretical definitions of a born global. The second purpose was to confirm the presence of effectuation logic in the specific context of inexperienced entrepreneurs' internationalization process. With the premise of the first two proposals being confirmed, the third purpose was to explore what could possibly be the substitute of experience for inexperienced founders of born globals using effectual logic.

Case studies of two firms have been conducted. Based on the results and the succeeding discussions on the three research components, conclusive answers to the research sub-questions are given, leading at last to an aggregated conclusion on the main research question.

(1) “Can entrepreneurs without prior internationalization experience found born globals?”

Both case companies comply with the born global definitions. Neither of the companies had prior internationalization experience. The conclusion is therefore yes, entrepreneurs without prior internationalization experience can found born globals.

(2) “Can effectuation theory describe the internationalization process of entrepreneurs without prior internationalization experience?” Both case companies show an internationalization process characterized by effectuation. Neither of the companies had prior internationalization experience. The conclusion is therefore yes, effectuation theory can describe the internationalization process of entrepreneurs without prior internationalization experience.

(3) With the premise that the results gave positive answers to the questions above, the third component set out to explore “what are the possible substitutes for internationalization experience to born global entrepreneurs using effectual logic?” Both firms show tendencies to rely on external knowledge and experience through key resources within their network, which is therefore concluded to likely be their substitute to prior internationalization experience.

The main research question of the study was: “How can we understand the internationalization process of born globals without prior internationalization experience?” Based on the answers to the sub-questions above, the main conclusion is that effectuation logic is a viable way of understanding the internationalization process of born globals, even though they lack prior experience, because they seem to rely on key resources within their network as a substitute.

7.2 Theoretical implications

The conclusion above involves some implications for researchers on the field of International Entrepreneurship.

Firstly, the study shows that prior internationalization experience within the firm is not a necessary pre-requisite for founding born globals or internationalizing using effectual logic. The substitute seems to be key resources within their network, an element that may be included in future models of born globals. Harms and Schiele (2012) for instance, who name task specific experience as the key antecedent to the choice of effectuation or causation, may have to adjust their claim to task specific experience within the close network of the founders or top managers.

Secondly, the validity of effectuation in describing the internationalization process is strengthened in general, and specifically in the context of born globals without prior internationalization experience. Also, the focus has been on the early stages of internationalization, as called for by Keupp and Gassmann (2009). This study thereby increases the generalizability of internationalization models employing effectuation (Andersson, 2011; Bhowmick, 2008; Harms & Schiele, 2012; Johanson & Vahlne, 2009; Mainela & Puhakka, 2008; Schweizer, Vahlne, & Johanson, 2010).

7.3 Practical implications

The implications of this study for prospective born global entrepreneurs are two-fold: firstly, to acknowledge the logic of effectuation as a legitimate way of developing their international business; and, secondly, highlighting the importance of networking and seeking out connections with experience and knowledge at early stages. For example when seeking

financing, it may be important to seek out investors with a track record on born global investments and/or earlier management experience from large companies (Moen et al, 2008).

For stakeholders such as Innovation Norway and potential investors it is important to acknowledge the likely effectual character of internationalization processes, thereby decreasing potential demands for completely specified plans of action from the nascent born global firm. Also, that a crucial part of helping firm's internationalization process may be through organizing for networking between inexperienced entrepreneurs and more experienced resources, such as mentor programs.

Further practical reflections of the results and conclusions in relation to the illustrative case company Db are given in Appendix A1.

7.4 Future research

Firstly, because of the limitations of this empirical study, it is suggested to further explore the subject of substitutes for experience among born globals.

To further expand the recent stream of literature employing effectuation on the internationalization process, it is recommended to follow the path of this study in developing the early stages of internationalization, but also address the recommendations of including a temporal perspective (Keupp & Gassmann, 2009; Rialp et al, 2005a). For example, one could follow multiple cases in a longitudinal study from inception throughout their internationalization process, possibly some with and some without prior internationalization experience. This would both expand the understanding of the internationalization process, as well as the substitutes for experience that was explored in this study.

Another interesting path would be to employ Hindle's (2010) Model of Entrepreneurial Process, which explicitly builds on effectuation, in describing the internationalization process. Hindle's model seems to be thoroughly developed and is supported by Sarasvathy, warranting some interesting results to be applied in the IE domain.

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Appendices

A1 Reflections on the results related to the illustrative case company

In this appendix I will informally reflect on the results and conclusions of the study in relation to my practical experience with the illustrative case company Db.

Firstly, that the case companies complied with the definitions of born globals is not a big surprise. The companies are relatively similar to Db, and we have discussed earlier how it is natural and almost obvious to consider the world as a market from the beginning. For Db it have been several strategic motivations for going international from the start, such as positioning among the target segment who are communicating globally through the Internet all the time. To secure a position in a niche market it can be crucial to establish distribution and visibility in the global market as soon as possible.

Secondly, that the firms seem to follow an effectual logic is coherent with the practical observation from Db that sparked the study in the first place, therefore not very surprising. For modern, dynamic entrepreneurs the rational way seems to follow a not so rational plan and exploit opportunities with concern for potential losses. For example, while writing this thesis, we had to make a decision in Db on whether to follow an international opportunity or not. An international distributor made contact with us and wanted to possibly try distributing our products in his national market, but he was without any convincing brand portfolio or solid merit. Still, we have decided to try, but making sure to minimize our own risk through pre-orders and a limited time-frame on the contract. For us it seems like the only rational choice, and it fits neatly with the logic of effectuation.

The last component on experience was possibly more surprising, at least eye-opening. The prior notion when starting out the work on the thesis was that experience is over-rated, and that young, modern entrepreneurs familiar with the possibilities of modern technology did not need experience. But, when the analysis of the results revealed the tendency to rely on expertise within the network, it became obvious that we had done the same. We have always consulted other firms and people more knowledgeable than us on how to proceed, which may be explanatory to our born global mindset.

Overall, the results on the two first components were in line with expectations, but the third component revealed that experience still is important, even though it is not necessarily within the core of the organization.

A2 Overview of how effectuation has been operationalized in IE literature

Author(s)	Year	Elements/principles					
Sarasvathy	2008	Bird-in-hand: Means- and not goals- driven,	Affordable-loss rather than expected return	Crazy-quilt: pre-commitment, partnering, ignoring competition, early sales	Lemonade: Acknowledging and leveraging contingencies	Pilot-in-the-plane: opportunity creation rather than discovery	
Harms and Schiele (from Chandler et al,2009)	2012	Goals: emerging	Decision parameter: Affordable loss	Dealing with uncertain future: pre-commitment and alliances	Exploitation of: environmental contingencies		
Bhowmik	2008		Affordable loss, rather than expected return	Strategic alliance, rather than competitive analysis	Contingency exploitation, rather than pre-existing knowledge		
Mainela and Puhakka	2008		Behavior: Affordable loss bearing	Behavior: Partnering	Turning threats into opportunities		
Schweizer et al	2010		Affordable loss		Opportunity identification and exploitation		(Dealing with) Uncertainty

A3 Interview guide (in Norwegian)

Nr	Spørsmål	Hensikt/ Kobling til teori
1	Kan du fortelle litt om firmaets tidlige fase, hvordan dere jobbet med tanke på å komme ut på markedet, nasjonalt og internasjonalt?	<ul style="list-style-type: none"> • Starte samtalen. • Sjekke at hukommelsen til intervjuobjektet stemmer med dokumentasjonen som er mottatt. • Effectuation/causation process?
-	-	-
2a	Hadde dere internasjonale <i>ambisjoner</i> fra begynnelsen?	<ul style="list-style-type: none"> • Er de "true born global"? Ambitions, intentions
b	(I så fall hvorfor? Var det en grunn i seg selv, eller som en følge om vekstambisjoner? Visste dere om det ville lønne seg?)	<ul style="list-style-type: none"> • Effectuation/Causation • International vision/ambitions
-	-	-
3a	Kan du fortelle litt om hvordan dere <i>forberedte</i> internasjonaliseringen?	<ul style="list-style-type: none"> • Focus: pre-founding • Effectuation/causation
b	(Gjorde dere noe <i>før</i> oppstart av firmaet?)	<ul style="list-style-type: none"> • Pre-founding phase
-	-	-
4a	Kan du fortelle om internasjonaliseringsprosessen deres?	<ul style="list-style-type: none"> • Effectuation/causation
b	(Hvordan kom dere i kontakt med distributører/agenter?)	""
c	(Hva med <i>før</i> dere faktisk var i gang? Var det noe dere gjorde <i>før</i> lansering?)	<ul style="list-style-type: none"> • Focus: Pre-founding phase
d	(Er det noe dere gjorde, eller noe spesielt som skjedde, som du tror er årsaken til at prosessen ble som den ble?)	<ul style="list-style-type: none"> • Effectuation/causation
-	-	-
5a	Kan du fortelle litt om hvordan teamet følte overfor internasjonaliseringsprosessen?	<ul style="list-style-type: none"> • Effectuation/causation • Experience as a prerequisite for effectuation? • Ambitions, motivation etc
b	(Var det noen som ville analysere og planlegge rasjonelt mer eller mindre?)	<ul style="list-style-type: none"> • Effectuation/causation • Behavior, ambitions, motivation etc
c	(Hvordan forholdt dere til risikoen med å gå internasjonalt? Usikkerheten i nye markeder?)	<ul style="list-style-type: none"> • Effectuation/causation •
d	(Var det erfaring, utdanning, reising eller noe som gjorde det greit?)	<ul style="list-style-type: none"> • Experience as a prerequisite for effectuation?

A4 Categorized results

1a	Born global	Early international sales	No early international sales
		A1211	
		But we got orders, based on the prototypes... The inside was good, but the surface ... Was only stickers.	
		A1103	
		Three months after entering the market (in Norway) we were started with Sweden and Denmark too	
		A1106	
		So this was 3 months after the launch, and we had sold our products to the largest chains in Sweden, and the next largest in Denmark	
		E-mails dated the 26th and the 28th of May	
		We sold 2400 products in 2009 and 6500 i 2010, with 400 foreign sales the first year and 2500 the second.	
1b		Expressing early international intentions	Denying early early international intentions
		A1113	
		Yes, we thought stage 1: Norway, stage 2: Sweden and Denmark, and then stage 3: using distributors internationally	
		A1115	
		We thought from day one that this is a product with a market for 50-60 countries, not Norway.	
		A1233	
		Yes, we had (internationalized slower if the mentor didn't push), at least the first year, but the idea was to go international the second year, at least the USA, and then expand to more countries.	
		A1101	
		Starting out we had a plan to start in Norway, get it out, get lots of attention, make some money and start half a year later in Sweden, Denmark and Scandinavia	
		A1201	
		The first business plan said that we should sell in Norway	

		first, and then go international...	
		A1202	
		Start in Norway, grow some, get some experience, then go to Scandinavia and Europe, and then the US afterwards. But then we we discussed it more... And Norway isn't the main country in any way... So our mentor really, he pressed for us to go international at once, just do it.	

2a	Effectuation	Means-driven approach	Goal-driven approach
		A1125	
		We had some rental plans that I think was genius... We all agreed that we should do it... But it got postponed... It was because of finance, we didn't have enough money then to do both.	
		A1119	
		It is a far bigger job to cater 150 stores in Norway, than to cater 10 distributors in Europe, so it is an easier model, but it requires more money and also more risk. Production gets more complicated, and marketing, controlling things.	
		A1206	
		We jumped at it without being ready at all, we went to the trade show without having skis in production even, but we knew that should we use our newness, which was all we got, it would come out.	
2b		Affordable loss	Focus on expected return
		A1118	
		There were many distributors in our industry... Many who were willing to share the risk.	
		A1238	
		Jump into it with relatively simple means	
		A1229	
		But in all other countries really, we've sold to distributors, all other countries than Norway and the US.	
		A1108	
		In Finland and Iceland, we got distributors a few	

		months later (than the Danish and Swedish launch)	
2c		Pre-commitment, partnering, not worrying with competitive analysis	Focus on goals before partners and focus on competitive analysis
		A1104	
		So we talked to a lot of stores and lots of chains to get to know the industry in Norway, and when we had a half finished product we started selling it	
		A1203	
		So we went to Surf Expo (trade show) without completely developed skis, just showing samples, production was delayed	
			A1208
			We got a competitor... Already before the tradeshow... We were testing the skis and people took notice.
		A1211	
		But we got orders, based on the prototypes... The inside was good, but the surface ... Was only stickers.	
		A1229	
		But in all other countries really, we've sold to distributors, all other countries than Norway and the US.	
		A1108	
		In Finland and Iceland, we got distributors a few months later (than the Danish and Swedish launch)	
2d		Acknowledging and leveraging contingencies	Trying to avoid, overcome or adapt to surprises
		A1111	
		We got a big network in Norway, and also in Sweden and Denmark, because we spoke to so many all the time, which was what generated opportunities for us	
		A1123	
		We had a long-term plan that we wanted to do,	

		and we understood what had to be done... But underway a new opportunity emerged... A great opportunity, and then we were all set on going for it and testing it out.	
		A1226	
		We thought it would be easier to convince existing water sports customers... But they are loyal to their sport... So it's more those who're doing winter sports, and haven't found their summer sport, and that's after all more than those dedicated to water sports. And that's why we focused on cable parks... Relating it to twin tip skiing.	
		A1234	
		But then it was the response at the trade show, you meet people from all these different countries, from Chile, Germany, and Belgium. You can't analyze it, or you probably can, but it won't be realistic no matter how much you analyze that stuff	
		A1222	
		So there (at the trade show) we established contacts we still have today	
2e		Opportunity creation	Opportunity discovery
		A1109	
		We explored what distributors were around, who's good, met some and mailed a few, found two we liked and chose one.	
		A1111	
		We got a big network in Norway, and also in Sweden and Denmark, because we spoke to so many all the time, which was what generated opportunities for us	
		A1122	
		Our strength is an extreme pro-activeness, which gives more and more opportunities... We have been meeting so many people... It might be considered a waste... But then the opportunities come.	
		A1123	
		We had a long-term plan that we wanted to do, and we understood what had to be done... But underway a huge opportunity arised, and then we were all set on just going for it and testing it out.	

		A1124	
		Yes, we had sort of a foundational plan, which we were willing to change, and we tried to create as many opportunities as possible, and then we seized those we felt fit and were interesting, and we had enough focus to discard the ones that wasn't good.	
		A1216	
		It was using what we had of acquaintances... It was some who just approached us at once, who had heard of these things (the branding activities)	
		A1221	
		What triggered the most sales after the trade show was direct contact with retailers... You meet distributors and retailers looking for products, and our products were a completely new concept, so it got lots of attention, just because it was new.	

Experience		
Looking at other firms in the same situation and adapting their tactics		
		A1116
		We found another company (RCW) which we liked really good... Who also mentored a bit and who we visited... They were kind of two years ahead of us all the time... They sold a million units when we entered Scandinavia, and they were six employees... They had distributors everywhere... We had planned to do the same.
		A1117
		We saw how they (RCW) did it, and we saw how it fit us and our product as well...
		A1120
		We really looked forward to it, and we saw that it worked for others in our industry, so, yes it probably helped that we saw others who was a few years ahead.
		A1121
		Me and Audun did the research for internationalization, we did it by going places and networking... There was no difference in how we should do it, we found out together by getting into it, and using the network we had made.
Key influential contacts, mentors etc		
		A1102
		The reason for doing this was that we had spoken to the owner of Stokke, who said it was a smart way to grow..
		A1202
		Start in Norway, grow some, get some experience, then go to Scandinavia and Europe, and then the US afterwards. But then we we discussed it more... And Norway isn't the main country in any way... So our mentor really, he pressed for us to go international at once, just do it.
		A1232
		Yes, it's just to jump in it with that trade show. He said so (the mentor, Lars Monrad-Krohn), and he has started big things like Norsk Data etc.
		A1233

	Yes, we had (internationalized slower if the mentor didn't push), at least the first year, but the idea was to go international the second year, at least the USA, and then expand to more countries.
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