



Born Globals –

A New Phenomenon in the Field of Internationalisation

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Foreword

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This candidate dissertation is our final assignment before we graduate from Kristianstad University. During our dissertation work we have experienced both ups and downs and it is with mixed feelings that we finally have reached the goal; a complete candidate dissertation. We have learned that hard work and good cooperation are key factors for a good result. We have also got the opportunity to test our knowledge gained during our education.

We want to thank our tutor, Christer Ekelund, who during the dissertation work has supported us and given us suggestions on improvements. We also want to thank Viveca Fjelkner who has helped us with the English language. Finally, we want to thank our families and friends for all help and support.

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Chapter 1

Introduction

In the first chapter the background of the dissertation is described. The research problem and the purpose of the dissertation are discussed. Finally, the limitations, the research questions and the outline are presented.

1.1. Background

The idea for the dissertation came up during a university course called “International Business and Multinational Enterprises”. The course focused on different internationalisation theories and the term Born Globals was mentioned as a new phenomenon with a new kind of internationalisation behaviour. Born Globals are firms that “adopt an international or even global approach right from their birth or very shortly thereafter” (Madsen & Servais, 1997, 561). When it was time to choose a research topic for our dissertation we remembered the term we had learned during the spring semester and we started to do some research on Born Globals and found it to be an interesting subject. Born Globals are a new concept and it is expected to become a common phenomenon in the future. Many researchers in the field of internationalisation have focused on the new phenomenon, but there is still a lot of research that has to be done to be able to fully explain why Born Globals emerge.

Researchers also have to establish a common definition of Born Globals. Today it is difficult to compare researches and use them as complements to each other. In our dissertation we have chosen to use a definition of Born Global made by Knight and Cavusgil (1996, 18). They state that Born Globals are firms that have reached a share of foreign sale of at least 25% after having started export activities within three years after their birth. Further, we define firms as international when they have activities in foreign countries, no matter if they use export, agents or foreign direct investments.

Our main purpose was to investigate why Born Globals emerge. Many researchers have conducted research on why Born Globals emerge, but they

have not agreed on any common explanations to their emergence. We wanted to do a literature review and summarise the most important and common explanations to why Born Globals emerge. Since Born Globals have a more rapid and intensive internationalisation process than traditional firms we wanted to find out if the existing theories on internationalisation could explain Born Globals. Our intention was to develop a model, which should be applicable to Born Globals and explain why they emerge.

1.2. Problem

The problem is that the internationalisation process of Born Globals differs from traditional firms and therefore Born Globals cannot be explained by the existing internationalisation theories. No model exists which can explain why Born Globals emerge even if different researchers have found many explanatory factors.

1.3. Purpose

The purpose with our dissertation is to investigate and clarify the underlying factors of the emergence of Born Globals. Further, the purpose is to investigate if the existing theories of internationalisation can be applicable for Born Globals and, if not, to develop our own explanatory model to why Born Globals emerge. Finally, we also want to examine the value of our model by an empirical study.

1.4. Limitations

We have reviewed some of the most recognised researches in the field of Born Globals. Since it would be possible to investigate more researches and publications, this constitutes one limitation. Further, due to the time constraint, we limited the study regarding the number of traditional internationalisation theories we investigated. Another limitation in our empirical study is that we concentrated on firms established in Sweden. More specific we limited the study to firms connected to Ideon in Lund.

1.5. Research Questions

The dissertation is based on the following research questions.

- What do researchers know about Born Globals?
- Why do Born Globals emerge?
- Can the internationalisation of Born Globals be explained by any of the existing theories of internationalisation, and if so which theory is most appropriate?
- Is it possible to create a model that can explain the emergence of Born Globals?

1.6. Outline

The dissertation has the following outline.

Chapter 2: The method, research approach and strategy are presented.

Chapter 3: The theoretical framework is presented. First, we investigated what researchers in the field of Born Globals have written about the phenomenon. Focus was on why Born Globals emerge and the firms' specific characteristics. Second, we evaluated the traditional internationalisation theories and their capability to explain Born Globals.

Chapter 4: We create the Born Globals Emergence Model, with the purpose to explain why Born Globals emerge. 10 hypotheses are presented.

Chapter 5: The empirical method is presented. We discuss the research strategy, sample and limitations. The response rate and a discussion about validity and reliability are also presented.

Chapter 6: The survey is analysed. We present the results of the questionnaire and evaluate the hypotheses.

Chapter 7: The conclusions are presented. The dissertation is summarised and the applicability of the model is discussed. Modifications, methodological

critic, future research and practical implications are also presented.

Chapter 2

Method

The choice of methodology is presented. A discussion about the data collection follows, including both secondary data and primary data. Finally, the scientific approach is described.

2.1. Choice of Methodology

Our aim was to understand why Born Globals emerge and to create a model that could explain the emergence of them. Therefore we studied previous researches in the area of Born Globals in order to find out what characterised them. We also studied the traditional internationalisation theories to find out if they could be applicable to Born Globals. However, none of the traditional internationalisation theories could fully explain the emergence of Born Globals, even if parts of some theories could be applicable. Instead we created a model, based on the most common characteristics of Born Globals, which we hoped could be able to explain the emergence of Born Globals.

One of the purposes with the dissertation was to create an explanatory model for the emergence of Born Globals. We chose to adapt a deductive approach and therefore we started the process by a literature review and with this as a foundation we developed our model. We thereafter wanted to evaluate the model and therefore we set up 10 hypotheses and tested them by using a survey.

2.2. Data Collection

2.2.1. Secondary Data

Since the existence of Born Globals is new and the phenomenon is relatively unknown we had to conduct an extensive literature review to learn more about the subject. Even if Born Globals are a new phenomenon many researches in the field of internationalisation of firms have highlighted the subject. When we selected which researches to base our dissertation on we set up four criteria the research had to meet. The researches had to be contemporary, written in

English or in Swedish, directly related to the topic and listed in references of other studies with a similar character and focus. Some of the most recognised researchers are Madsen and Sevais (1997), Cavusgil and Knight (1996) and Moen (2001).

When we studied previous researches in the field of Born Globals we primary focused on the characteristic of Born Globals and on why they emerge. Each research was reviewed with focus on the following issues: main objectives and type of research, theoretical framework, methodological approach and key research findings and conclusions.

We also collected information about the existing internationalisation theories to see if they could explain the emergence of Born Globals. We analysed recognised theories such as the Uppsala Internationalisation Model (Johanson & Widarsheim-Paul, 1975; Johanson & Vahlne, 1977), The Pre-Export Activity (Widarsheim-Paul, Welch & Olson, 1977) and the Network Approach (Johanson & Mattsson, 1988). The conclusion could be drawn that many of the theories are of no value when it comes to explaining why Born Globals emerge. However, the Network Approach and the Pre-export Activity Theory have features that can be of interest when analysing Born Globals.

2.2.2. Primary Data

We conducted a survey by using an online questionnaire. The purpose with the research was to test a model we had developed called the Born Globals Emergence Model. The questions in the questionnaire were linked to our hypotheses. A cover letter was sent to the participants by e-mail. If the firms were international they were asked to use a link in the e-mail, which lead to the web site www.bornglobals.com. On the web site the participants could fill in the questionnaire and their answers were automatically sent to us by e-mail. Our first sample consisted of all firms connected to Ideon in Lund that had an e-mail address. To get a high response rate the firms that did not answer after the first letter got a follow-up letter after one week, also this by e-mail. Our last attempt to get firms to participate in our research was to phone and remind them about the questionnaire. Out of 143 firms we did not receive answers

from 47 firms. 32 firms were international and constituted our final sample. 20 of these firms participated in our research and this led to an active response rate of 62.5%.

2.3. Scientific Approach

Our research is based on the principles of positivism. Researchers connected to this tradition have the role of an objective analyst and try to collect information in a value free manner. Researchers who adopt a positivistic approach strive to be independent, which means that they do not want to affect or be affected by the subject of the research (Saunders, 2003, 83). When we conducted our research we tried to influence the result as little as possible and we tried to stay neutral and not let our expectations influence the research.

A research can be either quantitative or qualitative. Qualitative studies are researches where data is collected, analysed and interpreted but cannot in a meaningful way be quantified (Lekvall & Wahlbin, 1993, 141). Our study is quantitative. Quantitative studies are research where the collected material can be expressed in numbers and be analysed quantitatively. Furthermore, our dissertation is a cross-sectional study. This means that we have studied a particular phenomenon at a particular time (Saunders, 2003, 96). Finally, researches can be classified in terms of their purposes. Our dissertation is an exploratory study since the purpose is to find out what is happening, to seek new insights, to ask questions and to see things in a new way (Saunders, 2003, 96).

Chapter 3

Theoretical Framework

The theoretical framework is presented. First, we investigate what researchers in the field of Born Globals have written about the phenomenon. Focus is on why Born Globals emerge and the firms' specific characteristics. Second, we evaluate some of the traditional internationalisation theories and their capability to explain Born Globals.

3.1. The Phenomenon of Born Globals

3.1.1. Introduction

The most common view on firms and their internationalisation processes is that firms begin to operate at home and then, when time goes by and the managers acquire more knowledge, the firms expand abroad to more geographically and culturally distant countries. Researchers have in recent years focused on the time aspect and some results indicate that time may not be the only explanation to why firms start to internationalise. A proof of this is that today many firms internationalise soon after their establishment, which has led to the emergence of the concept Born Globals. Born Globals are mainly small and medium sized firms (Saarenketo, 2002, 1058). The past decade the phenomenon has been highlighted among researchers who are active in the field of internationalisation processes of firms.

Born Globals can be described in different ways. Since the research area is new there do not exist any common definition of what constitutes Born Globals. However, some definitions are more recognised than others are. Oviatt and McDougall (1993, 49) describe Born Globals as “business organisations that, from inception, seeks to derive significant competitive advantage from the use of resources and the sale of outputs in multiple countries”. Thus, the rapidity and intensity of the internationalisation are two key parameters. Two other recognised researchers on the subject, Madsen and Servais (1997, 561) describe Born Globals as firms that “adopt an

international or even global approach right from their birth or very shortly thereafter". A more exact definition is made by Knight and Cavusgil (1996, 18). They state that Born Globals are firms that have reached a share of foreign sales of at least 25% after having started export activities within three years after their birth.

The time between the moment of the first international sale and the moment of the firm's founding is a common criterion to use when establishing if a firm is a Born Global or not. However, it is also an area of controversy and the time span used differs from two to six years. It is important to establish a generally accepted definition of Born Globals since otherwise it will continue to be difficult to compare researches about the phenomenon.

The described phenomenon has many names. The most common is Born Globals, which we use in our dissertation. Other names worth mentioning are Global Start-ups, High Technology Start-ups and International New Ventures (Moen, 2001, 156).

This chapter will investigate the phenomenon of Born Globals. It is based on researches made by recognised researchers in the area of internationalisation processes and the purpose is to clarify the area of Born Globals. The age of the phenomenon and the industry it exists in will be examined. Different views on why Born Globals emerge and what characterises the Born Globals will also be discussed.

3.1.2. The Age of the Research Area

There are two different opinions about when Born Globals first emerged. One group of researchers considers Born Globals to be a new phenomenon and refers to the concept being first used about ten years ago in an Australian report made by McKinsey et al. (Rasmussen & Madsen, 2002, 4). Since these researchers see Born Globals as something new, they do not think that the existing internationalisation theories can explain the phenomenon. They claim that a new theory has to be built in order to understand the internationalisation process of Born Globals.

However, there are researchers who believe that there have been firms with the characteristics of Born Globals many years before the name was introduced in 1993. Knight, Bell and McNaughton, have made a study on exporting firms in the New Zealand seafood sector, which they present in their article “Born Globals: Old wine in new bottles?”. They investigated 24 firms by using in-depth interviews and the purpose was to find out if the assumption that the phenomenon of Born Globals is new was correct or if the assumption only was made because most of the studies had been conducted on recently established firms. They came to the conclusion that countries like New Zealand, with small domestic markets, had long been characterised by having firms that looked outside of the domestic market for opportunities to growth and development. Thus, they concluded that the phenomenon of Born Globals could not be new.

The difference in opinion can partly be explained by the background of the researchers. The researchers who consider Born Globals to be a new phenomenon are usually Americans who are use to American firms. These firms have a history of staying domestic for a long time due to the large home market and therefore have the American researchers not experienced rapid internationalisation processes until recently. On the contrary, the European researchers have for decades seen new firms being forced to establish themselves abroad. The lack of demand in the small home markets has lead to that European firms from the beginning start to look at international markets for opportunities (Johanson, Blomstermo and Pahlberg, 2002, 138).

Another issue is how common Born Globals are. An empirical study on small firms in Norway and France showed that more than half of the exporting firms established since 1990 could be classified as Born Globals (Moen, 2001, 156). This implies that the phenomenon of Born Globals is not limited to just a few firms; instead it includes the majority of newly established exporting firms. Research has also been carried out in the Nordic countries. A study on 328 exporters from Finland, Norway, Sweden and Denmark shows that a high proportion of the exporters started their international activities just after the

birth of the firm. About 20% of them did so within one year after the establishment and after two years the percentage had risen to almost 50% (Madsen & Servais, 1997, 564). Different reports present different research results on how common Born Globals are. This can partly be explained by the fact that the researchers have not yet agreed on a common definition of what constitutes a Born Global. However, it is clear that Born Globals are not an unusual phenomenon. Furthermore, since the factors that contribute to the creation of Born Globals probably will grow even stronger in the future, researchers expect the phenomenon of Born Globals to become even more widespread (Madsen & Servais 1997, 566).

3.1.3. The Industries Born Globals Exist in

The industry plays an important role when it comes to explaining why Born Globals emerge. There are two main opinions about in which industries Born Globals exist. Some believe that Born Globals are located in high technology sectors only, while others believe the phenomenon exists in different kinds of industries. Some of the researchers, who believe Born Globals can be found in different industries, are Knight, Bell and McNaughton. Their article “Born Globals: Old wine in new bottles?” concerns the possibility that Born Globals may exist in traditional export sectors as well as in new knowledge intensive industries, at least in small open economies. They conclude that the firms in the New Zealand seafood sector have characteristics of Born Globals, despite the traditional nature of the sector. The investigated firms often ignored psychically close markets and it appeared that they had internationalised from the beginning of their establishment without following the custom internationalisation stages.

Saarenketo’s (2002, 1063) research supports the common standpoint that Born Globals mainly exist in high technology and knowledge intensive sectors. Born Globals become Internet firms more often than traditional firms do (Johanson et al., 2002, 138). However, Saarenketo also recognises the existence of Born Globals in other industries, such as traditional and non-knowledge intensive sectors, at least when Born Globals face small size home markets.

There have also been researches, which show that the phenomenon is not country specific. Rialp-Criado, Rialp-Criado and Knight (2002, 20) emphasise that the emergence of Born Globals have been reported in several countries of the developed world. However, research has not been carried out in less developed countries, which makes it impossible to determine if Born Globals exist there as well.

Firms are sometimes divided into service firms and production firms. Services are characterised by being abstract, hard to demonstrate and hard to transport and store (Johanson et al., 2002, 135). These characteristics make the internationalisation of service firms exposed to a high level of risk. Service firms have often problems with personnel, quality and control, which lead to a more expensive and demanding internationalisation process for service firms than for production firms. This indicates that production firms compared to service firms are more likely to become Born Globals.

3.1.4. The Underlying Factors of the Emergence of Born Globals

3.1.4.1. Introduction

One of the most interesting and relevant research areas concerning Born Globals is why they emerge. Many researchers have made studies within this field and have found several explanatory factors to the emergence of the phenomenon. Some of the most recognised researchers and their contributions to the area are presented below.

3.1.4.2. Madsen and Servais

Madsen and Servais, two recognised researchers, have made extensive studies on Born Globals. One of their publications covers a research on the underlying factors of the emergence of Born Globals. The research concludes that the rise of Born Globals can be attributed to at least three important factors, which are presented below (Madsen and Servais 1997, 565).

- *New market conditions.* The trend during recent years has been towards increasing specialisation and many niche markets have emerged. This has

led to that firms have started to produce very specific parts and components. Since the demand for these products is limited, the domestic markets are often too small and the products have to be sold in the international marketplace. The market has also become more characterised by global outsourcing activities and by networks across borders. The result of these market changes is that products can spread much easier to markets all over the world than they could before. The needs and wants of the buyers have also become more homogeneous, which makes it easier for the sellers to use the same product and marketing in different countries. These new market conditions encourage firms to enter many new markets in a rapid pace.

- *Technological developments in the areas of production, transportation and communication.* Technological developments have to a high degree contributed to the new market characteristics and new production process technology has made small-scale operations economically sound. It has also become easier to transport people and goods to a low cost. At the same time fax machines and e-mail have made communication possible in a large scale. This means that the day-to-day business can be carried out in many countries from the same desk.
- *More elaborate capabilities of people.* During the last couple of decades an increasing number of people have gained international experience through work or education in foreign countries. Mobility across nations, languages and cultures create a much higher number of potential employees with a competence to communicate with, understand and operate in foreign countries. Another effect of the increased mobility and education across borders is that markets have become more homogeneous, which also facilitates international trade.

3.1.4.3. Saarenketo

Saarenketo has made a study on factors that can be positively related to the rapidity and intensity of internationalisation. He sets up eight hypotheses and tests them to see if they can explain the emergence of Born Globals

(Saarenketo, 2002). The following hypotheses were tested to see if they were positively related to the rapidity and intensity of the internationalisation:

1. Earlier international experience of the management team
2. Global vision
3. High risk-tolerance of the managers
4. Intensity of the research and development activities
5. Narrow market niche
6. Number of partners
7. Existence of external financing
8. Global competition

The *intensity* of internationalisation was driven by many of the hypotheses described above, for example was the global vision (2) of the firm associated with intensive internationalisation. The risk orientation of the managers (3) and partnerships (6) were also connected to the intensity. The availability of external financing (7) was also associated with more intensive internationalisation. This is understandable since internationalisation requires capital.

However, the hypotheses did not to the same extent explain the *rapidity* of internationalisation. Only partnership (6) had an effect on rapidity on internationalisation. However, the effect was contrary to the expectations; the more partners the firm had the slower it had started its international activities.

Saarenketo, Kuivalainen, Kyläheiko and Puumalainen have conducted research on Born Globals and present their result in the article “Knowledge-based view on internationalisation: Finnish telecom software suppliers as an example” (2001). In the article they highlight knowledge as the core competitive asset and the firms’ intellectual organisational resources and capabilities as basic motives for internationalisation. The researchers state that the ability to learn in an organisation under turbulent market conditions affects the choice of internationalisation entry mode and timing. Therefore are factors

like the management's previous experience of international business important.

Another article, "Global mindset - a pre-requisite for successful internationalisation?", emphasises the importance of global mindset for successful internationalisation of small and medium sized firms (Saarenketo, 2002). Many researchers believe that rapid internationalisation requires a global mindset of the managers and Saarenketo investigated the connection between a global mindset and export performance. He defines global mindset as *the ability to act on international markets and managers commitment to internationalisation and their international vision*.

Saarenketo presents four hypotheses, of which the two first are assumed to affect the global mindset:

H 1. *There is a positive relationship between the managers' experience and global mindset.*

Experience includes both international work experience and international education.

H 2. *There is a positive relationship between market characteristics and global mindset.*

Market characteristics are, among other factors, how global and turbulent the market is.

The other two hypotheses concern the effects of global mindset:

H 3. *Global mindset is reflected in the manager's perception of the international performance.*

H 4. *Global mindset is reflected in the financial indicator of international performance of the firm.*

This objective performance is measured in development of turnover, share of foreign customers, share of foreign partners and number of export markets.

Saarenketo's research provided partial support for a positive relationship between the managers' experience and the global mindset, since international work experience had a significant connection to the global mindset, but education did not. The second hypothesis was supported although the turbulence of the market was of less importance. Hypothesis three, that suggest that global mindset is reflected in the manager's perception of the international performance of the firm, was not supported. Hypothesis four, that proposed that global mindset is reflected in the financial indicators of international performance of the firm, was supported since the global minded firms had significantly more foreign partners and customers and they derived significantly larger portion of their revenues from foreign markets. To summarise, Saarenketo found the global mindset of the management to be an important parameter to the international performance of the firm.

3.1.4.4. Rialp-Criado, Rialp-Criado and Knight

Rialp-Criado, Rialp-Criado and Knight have made a literature review, where they have studied the most relevant contributions, as well as potential drawbacks and limitations, in the area of Born Globals so far. In the study they systematically reviewed and objectively evaluated the current academic literature. Rialp-Criado et al. (2002, 6) studied 27 recent researches from 15 different academic journals. In an article the authors summarise the most common factors triggering and giving significance to Born Globals. They found four factors of importance:

- New market conditions in many sectors of economic activity, including the increasing importance of niche markets for small and medium sized firms world-wide.
- Technological developments in the area of production, transportation and communication.
- Increased importance of global networks and alliances.
- More elaborate capabilities of people.

3.1.4.5. McDougall, Shane and Oviatt

McDougall, Shane and Oviatt are three researchers who have studied Born Globals. They try to explain the formation process of Born Globals by answering three questions (McDougall et al., 1994, 479).

1. *Who are the founders of Born Globals?* Born Globals are often founded by entrepreneurs. Entrepreneurs are people who are alert to information about potentially profitable resource combinations and use the superior information to create profit-making opportunities. Entrepreneurs are influenced by previous experience. Researches show that founders of Born Globals often are immigrants and have family and personal contacts in foreign countries.
2. *Why do these entrepreneurs choose to compete internationally rather than just in their home countries?* McDougall et al. use the resource-based view to explain why entrepreneurs choose to make their firms international from the beginning of the establishment. For domestic firms wishing to enter international markets, inertia becomes a problem because it inhibits change to routines appropriate to international environment. Therefore founders of Born Globals try to avoid domestic path-dependence by establishing firms, which from the beginning have routines for co-ordinate resources and targeting customers located in different countries.
3. *What form do their international business activities take?* Born Globals have often different resource endowments and historical legacies than established firms have. Entrepreneurs are unlikely to make expensive investments in the ownership of assets when alternative governance is possible. Therefore they rely heavily on hybrid structures¹ to control many vital assets. One limitation of hybrid structures can be that partners can take advantage of founders of new firms. However, it is possible to avoid this if the firms rely on members of their close personal networks as partners.

¹ A hybrid structure is a mixture of different structures and the purpose is to take advantage of the best features in every structure (Hatch, 2000, 218).

3.1.4.6. Knight, Bell and McNaughton

In the article “Born Globals: Old wine in new bottles?” Knight, Bell and McNaughton recognise a number of recent trends, which are assumed to facilitate the emergence of Born Globals. Such trends are the increasing role of niche markets and technological improvements, which result in the possibility to low-scale production of advanced products. Small firms also have an inherent advantage in terms of quicker response time, flexibility and adaptability and are, therefore, likely to become Born Globals.

3.1.4.7. Summary

As described above, many researchers have studied the underlying factors to why Born Globals emerge. Madsen and Servais (1997) describe three underlying factors: new market conditions, technological developments and more elaborate capabilities of people. Saarenketo (2002) sets up eight hypotheses and tests them to see if they are positively related to the rapidity and intensity of the internationalisation. Global vision, risk orientation of the managers, partnerships and availability of external financing were positively related to the *intensity* of internationalisation. Only partnership had an effect on the *rapidity* of internationalisation and the effect was contrary to the expectations. The more partners the firm had, the slower was its internationalisation process. Saarenketo (2002) also found the global mindset of the managers to be an important factor to the international performance. Rialp-Criado et al. (2002) found four factors influencing the emergence of Born Globals: new market conditions, technological developments, the increased importance of global networks and more elaborate capabilities of people. McDougall et al. (1994) have tried to explain the formation process of Born Globals by answering three questions and out of them they have created a picture of Born Globals. They conclude that the founders of Born Globals are entrepreneurs who see opportunities to earn high returns in foreign countries. These entrepreneurs see these opportunities because of their networks, knowledge and background. The founders engage in international business from the time of the firm’s establishment, so they can create the competencies that are needed and avoid path dependence. They often use

hybrid structures. Finally, Knight et al. highlight the following trends, which influence the emergence of Born Globals: the increasing role of niche markets, technological improvements and the small firms' inherent advantages.

There are some explanations to why Born Globals emerge that are more common than others are. Many researchers highlight new market conditions, which have led to the increasing importance of niche markets. The technological developments in the areas of production, transportation and communication are also important factors since they have made it possible for small scale operations to be economically sound. Previous experience of international business and better capabilities of people have also led to the possibility for firms to become Born Globals. A global mindset of the managers are also a necessary factor, since without it there would be no desire to engage in international business and as follows become Born Globals. Finally, global networks and alliances make international business easier and are, therefore, common in connection to Born Globals.

3.1.5. The Characteristics of Born Globals and the Differences between them and Traditional Firms

3.1.5.1. Introduction

To understand the phenomenon of Born Globals it is important to get a picture of the characteristics of Born Globals. The most obvious characteristic is the rapid and intensive internationalisation process of the firms. However, there are many less obvious characteristics that still are important. To be able to give a clear picture of Born Globals, many researchers compare them with traditional firms. By such a comparison the special features of Born Globals get clearer. We will present some different attempts, made by recognised researchers, to describe the phenomenon. Then we will make a summary and present the most common characteristics of Born Globals.

3.1.5.2. Moen

Moen is one researcher who primarily studied the difference between Born Globals and traditional exporting firms. Moen (2001, 158) divided his research sample into four clusters.

- Old and local firms
- Old and global firms
- New and local firms
- New and global firms (Born Globals)

Moen (2001, 159) investigated the possible differences between these groups of firms in the areas of *export strategy*, *competitive advantages*, *international orientation* and *environmental situation*. A survey was made in France and Norway and the result showed significant differences between the clusters and concerning all variables.

Not surprisingly, Moen (2001, 169) found most differences between the clusters Born Globals and old and local firms. He found no significant difference between the new and local firms and Born Globals concerning competitive advantages and export strategy, but there were other differences. In Norway Born Globals struggled with unfavourable market conditions in their home market in terms of stagnation and small size. However, they faced favourable export market conditions such as growth, substantial demand and profit potential. Furthermore, in both France and Norway the international vision differed significantly between Born Globals and newly established local firms. The managers of global firms viewed the world as their market place and focused on developing resources for their export activities. To summarise, in Norway a combination of international vision and the market situation divided the firms into new and local firms and Born Globals. In France the only significant difference was the international vision.

3.1.5.3. McDougall, Oviatt and Shrader

McDougall, Oviatt and Shrader (2003) worked together on a research with the purpose to examine differences between Born Globals, which they call International New Ventures (INV), and new domestic new firms, which they call Domestic New Ventures (DNV). The sample consisted of all US based

firms that were founded between 1983 and 1988 and the study relied almost exclusively on publicly available data. The authors' main hypothesis was:

1. *The Born Globals can be distinguished from domestic firms based on their entrepreneurial team experience, strategy and the industry structure they work in.*

From this main hypothesis they derived 16 hypotheses. (McDougall et al., 2003, 63)

Entrepreneurial team experience factors

2. *The entrepreneurial team of INVs will have higher levels of international experience than will the entrepreneurial team of DNVs.*
3. *The entrepreneurial team of INVs will have higher levels of industry experience than will the entrepreneurial team of DNVs.*
4. *The entrepreneurial team of INVs will have higher levels of market experience than will the entrepreneurial team of DNVs.*
5. *The entrepreneurial team of INVs will have higher levels of technical experience than will the entrepreneurial team of DNVs.*
6. *The entrepreneurial team of INVs will have higher levels of prior start up experience than will the entrepreneurial team of DNVs.*

Strategy factors

7. *INVs will demonstrate higher levels of strategic aggressiveness than will the DNVs.*
8. *DNVs will place greater emphasises on low cost than will INVs.*
9. *INVs will place more emphasis on innovative differentiation than will DNVs.*
10. *INVs will place more emphasis on quality than will DNVs.*
11. *INVs will place more emphasis on service than will DNVs.*
12. *INVs will place more emphasis on marketing than will DNVs.*
13. *INVs will operate in a larger number of channels of distribution than will DNVs.*

14. INVs will place more emphasis on focused strategies than will DNVs.

Industry structure factors

15. INVs will operate in more globally integrated industries than will DNVs.

16. INVs will operate in industries that have higher levels of technological change than will DNVs.

17. INVs will operate in industries with higher competitive intensity than will DNVs.

The research of McDougall et al. (2001, 73) indicated that there were significant differences between Born Globals and new domestic firms when it comes to entrepreneurial team experience, strategies and industry characteristics. The research supported the following hypotheses:

Hypothesis 2 (international experience): McDougall et al. found that international experience lead to better possibilities to identify opportunities, better market knowledge and network building which encourage internationalisation.

Hypothesis 3 (industry experience): The research showed that the openness to new business opportunities is influenced by previous industry experience since that experience provides the framework for future decisions.

Hypothesis 7 (aggressiveness): McDougall et al. found that Born Globals are characterised by aggressive growth objectives. For an example, they look for large markets, to recoup the high fixed costs which comes with research and development expenses. Born Globals distinguish themselves by being first to enter markets with new products and exploiting opportunities before others.

Hypothesis 9 (product innovation), hypothesis 10 (quality) and hypothesis 11 (service): Production innovation is more important for Born Globals since the possession of unique advantages from technology or marketing knowledge motivate small firms to seek sales from abroad. Furthermore, they found that both the product quality and the product uniqueness are positively related to

internationalisation. Since Born Globals often compete with established firms they have to offer superior service and in this way build customer confidence.

Hypothesis 12 (marketing): Born Globals must educate their customers through intensive marketing. Born Globals often operate in industries with a high degree of technological evolution and product introduction and therefore they have to struggle with consumer uncertainty about product performance.

Hypothesis 13 (channels of distribution): The literature on foreign market entry channels suggests that there is no best entry channel, instead the channel should be adapted to each country to which the firm exports. Since Born Globals intend to distribute their products to multiple countries they have to use multiple channels of distribution.

Hypothesis 15 (global integration): The research showed that Born Globals are common in globally integrated industries and are frequently found in international markets, which are fairly homogeneous world-wide.

3.1.5.4. Rialp-Criado, Rialp-Criado and Knight

Rialp-Criado et al. (2002, 25), have made a literature review concerning the most relevant contributions in the research area so far and have established a list of the top ten characteristics, not in order of importance, most usually regarded as critical success-factors for Born Globals. The factors are as follows:

1. Managerial global vision from inception
2. High degree of previous international experience of managers
3. Management commitment
4. Strong use of personal and business networks
5. Market knowledge and market commitment
6. Unique intangible assets based on knowledge-management
7. High value creation through product differentiation, leading edge technology products, technological innovativeness and quality leadership

8. A niche focused international strategy in geographically spread markets around the world from the very beginning
9. Narrowly defined customer groups with strong customer orientation and close customer relationships
10. Flexibility to adapt to rapidly changing external conditions and circumstances

3.1.5.5. Bell and McNaughton

Bell and McNaughton (2000, 179) have found differences between Born Globals and traditional firms when it comes to *motivation to internationalise*, *international objectives*, *international expansion patterns*, *pace*, *method of distribution/entry modes* and *international strategies*. These differences are presented in the table below.

Table 3.1 Differences Between Traditional Firms and Born Globals

	Traditional Firms	Born Globals
Motivation to internationalise	Reactive Adverse home market conditions Reluctant management "Force" export initiation	Proactive Global niche markets Committed management Active search
International objectives	Firms survival Increasing sales volume	Competitive advantage First mover advantage
International expansion patterns	Incremental Domestic expansion first Less sophisticated markets targeted Limited evidence of networks	Concurrent Simultaneous domestic and export expansion Focus on lead markets Strong evidence of networks
Pace	Gradual Slow internationalisation Single market at a time	Rapid penetration of global niches Speedy internationalisation Many markets at once
Method of distribution/entry modes	Conventional Use of agents/distributors	Flexible Integration with client's channels Use of licensing, joint ventures
International strategies	Ad-hoc and opportunistic Reactive behaviour to export opportunities	Structured Planned approach to international expansion

3.1.5.6. Saarenketo

Saarenketo (2002, 1061) highlights the important role of managerial characteristics when it comes to rapid internationalisation of firms. The research shows that managers in Born Globals are more risk taking in their internationalisation than managers in traditional firms are. Furthermore, managers in Born Globals often have previous experience of operating in international markets and they manage knowledge better.

3.1.5.7. Summary

To be able to understand the phenomenon of Born Globals it is important to have a good picture of the characteristics of Born Globals. Many characteristics are described above, but to clarify we will summarise the most recognised features.

Moen (2001) argues that Born Globals are characterised by having a management with international orientation. He also sees differences in the environmental situation where Born Globals have a more attractive export market but a less attractive home market than traditional firms have. Born Globals have often better competitive advantages in the area of technology. McDougall et al. (2003) have tested 16 hypothesis regarding the characteristics of Born Globals. They came to the conclusion that managers in Born Globals have comprehensive international experience and industry experience. Born Globals are characterised by having aggressive growth objectives and by being first to enter markets. Born Globals place more emphasis on innovative differentiation, quality and service than traditional firms do. Since Born Globals often introduce new products they must educate the customers by using intensive marketing. Born Globals are also characterised by operating in a large number of distribution channels. Finally, McDougall et al. (2003) conclude that Born Globals often operate in more globally integrated industries than traditional firms do. Rialp-Criado et al. (2002) have made a literature review and have created a list of the ten most common characteristics of Born Globals. A global vision, international experience, management commitment, personal and business networks and market knowledge and commitment are important characteristics of Born

Globals. Also unique assets based on knowledge, value creation through product differentiation, niche markets, narrowly defined customer groups and finally flexibility are features that describe Born Globals. Bell and McNaughton (2000) present a comprehensive comparison of the characteristics of Born Globals and traditional firms. They highlight some factors, which also other researchers have regarded as important characteristics of Born Globals, for an example niche markets, committed management, networks and flexible methods of distribution. However, they also describe more basic characteristics of Born Globals that other researchers have ignored. Some of them are a simultaneous domestic and export expansion, a speedy internationalisation and internationalisation to many markets at once. Saarenketo (2002) highlights managerial characteristics such as risk taking, previous experience and knowledge management as important features of Born Globals.

To summarise, previous international experience of the managers, focus on niche markets, high technology products with focus on quality, service and marketing and committed managers are recognised characteristics of Born Globals. Also the use of different distribution channels, aggressive international strategies and high involvement in networks characterise Born Globals.

3.2. The Explanatory Value of Existing Theories of Internationalisation

3.2.1. Introduction

Today there exist many theories that explain the internationalisation processes of firms. A common view among researchers is that these theories have a low explanatory value when it comes to Born Globals and their internationalisation process. Many researchers even think that Born Globals contradict the traditional theories of internationalisation. Some researcher can, however, see some use of the traditional theories, or at least of the underlying reasoning behind them. We are going to present some of the existing internationalisation theories. We are also going to present the opinions of some of the researchers in the field of Born Globals. Finally, we will try to give our own opinions

about the value of the internationalisation theories when it comes to explaining why Born Globals emerge.

3.2.2 The Uppsala Internationalisation Model

One of the most well known theories in the field of internationalisation is the so-called Uppsala Internationalisation Model. The model has been frequently discussed and researchers have investigated its applicability to Born Globals.

During the 1970s a number of Swedish researchers, Johanson and Wiedersheim-Paul, and Johanson and Vahlne, at the University of Uppsala developed the Uppsala Internationalisation Model which explains firms' choice of market and form of entry when going abroad (Johanson et al. 2002, 46). One variable in the model is psychical distance, which they claim can explain where firms establish themselves. The level of development, education, commercial laws, business language and culture affect the psychical distance. The model shows that firms begin their operations abroad in psychically close markets and only gradually penetrate more distant markets. Theories that describe these kinds of steps are sometimes referred to as stage models. The Uppsala Internationalisation Model states that learning is the main factor that explains why firms expand internationally. Furthermore, the researchers found a common chain of establishment, in which firms first enter new markets by export and later by establishment of foreign sales subsidiaries and only in the last stage they begin to use foreign production (Hollensen, 1998, 40). The term "leap-frogging" exists in the Uppsala Internationalisation Model and is used when firms skip stages in the establishment chain described in the model and enter distant markets at an earlier stage (Hollensen, 1998, 42). The internationalisation process of Born Globals can be seen as leap-frogging.

One weakness of the Uppsala Internationalisation Model is that it does not include individuals (Andersson, 2000, 243). Today many researchers find the individual level interesting when analysing the international behaviour of firms. When it comes to Born Globals individuals and especially managers are

seen as very important and therefore has the Uppsala Internationalisation Model limited value.

Madsen and Servais (1997, 568) have investigated the Uppsala Internationalisation Model and its capacity to explain Born Globals. On the surface stage models are not applicable, since Born Globals often have different founder characteristics and market conditions than traditional firms have. However, Madsen and Servais find the reasoning behind the Uppsala Internationalisation Model interesting, since it to some extent can explain the internationalisation process of Born Globals. Both in the Uppsala internationalisation Model and in the research about Born Globals knowledge is seen as an important factor for internationalisation.

Moen (2001) is another researcher who has investigated the applicability of the Uppsala Internationalisation Model when it comes to Born Globals. He comes to the conclusion that the model cannot explain Born Globals' internationalisation process (Moen, 2001, 169). As explained above, according to the Uppsala Internationalisation Model firms start their internationalisation process in markets similar to their own market. A detailed investigation of Norwegian firms classified as Born Globals showed that 74% of these firms had their most important single market outside the Nordic countries. These countries are not geographically and culturally similar to Norwegian firms. Therefore, Moen (2001, 170) concludes that Born Globals' internationalisation process is not in accordance with the Uppsala Internationalisation model. However, Moen (2001, 170) recognises Madsen and Servais' (1997, 568) view that the reasoning behind the model might be relevant.

McDougall, Shane and Oviatt (1994, 471) conducted a research on 24 Born Globals and none of these firms followed the traditional stages of internationalisation. Therefore, they as well do not think the Uppsala Internationalisation Model can explain the formation process of Born Globals (McDougall et al., 1994, 476).

From the above discussion about the Uppsala Internationalisation Model some conclusions can be drawn. Much of what is stated in the model is not applicable for Born Globals, but we think that the underlying reasoning behind the model is interesting. The model is based on the fact that international advancements are dependent on incremental learning. For Born Globals, the earlier experience of the managers is an important factor for its emergence. In this way the internationalisation of Born Globals and the Uppsala Internationalisation Model have something in common. However, Born Globals are dependent on many other factors and have a completely different internationalisation process than the one described in the model. One way to get Born Globals' internationalisation process to fit the process described in the Uppsala Internationalisation Model is to see Born Globals' actions as "leap-frogging". However, the explanatory value of the model will still be low.

3.2.3. Monopolistic Advantage Theory

The Monopolistic Advantage Theory states that a multinational enterprise exists because the firm has unique sources of superiority over foreign firms even in the foreign firms' home markets. The advantages belong to the multinational enterprise and cannot be acquired by other firms (McDougall et al. 1994, 473). The Monopolistic Advantage Theory holds that once a firm has developed superior knowledge it can exploit this advantage in other countries at almost no additional costs other than of exploiting that advantage in the home market. Because local firms have to pay full costs for developing the knowledge, foreign investment takes place. To summarise, the theory sees internationalisation as an optimisation of costs and revenues across international borders.

McDougall et al. (1994, 473) have made case studies on 24 Born Globals. The research shows that the formation process of Born Globals cannot be explained by existing theories. McDougall et al. (1994, 473) criticise the Monopolistic Advantage Theory since it cannot explain why managers in Born Globals take the opportunity of using their monopolistic advantage to internationalise from inception whereas other people do not. Furthermore, it does not explain the establishment of Born Globals because these firms often

make foreign investments before the knowledge that provides for the monopolistic advantage has been developed and exploited in the home country. Since the Monopolistic Advantage Theory is not applicable to Born Globals it will not be discussed any further.

3.2.4. Product Cycle Theory

The Product Cycle Theory, developed by Vernon, states that multinational enterprises exist because of the cycle of product development. The development of new products demands an intense communication between producer and user, which means that they have to be located close to each other (Johanson 2002, 49). This means that new products are developed in countries where the demand exist, which often is in countries with high income-levels. When the home market grows and the product gets well known it is possible to market the product through one-way communication. When the home market is saturated it is possible, due to economies of scale, to start exporting the products to other countries with lower income and developing level. After a while, when the demand has increased in these countries, it is profitable for the firm to start production there. Production in less developed countries is often less expensive, and therefore the firms move their entire production to these countries and they start export to the original home country.

When it comes to explaining Born Globals the Product Cycle Theory is of minor value. McDougall et al (1994, 474) found two reasons to why the Product Cycle Theory does not explain the internationalisation process of Born Globals. First, many Born Globals engage in foreign direct investments to sell products for which competition has not yet become standardised and cost based. Second, Born Globals sometimes purchase foreign assets prior to exporting to foreign markets. Since the Product Cycle Theory is not applicable to Born Globals the theory will not be discussed any further in our dissertation.

3.2.5. Oligopolistic Reaction Theory

Knickerbocker studied the relationship between foreign direct investments and rivalry in oligopolistic industries and developed the Oligopolistic Reaction Theory. A critical feature of such industries is interdependence of major players (Hill, 2003, 216). The action of one firm can have an immediate impact on the major competitors and therefore forcing them to respond. Firms partly become multinational to match the actions of other members of an oligopoly (Knickerbocker, 1973, 1). The main idea is that firms imitate one another's actions to reduce the risk of being different.

McDougall et al. (1994, 476) argue that the Oligopolistic Reaction Theory does not explain the internationalisation pattern of Born Globals. Born Globals are often the first firms in an industry to invest internationally and an oligopolistic reaction cannot explain the initial decision to invest abroad. Another reason the Oligopolistic Reaction Theory fails to explain Born Globals' internationalisation process is that oligopolists match the behaviour of other firms to reduce the uncertainty only if they see the other firm as a competitor and feel that the competitor's actions are truly a threat. Many Born Globals are formed by entrepreneurs that feel they are too small to compete directly with established firms and therefore they do not regard them as threats. The theory cannot explain the internationalisation process of Born Globals and will, therefore, not be discussed in our dissertation.

3.2.6. The Pre-Export Activity

Wiedersheim-Paul, Welch and Olson (1977, 3) have studied the pre-export behaviour of firms. They have developed a model based on factors like the characteristics of the decision-maker, the environment of the firm, the domestic expansion of the firm and the information factors. One of their main contributions is that they highlight the importance to consider the domestic expansion process which take place before the export starts.

Furthermore, they highlight that the individual characteristics of the firm and the firm's market will affect the export pattern. One important characteristic is in which type of product line the firm exists. For Wiedersheim-Paul et al.

(1977, 4) it is important to look at the software/hardware relationship in the products. The higher the hardware content the smaller the information flow needed between seller and buyer and therefore a greater chance for the seller to be involved in international business. The domestic market of a firm will also affect the firm's choice to become international. Both the domestic market size and the location of the firm in the domestic market are important. The market size has two dimensions, size of demand and geographic size of the market. The size of demand is most important and can be subdivided into total demand and density of demand. The larger the total demand and the higher the density, the more a firm can sell on the domestic market. This means that the firm can achieve economies of scale without being forced to become an exporter and the firm is less likely to be involved in international trade. The location of the firm in the domestic market is also considered to be an important explanatory factor to why firms become international. Location is important for transportation costs of physical goods, but also when it comes to information flows. When a large number of firms are located in a small area it leads to good information flow and improves the conditions for production and creates a favourable environment. The location of the firm also has an impact on the mental map of the manager.

When a firm starts to export this can be considered as an orientation process. Therefore is the firm dependent on face-to-face contacts and other types of informal contacts. Firms located far away from other firms will, therefore, be at a disadvantage since they will have a smaller chance of being exposed to export pressure than firms that are located in an information centre. Face-to-face contacts are also important for changes of attitudes. An environment with many exporting firms will probably create positive attitudes toward exporting among non-exporting firms.

The firm's attitude to export is also influenced by the history of the firm. A firm may have to go through a kind of internationalisation process within the domestic market before it is prepared to start to export. As a firm expands into more distant regions it is moving its operations into less familiar territories. Communication becomes more difficult and costly than for the local region,

but as the barriers are overcome the attitude to export changes. The firm is likely to develop skills in marketing and in distributing products at a distance. The firm also extends its domestic network and is therefore more likely to be exposed to export stimuli.

Export stimuli are factors or influences, which cause a firm to consider exporting as a possible strategy. Export stimuli can for an example be experience from domestic expansion. The export stimuli are less likely to result in actual export without positive background influences.

The export stimuli can be divided into two categories, external export stimuli and internal export stimuli. Internal factors are for example product uniqueness, excess capacity in the resources of management, marketing, production and/or finance and expansion and security goals. External export stimuli consist for an example of fortuitous orders from foreign customers, however the likelihood of acquiring such a order will in many cases depend on the pre-export behaviour of the firm. Other factors constituting external export stimuli are market opportunities, competition and government export stimulation measures.

Many firms, both exporting and non-exporting, have been exposed to one or several stimuli factors. Differences in the stimuli mix cannot alone explain why some firms are exporters while others are not. Instead Wiedersheim-Paul et al. (1977, 15) suggest that differences in the characteristics of the decision makers in various firms have a considerable affect on the firms' willingness to enter into export.

The internationalisation process is also affected by the values of the decision-makers, especially their international outlook. It is likely that an individual with a high degree of international orientation will have a higher probability of being exposed to and of perceiving latent export stimuli. The decision-maker's perception of the risk and uncertainty associated with moving into exporting will affect the decision of entering into international business.

Wiedersheim-Paul et al. (1977) stress the importance that a firm has a suitable pre-export behaviour to be able to start international business. A firm gets this suitable behaviour by being exposed to export stimuli. Changes in the activity, attitudes and reactions of the decision-maker are further explanations to the development of suitable pre-export behaviour. The changes may arise as a result of experience from the business.

To summarise, Wiedersheim-Paul et al. (1977) draw the conclusion that the early activities in a firm can help explain why the internationalisation process starts. They stress the importance of the history and the environment of the firm and underline the importance of contact patterns.

The theory can be of value when studying Born Globals. Madsen and Servais (1997) are two researchers in the field of Born Globals who find the Pre-Export Activity theory interesting. They claim that the time perspective should be extended beyond the birth of the firm when studying Born Globals, since firms probably have roots back to other firms and networks in which their founders and managers have gained industry experience. Madsen and Servais (1997, 570) even question if Born Globals can be considered as new firms since the skills and capabilities of the firms often emerge and mature prior to their legal births. From this perspective the evolutionary processes is highly relevant for explaining Born Globals as well as for explaining traditional firms with internationalisation processes like rings in the water. However, the manifestation of their evolutionary processes are very different.

McDougall (1987, 42) is another researcher who has focused the pre-export behaviour of firms. She stresses the fact that firms founded by established firms are more likely to have an easy entry into international business than firms founded by individuals or group of individuals without any connection to other businesses. Connection to already established firms is an advantage in many ways, for example it is easier to obtain information and access to capital, trained personnel and markets. However, there are researches that show that new firms with strong connections to other firms do not only have advantages compared to firms started by independent individuals. For an

example firms can become too dependent on other firms and in certain situations restrained.

We believe that the overarching reasoning in the Pre-Export Activity theory, that firms get involved in international business due to export stimuli, is not applicable to Born Globals. Born Globals are not dependent on stimuli, since they have the goal to become international from the inception. The managers in Born Globals aim for international business right from the start and do not wait for external conditions to affect the firm. Furthermore, the reasoning that the internationalisation process is affected by the domestic expansion cannot be applied on Born Globals since they become international without any domestic expansion. However, the factors in the model that explain the emergence of international business can also to some extent explain why Born Globals become international. The product and the importance of product innovation are regarded to be underlying factors, both when it comes to Born Globals and in the Pre-Export Activity theory. In the Pre-Export Activity theory the importance of the decision-makers is highlighted. This is also an important explanation to the emergence of Born Globals. Both the international orientation and the previous experience of the decision-maker as well as the risk orientation of the manager are seen as explanatory factors to the internationalisation. The size and the location of the domestic market are highlighted in the Pre-Export Activity theory. These explanatory factors are to some extent discussed in the research about Born Globals, but do not have a prominent role. It could be interesting to further investigate these factors. An interesting factor in the Pre-Export Activity theory is the product line. The more hardware the product is composed by the easier it is to sell the product on the international market. The differences between service firms and production firms have been discussed in the dissertation and we find the distinction of hardware and software relevant.

3.2.7. Network Approach

Instead of looking at internationalisation as a process between a firm and a market the Network Approach, developed by Johanson and Mattsson, stresses the importance of independent firms forming networks (Johanson and

Mattsson, 1988, 198). Firms are dependent on other firms in the network. Relationships often take time and effort to establish and there has to be mutual trust and knowledge to get a high degree of commitment and interconnectedness. This leads to that firms cannot be analysed separately but must be understood in an inter-organisational setting. Networks can extend beyond borders. The degree of internationalisation of the actual network affects the internationalisation process of a particular firm in the network and, according to Johanson and Mattsson (1988, 203), the firm's development is to a large extent dependent on its position in the network. From this foundation the Network approach was developed.

Johanson and Mattsson (1988, 204) established four different categories, which describe the firms' position before the internationalisation process begins. Firms are classified after the degree of internationalisation of the market and the degree of internationalisation of the firm.

		Degree of Internationalisation of the Market	
		Low	High
Degree of Internationalisation of the Firm	Low	The Early Starter	The Late Starter
	High	The Lonely International	The International Among Others

Figure 3.1 Internationalisation and the Network Approach: the Situations to be Analysed

The situations of the Late Starters and the Internationals Among Others are similar to the situation of Born Globals. The Late Starter exists in an environment where suppliers, customers and competitors are international and this may be a driving force for the Late Starter to enter foreign markets. The international character of indirect relations and the existence of entry opportunities can partly explain the firm's internationalisation pattern. It is often difficult for the Late Starter to establish its position since the firm exists in an already tightly structured net. Consequently, the Late Starter has to have greater customer adaptation ability or a greater ability to influence the need of

the customers. However, the Late Starter has a less difficult task with regard to trust since firms already have experience of co-operation with foreign countries.

The situation for the International Among Others is a bit different since both the firm and its environment are highly internationalised. If the firm wants to internationalise further it would only lead to marginal changes in extension and penetration and it would not have to imply any qualitative changes in the firm. Both with regard to extension and penetration the International Among Others has the possibility to use its position in one network for bridging over to other networks. This leads to that the International Among Others occupies many positions in the international market place and since it is internationally linked to many networks it has access to external resources. This means that the possibility to externalisation increases.

Madsen and Servais (1997, 568) are two researchers who have highlighted that the Late Starter and the International Among Others have characteristics similar to those of Born Globals. Therefore they argue that the Network Approach can be valuable when analysing Born Globals.

We believe that the foundation of the Network Approach can be interesting for Born Globals. As described above, networks and hybrid structures are important factors for Born Globals since they facilitate international business. The positions of the International Among Others and the Late Starter have been compared to Born Globals. Born Globals can be seen as Internationals Among Others, at least in a later state. The International Among Other uses its position in one network to bridge over to other networks. This can be an interesting standpoint when evaluating why Born Globals emerge. The Late Starter emerges in already internationalised markets and Born Globals often exist in high technology industries, which are characterised by being highly internationalised. Born Globals also fit into the description of the Late Starter in other ways, for an example they also exist in specialised niche markets. The argument that firms have many customers who are use to international

business and therefore do not have difficulties regarding trust could also be true for Born Globals.

3.2.8. Summary

Many theories explain the internationalisation processes of firms. We have evaluated them in the light of Born Globals and will finish with a short conclusion. The Uppsala Internationalisation Model has little value when it comes to explaining why Born Globals emerge. The Monopolistic Advantage Theory, the Product Cycle Theory and the Oligopolistic Reaction Theory are not applicable to Born Globals. One of the reasons to why these theories fail to explain the formation process of Born Globals is that they assume that firms become international long after they have been formed, and therefore the theories highlight large mature firms. The models also focus too much on the firm level and do not regard the individual and small group level of analysis.

However, the Pre-Export Activity theory has some explanatory value. The theory focuses on the pre-activities of firms, which have proved to be an important factor for the emergence of Born Globals. The Network Approach is also to some extent applicable to Born Globals, since networks are considered to be one of the factors that explains the emergence of Born Globals.

Chapter 4

Analysis- An Attempt to Create an Applicable Model for Born Globals

In this chapter we create the Born Globals Emergence Model, with the purpose to explain why Born Globals emerge. 10 hypotheses are presented.

4.1. Introduction

Born Globals are a new phenomenon in the field of international business. As we have shown, a lot of researches have already been carried out on the subject, but the area is still, to a high degree, open for further researches. Many researchers have studied the underlying factors of the emergence of Born Globals, but we have not found any attempts to summarise the information and create a model, which in an easy and understandable way can explain why Born Globals emerge.

We have in a previous chapter reviewed factors, which are assumed to be positively related to the emergence of Born Globals. We have also examined the existing internationalisation theories and concluded that they cannot fully explain why Born Globals emerge and how their internationalisation processes work. Therefore, in this chapter we will discuss the underlying factors for the emergence of Born Globals and out of the factors try to develop our own model, which we hope will explain why Born Globals emerge. Later in our dissertation we will test our model by using a survey.

4.2. Possible Factors in Our Model

4.2.1. Introduction

In the previous chapter we have discussed the underlying factors to why Born Globals emerge. There are many factors and views on the subject and we will present a summary of what we believe are the most recognised factors. We are aware of that some of the factors are closely related, but we have made an

arrangement that we find most relevant. We have divided the factors in subcategories to get a better overview.

4.2.2. *Managers*

- *Committed.* It is important that the managers are committed since it affects the goals they set up for the business. If the managers are dedicated to the business they will sacrifice what is needed to support the firm and fulfil its goals. To become a Born Global the firm needs a great vision, which can only emerge with a committed manager. A committed manager is, however, necessary for all firms and is not a specific requirement for a firm to become a Born Global. Since the factor does not help us in the process of distinguishing Born Globals from traditional firms we will not regard it in our model.
- *Industry experience.* Industry experience is considered to be positively related to an early internationalisation. If the managers have previous experience from the industry they work in they will probably feel more secure and more open to international business. If they have previous experience it is more likely that they have business contacts which can be a stimulus to engage in international business. We regard the industry experience as an important factor to why Born Globals emerge. The industry experience can distinguish managers in Born Globals from managers in traditional firms. A manager with industry experience has other and better qualifications which make the establishment of a Born Global more likely. Therefore we want to use this factor in our model.
- *International experience.* International experience is, by many researchers, considered to be an important factor for the emergence of Born Globals. If the managers have been involved in international business before they have already taken the step once and are more likely to do it again. International experience can also be a factor that distinguishes managers in Born Globals from managers in traditional firms. Without any previous experience from international business it would be very difficult for managers to create a fast internationalisation process and therefore we

want to use international experience as a factor in our model.

- *Networks.* Networks can function as export stimuli and it is often the network that encourages the firm to become international. When the first member in a network starts to internationalise the conditions for all the members in the network change. The possibilities to become international increase for firms in international networks since the firms can use their contacts in order to develop international business. A strong position in a network can function as a secure foundation for a new firm. If the managers have had the opportunity to establish networks, they can use them in their new business. International networks can be established not only by work, but also by studies abroad. Many researchers have highlighted networks as a fundamental part of Born Globals and, therefore, we want to use the network in our model. To be able to get a rapid internationalisation, which characterises Born Globals, we believe that firms have to have already established relations in the international business world.
- *Global mindset.* A global mindset of managers has proved to be an important factor for the emergence of Born Globals. Managers with a global mindset can keep the entire global opportunity for a business in mind and can think across multiple markets (Jeannet & Hennessey, n.y., 220). It is only when firms use the whole world as their market place they can become truly global. If managers have a global mindset it is easier for them to see opportunities, no matter where in the world, and catch them since they see no boundaries between countries. A global mindset of the managers is a fundamental requirement for firms to become Born Globals. If the global mindset of the managers is missing the firms will not have any desire to become Born Globals. Therefore, we find global mindset to be one of the most important explanatory factors to why Born Globals emerge and want to use it in our model.
- *Risk orientation.* The managers must be open to risks since it is very risky to start international business shortly after they have established their

business. If the managers are afraid of risks it is likely that they will stay in the domestic market. The managers of Born Globals focus on the opportunities instead of the risks and have a strong belief in the firm and its capabilities. The above mentioned characteristics of managers are very important, since without an open attitude to risk they will not dare to take the step needed for rapid internationalisation. Therefore we want to use risk taking as a factor in our model.

4.2.3. Products

- *Knowledge-based products.* Researches in the field of Born Globals often highlight the existence of Born Globals in knowledge intensive sectors. This can partly be explained by the short life cycle of knowledge-based products. The short life cycle makes it important to sell the products on the world market as quickly as possible in order to gain the necessary profit.
- *High technology products.* The high technology sectors are also seen as an important industry for Born Globals. Also here the explanation can be the short life cycle of the products. Researchers have different opinions about in which industries Born Globals exist. Some researchers believe that Born Globals exist in all kinds of industries and are not limited to knowledge intensive and high technology sectors. Therefore we do not want to make these limitations in our model. However, we believe that Born Globals primary focus on advanced products even if it does not have to be in the areas of knowledge-based or high technology industries. Advanced products are characterised by being unique and hard to imitate and are therefore more likely to be demanded in the international marketplace. Furthermore, advanced products often have short life cycles, which encourage fast internationalisation. In our model we, therefore, want to use advanced products as an influencing factor for the emergence of Born Globals.
- *Innovation.* Often there is an innovation behind the products launched by Born Globals. To be able to sell the products internationally there must be a demand, which is easier to create if the products are new and innovative.

Many researchers see innovation as a key factor. Another thing that supports that the innovation factor is important is that if Born Globals have products, which are innovative, Born Globals can emerge in almost any industry. An innovative product also has a short life cycle since competitors are likely to imitate and develop the product. This encourages rapid internationalisation. Therefore we want to use innovation as a factor in our model.

- *Hardware.* Most products exist of both hardware and software parts. The higher the hardware content the smaller the information flow needed between seller and buyer and therefore a greater chance for the seller to become involved in international business (Wiedersheim-Paul et al., 1977, 4). Therefore the products of Born Globals are assumed to exist of mostly hardware. Transportation is easier for hardware than for software and hardware also demands less trust. However, a product that mainly consists of hardware makes it easier for all firms to become international, not only for Born Globals. Therefore we will not use hardware as a factor in our model.

4.2.4. Market

- *Niche markets.* Born Globals often exist in niche markets since the demand for products in niche markets often is too small in the home market. To be able to earn enough profit firms are forced to engage in international trade. Therefore, when investigating why firms become Born Globals the market can be an explanatory factor. Since it is difficult to be active in a niche market without engaging in international trade it is likely that many of these firms become Born Globals. Therefore we want to use niche markets as an explanatory factor to why Born Globals emerge.
- *Size of home market.* Born Globals often emerge in countries with small home markets since there the firms have to look outside the domestic market in order to find demand for their supply and to earn enough profit to survive. Since firms that exist on small home markets more often than others engage in international trade, the size of the market can be an

explanatory factor to why Born Globals emerge. Therefore, small size of the market should be a factor in our model.

- *Homogeneous markets.* Many people believe that the world is shrinking and that the differences between countries have disappeared (Johanson et al., 2002, 61). The culture and the habits of people in different countries have become more similar, and this trend can especially be seen in certain industries. Another factor contributing to the increasing homogeneity of markets is the more elaborate capabilities of people. During the last couple of decades many people have gained international experience through travelling, work or education. These experiences and the increased mobility across nations have contributed to the emergence of Born Globals. However, the increased homogeneity in the world is not unique for Born Globals and cannot explain why some firms stay domestic while others become Born Globals. Therefore, we will not use the homogenous market as an explanatory factor in our model.
- *Increasing co-operation.* During recent years an increasing number of countries have entered alliances. This has led to co-operation in the area of free trade and as a result a more open market. In Europe the most important free trade area is within the European Union. The European Union supports international activities of small and medium sized firms and encourage trade and exports (Dawes, 1995, 144). Free trade areas make it easier for firms to engage in international trade and can therefore be an important factor for the emergence of Born Globals. Free trade areas can explain why Born Globals emerge on a macro level, but it cannot explain why some firms become Born Globals while others do not. Even if the increasing co-operation in the world is an interesting factor, it is not appropriate to use it as a factor in our model.

4.2.5. Strategy

- *Early internationalisation goals.* The most distinctive feature of Born Globals is their early internationalisation. This is also visible in their strategy.

- *Aggressiveness.* Aggressiveness must be seen as an important factor in the strategy of Born Globals since the firms otherwise would not be able to become international so quickly. It is important for the managers to always push the firm forward and not wait for other firms to pull it into international markets.

It is natural that the strategy of Born Globals differs from the strategy of traditional firms. Born Globals have different goals, priorities and visions than traditional firms have and this will be visible in the strategy. Since the strategy always plays an important role in a firm we want to show the strategy of Born Globals in our model.

4.2.6. Technological Development

- *Small scale.* In recent years technological developments have led to small-scale production being economically sound. Born Globals mainly exist among small and medium sized firms and therefore technological developments are very important.
- *Transportation.* Technological developments in the field of transportation have made it possible for firms situated in one country to be involved in business all over the world. Without this progress there would be no Born Globals.
- *Communication.* The improvements in the information technology during the recent years have facilitated the emergence of Born Globals. With Internet, faxes and mobile networks it is possible to perform business activities throughout the world, independent of where you are situated. Information technology and Internet have become more important in the global economy the last few years (Olsson & Skärvad, 2000, 26).

Technological developments have changed the market conditions all over the world and have had positive effects on all businesses. Even if the existence of

Born Globals probably have become more common due to these developments, they cannot explain why some firms become Born Globals while others remain traditional in their nature.

4.2.7. Financing

One of the major problems for small and medium sized firms is financing. Orders from abroad will increase the demands made upon the financial resources of the firm. There will be costs associated to foreign orders and the risk of delayed payments will probably also be higher than in the domestic environment of the firm (Dawes, 1995, 143). Therefore is the possibility to external financing a very important factor for firms to be able to become Born Globals. However, external financing is an important factor for all firms and is not something unique for Born Globals. Therefore, we will not use external financing as an explanatory factor in our model.

4.3. The Born Globals Emergence Model

4.3.1. Introduction

We have developed a model, which we call the Born Globals Emergence Model. The aim with the model is to explain why Born Globals emerge. We primary base the model on explanatory factors that previous researchers have established as important for the emergence of Born Globals.

4.3.2. Explanation to the Model

We have evaluated the Network Approach and have come to the conclusion that parts of the theory could be useful also for Born Globals. The foundation of the Network Approach is the network, which has also been proved to be an important factor for the emergence of Born Globals. Often firms get involved in international business through the managers' contacts. We believe that the businesses of Born Globals cannot exist without a network and we have, therefore, placed it as a background in the model. Born Globals are characterised by having a rapid and intensive internationalisation, which would be very difficult to achieve if they were not a part of a network. Networks are sometimes defined as webs of interconnection ties between independent partners and they give access to large-scale resources without the

bureaucracy and organisation systems needed to manage these if owned by one individual firm (Donaldson & O'Toole, 2002, 83). Furthermore, the network should be placed in the background of the model since the network is a part of the internationalisation process from beginning to end. Embedding into a network takes time and it is wise to see how existing networks can be further developed before entering into new ones (Donaldson & O'Toole, 2002, 218). Even if networks can be flexible and change the firm normally does not leave one network until it has established contacts in another network.

The managers, the market and the products are three areas, which influence firms' internationalisation processes. We have placed the factors in three individual squares to clearly show in which areas to look for explanations to why firms become Born Globals. We have placed them to the left in the model to indicate that the analysis of the firm must begin in these areas.

Furthermore, the model describes which special characteristics the areas must have for Born Globals to emerge. In the Pre-Export Activity theory the importance of the decision-makers is highlighted. This is also an important explanation to the emergence of Born Globals. The managers must have both industry experience and international experience to be able to create Born Globals. The global mindset of the managers is very important, since without it there would be no desire to internationalise and create Born Globals. Therefore, the global mindset is a characteristic in our model. The Pre-Export Activity theory also highlights the risk orientation of the managers. Many researchers in the area of Born Globals have used this concept as a way to describe why Born Globals emerge. Therefore we have used this factor as a characteristic in our model. If the managers have all the four characteristics it is likely that they will push the firm in the direction of Born Globals.

Born Globals often exist on markets with distinctive features. The Pre-Export Activity theory, as well as researchers in the field of Born Globals, highlight the size of the home market as an explanatory factor to why firms begin to internationalise. A small home market encourages firms to look in other countries for business opportunities. Further, Born Globals often exist in

niche markets and, therefore, the home market might not offer sufficient demand and as a result firms have to look elsewhere for business. Therefore, small home market and business in niche markets are characteristics of the market in our model.

Finally, the characteristics of the products influence the internationalisation process of the firm. The products should be advanced and innovative for firms to become Born Globals. Advanced products often exist in high technology and knowledge intensive sectors. These kinds of products often have a short product life cycle and therefore require a rapid internationalisation.

The model is created so that the characteristics of the managers, the market and the products influence the strategy, which forms the firm. If the managers, the market and the products have the described characteristics it is likely that firms create strategies which lead to firms becoming Born Globals. This reasoning can be seen in the model. The more of the described characteristics the firm possesses the more likely the firm will create a strategy which leads to the firm becoming a Born Global.

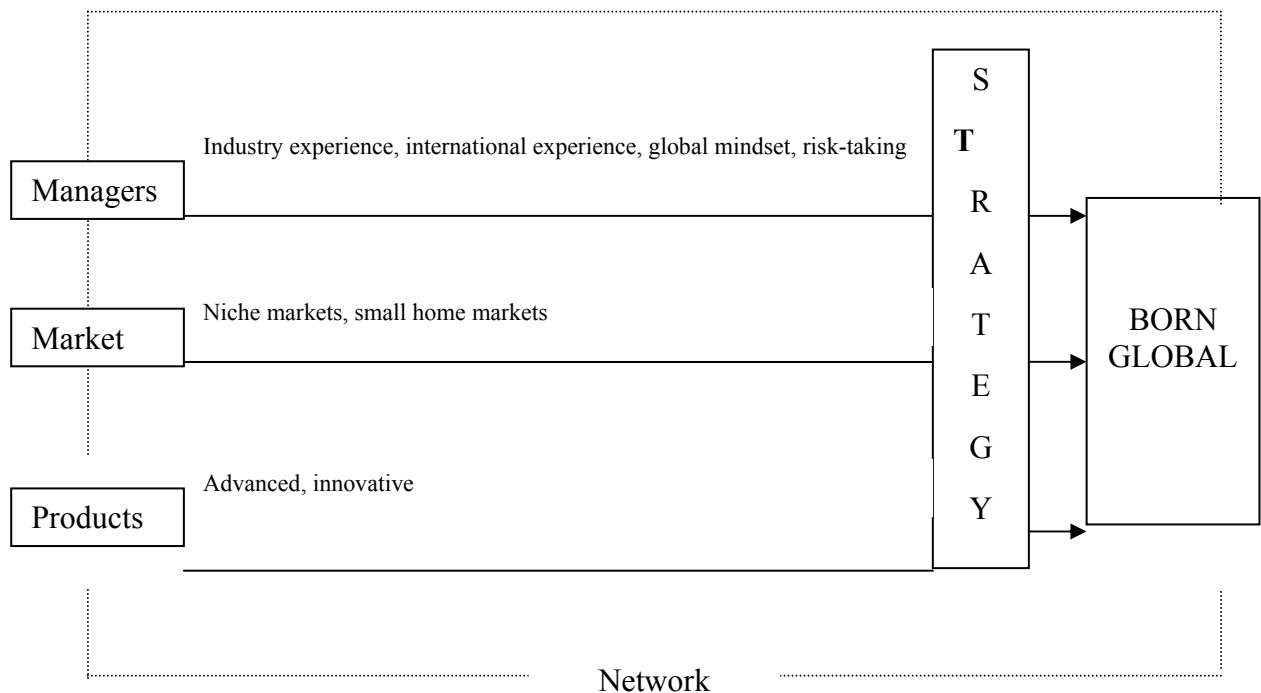


Figure 4.1 The Born Globals Emergence Model

4.4. Hypotheses

Out of the Born Globals Emergence Model we set up 10 hypotheses, which we later tested in an empirical study. Previous researches have shown that Born Globals have different characteristics than traditional firms and that existing internationalisation theories cannot explain why Born Globals emerge. Therefore we set up a main hypothesis.

H 1. *Born Globals have different characteristics than traditional international firms.*

Out of the main hypothesis we have created nine sub-hypotheses. The foundation to these hypotheses is the Born Globals Emergence Model and four different areas can be identified; the network, the managers, the market and the products.

The Network

H 2. *Born Globals are more often dependent on networks than traditional international firms are.*

The Managers

H 3. *Managers in Born Globals have more previous industry experience than managers in traditional international firms have.*

H 4. *Managers in Born Globals have more previous international experience than managers in traditional international firms have*

H 5. *Managers in Born Globals are more global oriented than managers in traditional international firms are.*

H 6. *Managers in traditional international firms are more risk adverse than managers in Born Globals are.*

The Market

H 7. *Born Globals exist in countries with a small domestic market more often than traditional international firms do.*

H 8. *Born Globals exist in niche markets more often than traditional international firms do.*

The Products

H 9. *Born Globals have more advanced products than traditional international firms have.*

H 10. *Born Globals have more innovative products than traditional international firms have.*

Chapter 5

Empirical Method

The empirical method is presented. We discuss the research strategy, sample and limitations. The response rate and a discussion about validity and reliability are also presented.

5.1. Research Strategy

Our research is deductive by its nature. An extensive amount of literature was reviewed and with it as a base the Born Globals Emergence Model was created. Out of the model 10 hypotheses were set up. To evaluate the hypotheses an empirical study was conducted. We considered two possible ways to design our research. First, a case study was regarded as an option. A case study is appropriate to use if the purpose is to try to understand *why* and *how* something has happened, and not only focus on *what* has happened. The strategy is the best to use if a rich understanding of the context of the research is needed (Saunders, 2003, 93). However, in our research we wanted to find out whether or not our model could explain why Born Globals emerge. We had set up 10 hypotheses, which we wanted to test. If the hypotheses proved valid, then this would prove the validity of our model. Since we only wanted answers to our hypotheses, we regarded the form of the case study as too detailed. However, if we had conducted our research in an earlier stage in our research it would have been interesting to capture more thoughts from the firms interviewed by using a case study. Since we created our model based on existing theories and researches, we had more need for the kind of information gained through a survey. The survey strategy is associated with the deductive research approach and allows the collection of a large amount of data from a sizeable population in a highly economical way (Saunders, 2003, 92). A survey strategy gives researchers more control over the research process and it allows easy comparison. Since we wanted to compare the characteristics of Born Globals with the characteristics of traditional firms the survey strategy was a good option. Furthermore, a survey was also a good

choice concerning the time and the financial constraints associated with a candidate dissertation.

Our survey was conducted through a questionnaire. Before we used the questionnaire to collect data we pilot tested it. The purpose of the pilot test was to refine the questionnaire so that respondents would have no problems when answering the questions and there would be no problems in recording the data. Furthermore, the pilot test functioned as an assessment of the questions' validity and reliability (Saunders, 2003, 308). We tested our questionnaire on a firm that we knew was a Born Global and assured ourselves that it was the right person in the firm who participated. The pilot test went well and no major changes had to be made in the questionnaire. We tested our questionnaire on only one firm partly because of the difficulty we had to find firms that we knew for certain were Born Globals. Furthermore, we had a deadline to keep and with the time constraint that followed we found it sufficient to test the questionnaire on only one firm.

There are many different kinds of questionnaires and our survey was conducted through a self-administered questionnaire, more precisely an on-line questionnaire. One of the advantages with a questionnaire is that it is possible to investigate a large sample in an easy and economical way. By conducting it by inviting respondents to access a web site and to fill in an on-line questionnaire we made it easy for the respondent to answer the questionnaire. Further, the respondents could remain anonymous and they were unable to modify the questionnaire. Since the response rate normally is low in these kinds of researches we tried to limit the number of questions the respondents had to answer in hope that it would increase the response rate. Further, we wrote a covering letter where we tried to create an interest for our subject and by giving the respondents a choice to participate or not we hoped to create a friendly tone. We also let the respondents participate in a lottery where the prizes were secret Christmas gifts. By taking these steps we hoped to increase the response rate.

First, we contacted the firms by e-mail and presented ourselves and the aim with our research (see appendix 1a). The first e-mail was sent on a Tuesday, since the chance of getting response is greater in the beginning of the week than on for an example Fridays (Saunders, 2003, 311). We explained the concept of Born Globals to increase the interest, and as follows the chance for firms to participate in our research. To make it easier for the participants the covering letter was a part of the e-mail message and was not sent as an attached file (Saunders, 2003, 311). The e-mail also functioned as a filter, since the participants were asked to answer whether they were engaged in international business or not. The following questions were not applicable for firms with only domestic trade and therefore these firms were only asked to return the e-mail and by doing so complete their participation.

If the respondents' firms were international the respondents could choose if they wanted to participate in the research or not. If they did not want to participate they were asked to return the e-mail and we would accept their refusal. This process can be seen as a self-selection sampling.

If the firms were engaged in international business and wanted to participate in our research they were asked to use a link in the e-mail. The link led to the web site www.bornglobals.com, where the questionnaire could be filled in. The participants also got a control number in their e-mail, which they were asked to fill in when they answered the questionnaire. The number functioned as identification, which made it possible for us to know who had answered and who needed to be reminded. When the respondent had completed the questionnaire and pressed submit, the data file it generated was automatically sent to our e-mail address.

After one week we sent a follow-up e-mail to the participants who had not responded to our e-mail. Also this time the e-mail was sent on a Tuesday. Since we still was not satisfied with the response rate we made follow-up calls the day after. This increased the response rate to some extent and because of the time constraint connected to the dissertation we decided to be satisfied

with the result we had and to not take further steps to increase the response rate.

5.2. Sample

Since Born Globals are a new phenomenon it is hard to find a population consisting only of these firms. Many firms are Born Globals without being aware of it as the concept is not widely recognised. Furthermore, the fact that there exists no common definition of Born Globals makes it impossible to reach Born Globals without conducting a research on our own. If we had known which firms were Born Globals it would have been possible to focus on them from the beginning. Now all small and medium sized firms in the world were our population. A sample had to be created. We concentrated on Swedish firms, since the closeness to these firms probably would lead to better response than if foreign firms were asked to participate.

Since a probability sample requires a sampling frame, which should be a complete list of all the cases in the population from which the sample would be drawn, a probability sampling method was impossible for us to use. Instead we had to choose a non-probability sampling method. By using a purposive sampling it enabled us to select cases that would best enable us to answer our research questions and meet our objectives. Out of all the small and medium sized firms in Sweden we chose to concentrate on firms connected to Ideon in Lund. Many of Ideon's firms are small or medium sized firms linked to the research at the University of Lund and we believed that many of them were engaged in international business. Therefore we expected to find Born Globals within Ideon. A great advantage with the non-probability sample is that it increases the chance to find firms that can be of help in the research since the researchers have control over who will be a part of the sample. However, a non-probability sampling makes it inappropriate to generalise and to draw conclusions about all Born Globals in Sweden. For this further researches have to be done, which is beyond the scope of a candidate dissertation.

155 firms are connected to Ideon and 143 of these firms have an e-mail address. Since our research was conducted by an on-line questionnaire only

the firms with an e-mail address could be a part of our research. First we had to find out which of the firms that were international. 32 of the firms answered that they were international and they created our sample. 47 of the 143 firms did not give us an answer to if they were international or not, even if they were contacted several times. We cannot completely disregard these 47 firms since we do not know anything about them. It is possible, even if unlikely, that all of the 47 firms are international. The firms have to be regarded as non-respondents. Consequently, the respondents will not be representative of the total population.

5.3. Limitations

The research has some limitations. First, our sample is limited to Swedish firms due to our closeness to these firms. If we had conducted research on foreign firms we believe it could have lead to problems with the response rate. Foreign firms probably do not feel the same connection to Swedish students as Swedish firms do. Furthermore, they do not see any reasons or responsibility to help Swedish students and, therefore, it would be more difficult to motivate foreign firms to participate in a Swedish research than to motivate Swedish firms. We also limited ourselves to firms associated with Ideon in Lund since we saw a possibility to find Born Globals there. The firms within Ideon have characteristics, such as innovative products, that often are seen among Born Globals. Another limitation is that only firms with an e-mail address could be part of our sample. The number of questions in the questionnaire were also limited. To be able to get people to answer the questionnaire we had to limit the number of questions to 26, since more questions could act as a deterrent for the participants and lead to a lower response rate.

We also had limitations connected to time and finance. Since the purpose of our empirical study was to evaluate the Born Globals Emergence Model, a model we have developed ourselves during the dissertation work, we had to conduct the research in the end of our dissertation period. This lead to that we had to conduct the study very fast. We also had to consider our financial constraints when conducting the empirical study. This lead to that certain research methods were not possible for us to use.

5.4. The Questionnaire

As mentioned above, we chose to use a questionnaire to collect the information we needed. It is important that the questionnaire is constructed in an appropriate way. The respondents must be able understand the questions in the way they are intended, otherwise the result will be misleading. Furthermore, we had to interpret the answers given by the respondents in the right way. We considered the wording of each individual question very carefully and used familiar terms to avoid misunderstandings.

Our questionnaire consists of 26 questions, divided into five areas. First we asked general questions about the firms, which made it possible for us to conclude if the firms were Born Globals or not. Thereafter we asked questions in the areas of the managers, the products, the market and the network. 22 of the questions in the questionnaire were closed (see appendix 2a). *Closed questions* mean that we provided a number of alternative answers to the questions from which the respondents were instructed to choose. Two of our questions, number 1 and 9, were *list questions*. A list question offers the respondents a list of responses, any of which they can choose (Saunders, 2003, 293). However, most of our questions, number 10-16, 18-20 and 22-25, were *rating questions*. In a rating question the respondents are asked how strongly they agree or disagree with a statement. For this we used a Likert-style rating scale, consisting of seven alternatives. This offered an appropriate number of alternatives (Lekvall & Wahlbin, 1993, 206). Further, we used some *category questions*, question 5-6, 8, 17, 21 and 26, which were designed so that each respondent's answer could only fit into one category. Finally, we had some *open questions*, number 2-4 and 7. Open questions were used since we were unsure of possible responses. We used few open questions since these kinds of questions are most valuable when detailed answers are needed. In our research this kind of information were of less importance.

Since our research was conducted on Swedish firms the questionnaire was in Swedish to make it easier for the participants. In our dissertation the questionnaire is translated into English. To be sure that we got the translation

correct we translated the questions into English and then we asked an English teacher to translate it back into Swedish. Then we compared the two Swedish versions to see if the translation was correct. The mistakes were corrected.

5.5. Response Rate

From the beginning the sample consisted of 143 firms connected to Ideon in Lund. 47 of these firms refused to take part in the research even if they were contacted several times both by e-mail and by phone. Since we had non-respondents our sample was not representative of the total population. 64 of the firms we contacted could not participate in the research since they did not conduct international business. 32 of the firms responded that they were international and they constituted our sample. 12 of these firms did not want to participate in our research, often due to lack of time.

Table 5.1 Questionnaire Response

		Number of firms		Percent
Cumulative percent				
Respondents contacted but no answers	47	32.8	32.8	
Not international (ineligibility to respond)	64	44.8	77.6	
International, but no participation	12	8.4	86	
Participants	20	14	100	
Total	143	100		

The *total response rate* is the total number of responses (20) divided with the total number of participants in the sample (143) minus the ineligible (64). In our research the total response rate was 25.3%. The *active response rate* is the total number of responses (20) divided with the total number of participants in the sample (143) minus the ineligible (64) and the unreachable (47) (Saunders, 2003, 157). The active response rate in our research was 62.5%. The likely response rate for questionnaires conducted through Internet is 10% or lower (Saunders, 2003, 284). Since we expected a low response rate we are satisfied with the participation in our research. However, we expected to find more international firms connected to Ideon and are disappointed of the high number of ineligible firms. This lead to that our sample became smaller than we had expected and the results of the research became less trustworthy.

5.6. Validity

Validity examines the causal relationship between two variables and shows if the findings are what they appear to be (Saunders, 2003, 101). A good research is characterised by high validity. Even if we believe that our questions measure what we want them to measure, we cannot be sure. There is always a risk that the questions are misleading or that they are wrongly formulated. The questions we use in the questionnaire must be relevant and suitable for the characteristics we are looking for. Otherwise we are going to get systematic errors, which will not disappear even if more cases are examined (Dahmström, 2000, 263). In our research we had many questions which measured attitudes. Attitudes are especially difficult to operationalise into quantifiable variables. The operationalisation has a major impact on the validity. In our research we

for example wanted to measure the global mindset of the managers. The theoretical concept “global mindset” had to be operationalised into one or more quantifiable variables. We chose to measure the global mindset by asking the participant about their attitudes toward the European Union, the European Monetary Union and the enlargement of the European Union. By these questions our intention was to make something abstract more concrete. However, it is important to remember that if the operationalisation is not correct the result can be misleading.

5.7. Reliability

The reliability of the collected data is whether or not the measures will yield the same results on other occasions and if similar observations will be reached by other observers (Saunders, 2003, 101). One threat to reliability is participant errors. A questionnaire conducted at different times of the week may generate different results. To avoid this the questionnaire should be conducted at a neutral time when the participants may be expected to be neither on a “high”, looking forward to the weekend, nor on a “low”, with a working week in front of them (Saunders, 2003, 101). We chose to send out our questionnaire and follow-up letter on Tuesdays. In our research we asked questions about the firms’ turnover, number of employees and foreign sales percent of the turnover. These questions were maybe difficult for the participants to answer without looking up the information. If the participants did not take the time to look up the information the answers to these kinds of questions might not be correct. Another threat to reliability is participant bias. The participants maybe gave misleading answers because they wanted their firms to appear to be more successful and international than they really were. This kind of threat to reliability is difficult to avoid, but by assuring the firms’ anonymity the reason for the firms to embellish the truth decreases. Observer error is not likely in our research since we use a questionnaire and most of our questions were standardised and as follows only could be interpreted in one way.

5.8. Generalisability

The purpose with many researches is to be able to generalise the result to a larger population (Saunders, 2003, 102). However, to be able to generalise about regularities in human social behaviour it is necessary to select samples of sufficient numerical size (Saunders, 2003, 87). We only conducted research on firms connected to Ideon in Lund and the purpose of our research was not to produce a theory that would be generalisable to all populations. Our goal was only to try to explain what was going on in our particular research setting.

Chapter 6

Analysis of the Survey

The survey is analysed. We present the results of the questionnaire and evaluate the hypotheses.

6.1. Introduction

The result of the survey indicates a difference between Born Globals and traditional firms regarding a number of factors. To analyse the survey we used SPSS, which is a computer program for analysing data. With the help of the program we established the means, the p-values and the standard deviations for the questions.

The p-value is a measure on the probability that the result achieved would have occurred randomly. A low p-value means that the results are significant (Eggeby & Söderberg, 1999, 105). Normally the p-value should not be higher than five percent to be regarded as significant. If the p-value is between one and five percent the result is regarded as almost significant (Körner, 1985, 97). The standard deviation is a summarising measurement on the individual observations' spreading around its mutual mean (Körner&Wahlgren, 1996, 105).

When we analysed the questionnaire we separated Born Globals from traditional international firms and made a comparison of their answers. In this way we could show the differences between Born Globals and traditional international firms. If the Born Globals had more positive answers regarding a characteristic we drew the conclusion that the investigated characteristic influenced the emergence of Born Globals.

6.2. The Manager

One of the three areas of explanatory factors in the Born Globals Emergence Model is the manager. Both researches in the area of Born Globals and traditional internationalisation theories such as the Network Approach

highlight the importance of the manager. The characteristics of the manager influence the firm. In our model we used the following characteristics: industry experience, international experience, global mindset and risk taking. Nine of the questions in our survey investigated the characteristics of the manager. Figure 6.1 shows which questions that investigate the characteristics of the manager.

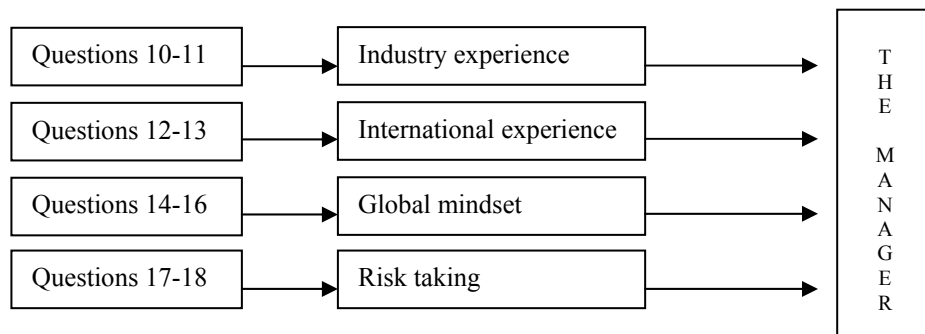


Figure 6.1 The Questions Connected to the Manager

6.2.1. Industry Experience

One of the hypotheses we set up was that *managers in Born Globals have more previous industry experience than managers in traditional international firms have*. In our questionnaire we tested this hypothesis by asking if the founder/founders had previous experience from the industry which the firm was active in (Appendix 2b, question 10). We also asked if any of the employees had similar experience (Appendix 2b, question 11). By asking about the experience of both the founders and the employees we hoped to get a picture of the manager's experience, since the manager must exist in one of these groups. Furthermore, most important was not who possessed the experience as long as the firm could gain from the experience. If industry experience exist inside the firm, the managers can gain from it, even if they have not acquired it themselves. The participants were asked to mark on a seven-point scale how much previous industry experience they possessed. We hoped to find a connection between a high degree of experience and the managers in Born Globals.

The outcome of the questions showed that there was a difference between the amount of industry experience in Born Globals and the amount of industry experience in traditional firms.

Table 6.1 Means and P-values for Questions 10 and 11

Question	P-value	Born	Traditional	Scale
		Globals	Firm	
10. Founders' previous industry experience	5.5	4.9		1= no experience 7= a lot of experience
11. Employees' previous industry experience	6.6	4.4		1= no experience 7= a lot of experience

Born Globals have higher means on both questions, which indicate that both the founders and the employees in Born Globals have a higher degree of previous industry experience than founders and employees in traditional firms have. The p-value for the question about the founders' previous industry experience is 0,971. This means that the result is not significant. The p-value for the question about the employees' previous industry experience is 0,015. With a significance level of five percent, the result is significant.

Concerning the results for the two questions about industry experience, the standard deviation in the group of Born Globals is smaller than for the group of traditional firms (Appendix 3). This means that Born Globals have more unified answers than traditional firms.

Since our research indicates that there is a difference between Born Globals and traditional firms concerning previous industry experience our hypothesis is strengthened. Even if further studies have to be conducted to prove it and to be able to generalise, we believe that previous industry experience of the managers can be an explanatory factor of the emergence of Born Globals.

6.2.2. *International Experience*

Researchers in the field of Born Globals claim that previous international experience of managers are an important explanation to why firms become

Born Globals. Therefore we set up the hypothesis that *managers in Born Globals have more previous international experience than managers in traditional international firms have*. To test the hypothesis we asked if the founder/founders had previous international experience in form of work experience or education (Appendix 2b, question 12). Even if the founder/founders had no previous international experience it could be possible that the experience existed inside the firm. Therefore we asked if any of the employees possessed any previous international experience (Appendix 2b, question 13). The international experience of the managers was measured on a seven-point scale. We hoped to find a relation between a high degree of managers' previous international experience and Born Globals.

A comparison of the results between Born Globals and traditional firms shows that founders and employees in Born Globals have more previous international experience than founders and employees in traditional firms.

Table 6.2 Means and P-values for Questions 12 and 13

Questions	P-value	Born	Traditional	Scale
		Globals	Firms	
12. Founders' previous international experience	5.7	4.7	1= no experience 7= a lot of experience	0.353
13. Employees' previous international experience	6	4.9	1= no experience 7= a lot of experience	0.143

The p-value for the question regarding the founders' previous international experience is 0,353, which means that the result is not significant. The p-value for the question regarding the employees' international experience is 0,143. Also this result has no significance. The standard deviation is smaller for the group of Born Globals than it is for the group of traditional firms (Appendix 3). Since the study shows a difference between the managers' the degree of international experience in Born Globals and in traditional firms we believe that the hypothesis, that managers in Born Globals have more previous international experience than managers in traditional firms have, can be true. However, further studies have to be conducted to fully support the hypothesis.

6.2.3. Global Mindset

Another factor that researchers have considered to be important for the emergence of Born Globals is the global mindset of managers. Therefore we set up the hypothesis that *managers in Born Globals are more global oriented than managers in traditional international firms are*. To be able to test the hypothesis we had to operationalise it so the statement could be measured quantitatively. We set up three questions that we thought could give a picture of the global mindset of the manager. The three questions measured the attitudes towards the European Union, the European Monetary Union and the enlargement of the European Union (Appendix 2b, question 14-16). The participants were instructed to grade their attitude between very negative and very positive on a seven-point scale. If the participants answered very positive to all three questions we drew the conclusion that they had a high degree of global mindset. For this question to have any value the person who answered the questionnaire had to be able to influence the firm. 80% of our participants were either owner, employed managing director or had a managing position. We, therefore, believe that the question had a value. We hoped to find a connection between a high degree of global mindset and Born Globals.

The result showed no differences worth mentioning between managers in Born Globals and managers in traditional firms regarding their attitude towards the European Union, the European Monetary Union or the enlargement of the European Union.

Table 6.3 Means and P-values for Questions 14-16

Questions	P-value	Born		Traditional	Scale
		Globals	Firms		
14. Attitude towards the European Union	5.7	5.4		1= very negative 7= very positive	0.684
15. Attitude towards the European Monetary Union	5.3	5.5		1= very negative 7= very positive	0.796
16. Attitude towards the enlargement of the European Union	5.4	5		1= very negative 7= very positive	0.529

The differences are not significant (Appendix 4). The standard deviation is similar for Born Globals and traditional firms (Appendix 3). Our research indicates that the global mindset of the managers is not an explanatory factor for the emergence for Born Globals. However, our studied is limited both to sample size and by the number of questions asked. The operationalisation of global mindset can be wrong and thereby the result misleading. Therefore we do not completely want to disregard the global mindset as an explanatory factor to Born Globals. Further studies have to be made.

6.2.4. Risk Orientation

Previous researches in the area of Born Globals indicate that there is a difference in attitude towards risk among managers in traditional firms and managers in Born Globals. Therefore we set up the hypothesis that *managers in traditional international firms are more risk adverse than managers in Born Globals are*. To test this we had two questions in our questionnaire concerning risk. First, we asked which word that described the participant best (Appendix 2b, question 17). There were three alternatives: bureaucrat, administrator and entrepreneur. Entrepreneurs are regarded as open to risks. They invest their own time and effort and assume the financial, physical and social risks associated with such activity (Donaldson & O'Toole, 2002, 198). The second question concerned how often the participant took risks even though the stake and the risk to lose were high (Appendix 2b, question 18). The participants

were asked to mark on a seven-point scale how seldom or often they took these kinds of risks. We hoped to find a relation between participants that were open to risks, by describing themselves as entrepreneurs and as people who often take risks, and Born Globals.

The result of the research showed no large difference between managers in Born Globals and managers in traditional firms concerning risk attitude. Most of the participants, no matter if Born Globals or not, regarded themselves as entrepreneurs.

Table 6.4 Frequency and P-value for Question 17

Question 17	Born Globals	Traditional Firms	P-value
Bureacrat	0%	0%	0.739
Administrator	20%	30%	
Entrepreneur	80%	70%	

The p-value for the question is 0,739, which shows that the difference is not significant. Our hypothesis is not supported by the result. The second question we asked to investigate the risk openness showed a slight difference in answers between managers in Born Globals and managers in traditional firms.

Table 6.5 Mean and P-value for Question 18

Question	P-value	Born Globals	Traditional Firms	Scale
18. Risk-taking	5.1	4.4	1= never 7= often	0.436

However, the p-value for the question is 0,436 and as follows the difference is not significant. The standard deviation is smaller in the group of Born Globals than it is in the group of traditional firms (Appendix 3). Even if the proof for it in our research is weak, we believe that risk-taking can be an explanatory factor for the emergence of Born Globals. The result of our research might have been affected by an incorrect operationalisation. Question 17 has

probably resulted in misleading results. The words the participants were asked to choose from were not neutral. People are unlikely to describe themselves as bureaucrats, since this word normally is regarded as something negative. We believe that if the concept risk-taking was operationalised in another way it would be possible to find that managers in traditional firms are more risk adverse than managers in Born Globals.

6.3. The Market

The market is the second area containing explanatory factors in the Born Globals Emergence Model. The market the firm operates in affects the firm and leads to certain characteristics, which determine if the firm will become a Born Global. Researchers in the field of Born Globals have highlighted some market conditions that are likely to lead to characteristics that are typical for Born Globals. These are niche markets and small home markets. The questionnaire consists of three questions concerning the market. Figure 6.2 shows the questions that investigate the characteristics of the market.

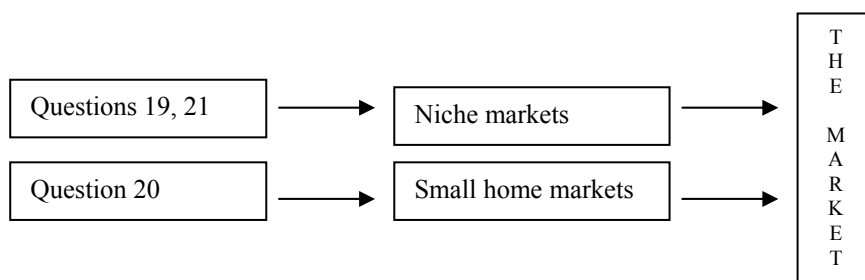


Figure 6.2 The Questions Connected to the Market

6.3.1. Niche Markets

Researchers often argue that Born Globals exist in niche markets since the demand for products in these markets often is too small in the home market. Firms are forced to look outside their home markets to find sufficient demand. Based on this assumption we set up the hypothesis that *Born Globals exist in*

niche markets more often than traditional international firms do. To test the hypothesis we asked if it was difficult for a firm, in its line of business, to survive in Sweden without engaging in international trade (Appendix 2b, question 19). The answers could vary on a seven-point scale, from *not at all* to *very difficult*. Our hope was to find a connection between firms that found it difficult to survive in its line of business and Born Globals. We also asked which strategy that best could explain the firm's actions: niche strategy, market-leader strategy or market-follower strategy (Appendix 2b, question 21). Also this question had for purpose to find out if the firm existed on a niche market. We expected to find a relation between firms that had adopted a niche strategy and Born Globals.

The research result for question 19 supports our hypothesis that Born Globals exist in niche markets more often than traditional firms do.

Table 6.6 Mean and P-value for Question 19

Question	Traditional	Scale	Born P-value Globals	Firms	
19. Difficult to survive in Sweden in the firms line of business		5.9	4.1	1= not at all 7= very	0.029

The p-value for question 19 is 0,029. The difference is significant. The standard deviation is smaller in the group of Born Globals than it is for the group of traditional firms (Appendix 3). Even if further researches have to be done to prove that niche market is an explanatory factor of the emergence of Born Globals, our research supports the assumption.

The result of the other question regarding niche markets did not show the same difference between Born Globals and traditional international firms.

Table 6.7 Frequency and P-value for Question 21

Question 21		Born Globals	
Traditional Firms			P-value
Niche strategy	80%	70%	0.796
Market-leader strategy	10%	30%	
Market-follower strategy	10%	0%	

The niche strategy is the most common strategy, both for Born Globals and traditional firms. There exists a small difference, but it is not significant (Appendix 4). Our sample consisted of firms connected to Ideon. Many of these firms have specialised products, no matter if they are Born Globals or traditional firms. This leads more often to niche strategies than in other cases. It could be interesting to ask the same question to another sample.

6.3.2. Small Home Markets

It is difficult for firms that exist on small home markets to earn enough profit to survive. Therefore researchers argue that the size of the home market affects the characteristics of the firm. We created the hypothesis number eight, which states that *Born Globals exist in countries with a small home market more often than traditional international firms do*. To test the hypothesis we asked the participants to mark on a seven-point scale, where one was *not at all* and seven was *very*, if they regarded the Swedish home market as too small for a firm to conduct profitable business in (Appendix 2b, question 20). We hoped to find a connection between firms that regarded the Swedish market as too small to conduct business on and Born Globals.

The result supported our assumption. There was a difference between Born Globals and traditional firms regarding their view on the size of the home market.

Table 6.8 Mean and P-value for Question 20

Question	P-value	Born Globals	Traditional Firms	Scale
20. Home market too small to be able to earn enough profit	6.3	4.4	1= not at all 7= very	0.019

The p-value for the question is 0,019 and as follows the difference is significant. The standard deviation is smaller in the group of Born Globals than for the group consisting of traditional firms.

6.4. The Product

The product is the third area of explanatory factors in the Born Globals Emergence Model. Born Globals are often assumed to exist among firms with high technology and knowledge intensive products and the product is often innovative. Some researchers even regard the product to be the most distinctive feature of Born Globals and therefore we find it very relevant to include the product in our model. Figure 6.3 shows which questions that investigate the characteristics of the product.

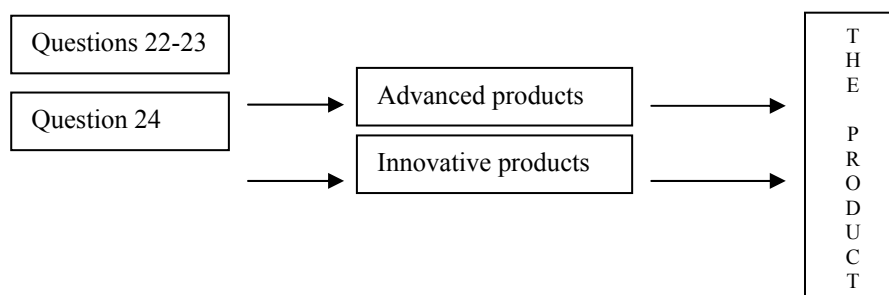


Figure 6.3 The Questions Connected to the Product

6.4.1. Advanced Products

High technology and knowledge intensive products are often regarded as advanced products. These products are characterised by being unique and hard to imitate and are, therefore, more likely to be demanded in the international marketplace. Advanced products have also often a short life cycle, which encourage fast internationalisation. This reasoning lead to the hypothesis that *Born Globals have more advanced products than traditional international*

firms have. To test the hypothesis, we asked the participants to mark on a seven-point scale if they regarded their product to be standardised or complex or something in between (Appendix 2b, question 22). To further investigate the hypothesis a question was formulated to find out if the firm's products were based on knowledge. Also here the participants should mark on a seven-point scale if their products were *not at all* or *to a high degree* based on knowledge (Appendix 2b, question 23). We assumed that a product that to a high degree is based on knowledge is an advanced product. We hoped to find that Born Globals more often than traditional firms had advanced products.

The two questions lead to different results. The question regarding complexity showed the differences between Born Globals and traditional firms that we assumed. The question regarding knowledge showed no differences between the two groups of firms.

Table 6.9 Means and P-values for Questions 22 and 23

Question		Born	Traditional	Scale	
P-value		Globals	Firms		
22. Characteristics of the firm's product	5.8	4.8		1= standardised 7= complex	0.28
23. Product based on knowledge	6.7	6.7		1= not at all 7= very	1

The difference in question 22 has a p-value that is 0,28 and as follows the difference is not significant. The standard deviation for the question is smaller for Born Globals than for traditional firms (Appendix 3). The standard deviation for question 23 was 0,48 for both groups. Even if the hypothesis, that Born Globals have more advanced products than traditional firms have, is not fully supported by our research, the result indicates that there can be some truth behind the assumption. Further researches would be interesting.

6.4.2. Innovative Products

Researches show that there often is an innovation behind the products launched by Born Globals and many researchers even see innovation as a key factor to the emergence of them. Hypothesis nine states that *Born Globals have more innovative products than traditional international firms have*. In our survey we tested the hypothesis by asking if the firms' products were based on research. On a seven-point rating scale the participants were asked to mark if their products were *not at all* or *to a high degree* based on research (Appendix 2b, question 24). We assumed that Born Globals more often than traditional firm would have products that to a high degree were based on research.

The result showed a difference, but not the same difference as we expected. Traditional firms had a higher degree of products based on research than Born Globals.

Table 6.10 Mean and P-value for Question 24

Question	P-value	Born		Traditional	Scale
		Globals	Firms		
24. Product based on research	4.1	4.5	1= not at all 7= very	0.579	

The question has a p-value, which is 0,579. The difference is not significant. The standard deviation is smaller for traditional firms than for Born Globals (Appendix 3). According to our research innovative products do not contribute to the emergence of Born Globals. Even though more researches should be conducted before the hypothesis is rejected, our research indicates that innovative products are of less importance for the emergence of Born Globals than we thought.

6.5. The Network

In our model we assume that networks are the foundation of Born Globals. Therefore we set up the hypothesis that *Born Globals are more often dependent on networks than traditional international firms are*. To test the

hypothesis we investigated the relationships the firms had with their customers. We asked if new customers meant expensive investments for the firm (Appendix 2b, question 25). We also described five kinds of relationships firms can have with their customers (Appendix 2b, question 26). We hoped that Born Globals would have a more close relationship with its customers than traditional firms. Figure 6.4 shows which questions that investigate the network.

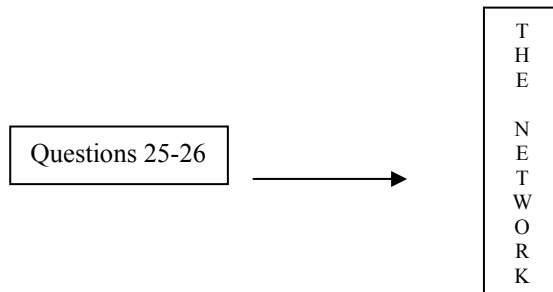


Figure 6.4 The Questions Connected to the Network

The result of question 25 confirmed our thoughts. There is a significant difference, between Born Globals and traditional firms, regarding the amount of investments needed due to new customers. The p-value is 0,029. The standard deviation is the same for both groups (Appendix 3).

Table 6.11 Mean and P-value for Question 25

Question	Scale	P-value	Born Globals	Traditional Firms
25. Expensive investments due to new customers	4.6	0.029	3.4	1= never 7= often

The result indicates that networks are one of the explanatory factors to why Born Globals emerge. Another question was also asked to further investigate the importance of networks. However, the result of this question did not

support our assumption that networks are an important factor for the emergence of Born Globals.

Table 6.12 Frequency and P-value for Question 26

Question 26	Traditional Firms	P-value	Born Globals
We act independently of our customers and the price is an important factor	0%	10%	0.796
We try to establish personal relationships with our customers	70%	50%	
Together with our customers we invest in systems and routines	10%	0%	
We conduct research and development with our customers	20%	40%	
We strive to establish joint ventures with our customers	0%	0%	

The result has low value for us. It is difficult to see any difference between Born Globals and traditional firms with the answers we got. Furthermore, the differences actually shown are not significant (Appendix 4). If a similar question should be used in another research, the sample must be larger.

6.6. Summary

We have created a model that we call the Born Globals Emergence Model. The purpose with the model is to explain what is required for Born Globals to emerge. With the model as a base we set up 10 hypotheses and tested them by using a survey. A questionnaire was used and the questions were created so that they would test the hypotheses. The result of the survey gave our hypotheses and our model partial support. The result showed differences between Born Globals and traditional international firms concerning many factors. A significant difference between Born Globals and traditional firms was proved in some cases. The employees in Born Globals had more industry experience than employees in traditional firms had. Born Globals also regarded it more difficult to survive in Sweden in the firms' line of business than traditional firms did. Furthermore Born Globals, more often than traditional firms, believed that the home market was too small to be able to

earn enough profit. Finally, there was a significant difference between Born Globals and traditional firms concerning the amount of expensive investments that had to be done due to new customers, where Born Globals more often than traditional firms made expensive investments.

Many of the other questions in the questionnaire also showed a difference between Born Globals and traditional firms. Even if the difference was not significant, the result indicated that the factors might affect a firm's internationalisation process. Such differences were found regarding founders' previous industry experience, founders' and employees' previous international experience, risk taking and the characteristics of the products.

The result of the question concerning global mindset showed no difference between Born Globals and traditional firms. Neither, the question that investigated to which degree the product was based on knowledge showed any difference between Born Globals and traditional firms. The question concerning innovative products showed a difference, but not the one expected. Traditional firms had more often products based on research than Born Globals, even if the difference was small.

To summarise, even if not all the characteristics in our model were different between Born Globals and traditional firms, enough differences existed for us to be able to conclude that our main hypothesis was supported. Born Globals have different characteristics than traditional firms have.

Chapter 7

Conclusions

The conclusions are presented. The dissertation is summarised and the applicability of the model is discussed. Modifications, methodological criticism, future research and practical implications are also presented.

7.1. Summary of Dissertation

Born Globals are firms with a rapid and intensive internationalisation process. A general description of Born Globals is “firms that adopt an international or even global approach right from their birth or very shortly thereafter” (Madsen & Servais, 1997, 561). A more exact definition is that Born Globals are firms that have reached a share of foreign sales of at least 25% after having started export activities within three years after their birth (Knight & Cavusgil, 1996, 18). There are different opinions about when Born Globals first emerged. Some researchers believe that Born Globals are a new phenomenon and other researchers believe that there have been firms with the characteristics of Born Globals many years before the name was introduced in 1993. There are also different opinions concerning which industries Born Globals exist in. Some believe that Born Globals exist in all kinds of industries while others believe that Born Globals are mainly located in high technology and knowledge intensive sectors.

Many researchers have investigated why Born Globals emerge. Some explanations to their emergence are more common than others are. New market conditions, technological developments in the areas of production, transportation and communication and better capabilities of people are some factors that have made it possible for firms to become Born Globals. A global mindset of the managers and global networks and alliances are also often seen as explanatory factors to why Born Globals emerge. Some recognised characteristics of Born Globals are previous international experience of the managers, focus on niche markets, high technology products with focus on quality, service and marketing as well as committed managers. Also the use of

different channels of distribution, aggressive international strategies and high involvement in networks characterise Born Globals.

Even if there exist many internationalisation theories, not many are applicable to Born Globals. The Uppsala Internationalisation Model, the Monopolistic Advantage Theory, the Product Cycle Theory and the Oligopolistic Reaction Theory have little value when it comes to explaining why Born Globals emerge. The Pre-Export Activity Theory and the Network Approach can to some extent explain Born Globals.

Based on previous researches we have created the Born Globals Emergence Model. The purpose of the model is to explain why Born Globals emerge. The managers, the products and the market are explanatory factors in our model. For Born Globals to emerge the areas have to have certain characteristics. In our model the managers should have industry experience, international experience, a global mindset and be open to risks for firms to become Born Globals. A small home market and niche markets are specific market characteristics which drive firms towards a rapid and intensive internationalisation process. The product should be advanced and innovative. The network functions as a foundation in our model. Out of the Born Globals Emergence Model we set up ten hypotheses.

To test the hypotheses we conducted a survey by using an online questionnaire. The purpose with the survey was to see if there existed any differences between Born Globals and traditional firms and in this way find explanatory factors to why Born Globals emerge. The participants were contacted by e-mail and were directed to the web site www.bornglobals.com where they could fill in the questionnaire. Our first sample consisted of 143 firms connected to Ideon in Lund. Out of them we got no answers from 47 firms. 32 of the firms were international and constituted our final sample. 20 firms participated which lead an active response rate of 62.5%.

The result from the survey indicates that there exist some differences between Born Globals and traditional firms. The differences that are proved to be

significant are the employees' previous industry experience, the difficulty to survive in Sweden in the firm's line of business, the belief that the home market is too small to earn enough profit and the amount of expensive investments that have to be made due to new customers. The differences in characteristics we have found between Born Globals and traditional firms can help to explain why Born Globals emerge. The research also showed that other factors than them mentioned above are unique for Born Globals and therefore can explain their emergence. However, the differences between Born Globals and traditional firms regarding these factors were not significant. Some of the factors that did not show a significant difference or did not show a difference at all may still contribute to the emergence of Born Globals since the questions maybe were operationalised in a wrong way. If the factors were investigated by using different questions it would maybe be possible to prove that the factors have a significant impact for the emergence of Born Globals. Since our sample was very small and limited to firms connected to Ideon in Lund the result of our research cannot be generalised.

7.2. Applicability of the Model

Our model has four main areas, the managers, the market, the products and the network. The research shows that all of these four areas are important when it comes to explaining why Born Globals emerge. We assumed that the areas would have certain characteristics for Born Globals to emerge. Even if our research showed that all areas were important, not all characteristics we had set up got support.

The research indicated that *managers* should have previous industry experience, previous international experience and be open to risks for Born Globals to emerge, even if not all the results were significant. We also assumed that a global mindset of the managers would be positively related to the emergence of Born Globals. However, our research did not support this assumption. We investigated the global mindset by asking about the attitudes towards the European Union, the European Monetary Union and the enlargement of the European Union. If global mindset had been operationalised in another way the results might have been different.

We found a difference between Born Globals and traditional firms when it came to the *market* characteristic. As we assumed, our research showed that Born Globals more often than traditional firms exist on niche markets and regard the Swedish home market as too small.

We also assumed that *products* of Born Globals would be more advanced and innovative than products of traditional firms. The research showed a difference in how advanced products the firms had, even if the difference was not significant. Born Globals had more often than traditional firms advanced products. Our research gave no support for the assumption that Born Globals would have more innovative products than traditional firms have.

Finally, we assumed that Born Globals more often than traditional firms are parts of *networks*. The research showed that Born Globals often needed to make expensive investments due to new customers. We interpret this as networks being important for Born Globals. However, we did not manage to investigate if the network is the foundation of a rapid and intensive internationalisation or only another explanatory factor.

To summarise, our survey indicates that the Born Globals Emergence Model can be valuable when it comes to explaining why Born Globals emerge. However, further researches have to be done to be able to prove the value of the model. Our sample was too small and we only investigated firms connected to Ideon in Lund. Furthermore, we use a non-probability sampling method and it makes it inappropriate to generalise and to draw conclusions about all Born Globals in Sweden.

7.3. Modifications

When we created the Born Globals Emergence Model we evaluated many possible explanatory factors, which previous researchers in the area of Born Globals had highlighted. We wanted to create a model that was comprehensive and therefore we were forced to limit the number of factors in the model. During our selection process, factors that could be explanatory both for the

emergence of Born Globals and traditional firms were excluded. However, these factors may be of great importance for the emergence of Born Globals and should have been a part of the model even if the factors are the same for both Born Globals and for traditional firms. Furthermore, two of the characteristics in our model are very similar. Even if there are some differences between a product that is innovative and a product that is advanced, it could be possible to see these two characteristics as one.

Our research indicates that not all the factors in our model are of value when it comes to explaining the emergence of Born Globals. We assumed that managers in Born Globals would be more global minded than managers in traditional firms and that the products of Born Globals would be more innovative. Since these factors were not supported by our research this indicates that the model should be modified. However, it is necessary to conduct further researches before such changes can be made. There can be many explanations to why the factors did not show a connection to Born Globals in our research. The small sample size might have given misleading results. Furthermore, the operationalisation of the hypotheses might be wrong. If different questions were asked the results could be different. It is possible that another research would prove the factors to be of value when explaining the emergence of Born Globals.

When analysing the research we compared the results of Born Globals with the results of traditional firms. If there existed a difference in their answers and the participants connected to Born Globals evaluated some factors to be more important than participants connected to traditional firms did, we concluded that the investigated factor explained why Born Globals emerge. The assumption is probably correct, but there can be cases where the factors can be more important for Born Globals than for traditional firms, without explaining why Born Globals emerge. It is possible that a modification in how the results were analysed could improve the validity.

7.4. Methodological Criticism

Our research was conducted by a survey. The questions in our survey helped us to evaluate the factors in our model and made it possible for us to see if the factors could explain the emergence of Born Globals or not. However, since we used a survey we got no feedback other than the answers from the questions. It could be interesting to get indications of if we had chosen the right factors or if different or additional factors should be part of our model. If we instead had used a case study we would have got another type of information. We could have had a dialogue with the participants and it would have been easier to get indications of if we had chosen the right factors to our model and the real reasons to why firms had internationalised. This could have given us better possibilities to modify the model.

Our first sample consisted of firms connected to Ideon in Lund. When we received answers from our participants it became obvious that many of these firms were not international and therefore our sample became smaller than we had expected. It would have been good to select a sample that we knew for certain were international since this would have reduced the number of participants ineligible to answer.

Due to our time constraints the participants only got two to three weeks to answer the questionnaire and they got their first follow-up letter already after one week. If the survey had been conducted during a longer period of time it might have been possible to get more answers. The participants could have been reminded again after another week.

7.5. Future Research

We have created a model that we call the Born Globals Emergence Model and the purpose of the model is to explain why Born Globals emerge. We have conducted a survey and the result of the research gave our model partial support. The survey indicated that the explanatory areas in the model are correct. Our research also indicated that some of the characteristics of the explanatory areas are correct. However, since Born Globals are a growing phenomenon it would be interesting to do further researches within the area.

With our research as base further researches can be conducted in the following areas:

- Our survey is conducted on a rather small sample and this makes it impossible for us to generalise the results. It would be interesting to do a larger survey to see if the results would be the same. Further researches could prove the value of the model or reject certain parts of it.
- It would also be interesting to do a survey on firms in other countries. We have only investigated Swedish firms and all these firms face similar conditions since they exist on the same home market. One characteristic in our model is the size of the home market. This would be easier to investigate if the participants belonged to different domestic markets.
- It could also be interesting to conduct researches on other explanatory factors for the emergence of Born Globals, than the factors in the Born Globals Emergence Model. When we created our model we excluded some explanatory factors that researchers had regarded as important. Even if we chose the factors in our model based on certain criteria, our reasoning in the selection process might be incorrect. Therefore it would be interesting to investigate if other factors, regarded as explanatory for the emergence of Born Globals, should be part of the model.
- In our model we have placed the network as a foundation to the emergence of Born Globals. However, we have not managed to prove that it is the right position for the factor. It could be interesting to conduct a research, which focuses on the network. Does the network function as a foundation or should it be placed as another explanatory area in the model?

7.6. Practical Implications

Our model has the most important practical implication for managers with the intention to give their firms a rapid and intensive internationalisation process. The Born Globals Emergence Model can then function as guidance. By

looking at the model, managers get indications on which factors to strive for to become Born Globals. For example they should hire people with previous international and industry experience and focus on advanced products on niche markets. People who want to work in small organisations, but want to make sure that the firm is going to develop and grow, can use the Born Globals Emergence Model. They should for example look for firms with advanced products and firms that exist on small home markets.

The model can also be of help when it comes to analysing and predicting competitors' international behaviour. If the competitors have the characteristics described in the Born Globals Emergence Model they can be expected to face a rapid and intensive internationalisation process. To be able to predict competitors' future actions is very important and our model is useful since it helps the managers to understand which characteristics of their competitors can lead to quick internationalisation and thereby increased competition on the international market.

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Bästa Företagsledare,

Vi är två studenter från Högskolan Kristianstad som läser programmet Internationell Ekonomi. Vi arbetar nu på vår kandidatuppsats som handlar om Born Globals. Born Globals är företag som anammar en internationell eller till och med global inställning från sin födsel eller kort därefter. Born Globals är ett växande fenomen och vi har skapat en modell som vi hoppas ska förklara varför de uppstår. Vi behöver nu hjälp med att testa vår modell. Vi hoppas att ni har möjlighet att ställa upp.

Det vi först vill veta är om ert företag stämmer in på följande beskrivning:

- *Vi är ett internationellt företag som bedriver handel med utländska företag.*

Instämmer (Ja/Nej):

Om ni svarar nej på ovanstående fråga, var god sänd tillbaka e-posten så snart som möjligt. Vi tackar för er hjälp.

Om ert svar på föregående fråga är ja, hoppas vi att ni vill delta i en enkät undersökning som kommer att kräva 5-10 minuter av er tid. Vi garanterar naturligtvis er anonymitet. Som ni säkert förstår är er medverkan mycket värdefull för oss. Det vill vi visa genom att låta de företag som deltar i vår undersökning vara med i ett lotteri med chans att vinna en hemlig julklapp som levereras med posten till vinnarna. Om ni inte vill delta i undersökningen, vänligen returnera e-posten.

Klicka på www.bornglobals.com så kommer ni till en hemsida där ni kan fylla i enkäten. Fyll i er verifieringskod överst i enkäten. Detta är mycket viktigt.

Verifieringskod:

Med vänliga hälsningar

Petra Lampa och Lisa Nilsson

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Dear Gentlemen and Ladies,

We are two business students from the University of Kristianstad. We are now working on our candidate dissertation which is about Born Globals. Born Globals are firms that adopt an international or even global approach right from their birth or shortly thereafter. Born Globals are a growing phenomenon and we have developed a model which we hope will explain why they emerge. Now we want to test the model and hope that you have the possibility to help us.

First we want to know if your firm fits into the following description:

-We are an international firm engaged in trade with foreign firms.

Agree (Yes/No):

If your answer to the question above is *no*, please return the e-mail as soon as possible. Thank you for your help.

If your answer to the question above is *yes*, we hope you want to participate in our research and fill in a questionnaire which will require 5-10 minutes of your time. Of course we guarantee your anonymity. We hope you understand that your participation is very valuable to us. We want to show this by letting the participating firms be part of a lottery. The winners will receive a secret Christmas gift. If you do not want to participate in our research, please return the e-mail.

Click on www.bornglobals.com and you will be able to fill in the questionnaire. Please, fill in your control number on the top of the questionnaire. This is very important.

Control number:

Sincerely yours,
Petra Lampa and Lisa Nilsson

