The internationalization of born-global SMEs in Northern Sweden: A network perspective

Authors: Honey Htun Wai
         Pittana Noichangkid

Supervisors: Håkan Boter
             Jan Abrahamsson

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Supervisors: Håkan Boter
Jan Abrahamsson

Authors: Honey Htun Wai
Pittana Noichangkid

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Executive Summary
Since globalization and advanced technology were introduced, international new ventures, or the born-global firms have become increasingly active in the international markets from the inceptions or shortly after their foundations. The internationalization of born-global small and medium-sized enterprises (SMEs) is of growing interest in today’s business. Compared to the multinational corporations (MNCs), born-global SMEs lack resources needed in their internationalization process. The authors found that there are insufficient studies on the essential resources needed for born-global firms and noticed that there is a research gap regarding the role of networks and its network capabilities towards successful internationalization and sustenance of business growth. In this aspect, this study finds the essential resources needed for born-global SMEs and the role of networks in their internationalization process.

In order to attain our research findings, this study chooses to apply a qualitative research method by conducting case studies with respondents from born-global SMEs. This study applies abductive research approach in order to answer our findings effectively by comparing the empirical findings with the existing theories and to develop a new theoretical framework.

According to our findings, the essential resources needed in the internationalization of born-global SMEs are human capital, financial capital, intellectual capital, social capital and network. The management team competence, products’ reputation, patent, selling and marketing competence, technological and network capability are also required for internationalization of born-global firms. Our findings show that networks take an important role in acquiring additional resources needed for born-global firms in order to get successful internationalization. Whereas, in the long-run, network capability do not take a major role in assisting firms to sustain their business growth.

Keywords: Internationalization, born-global firms, resource-based perspective, network perspective
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Chapter 1: Introduction

The purpose of this introduction is to provide background knowledge of our research study and to present the problem statement. In accordance with the problem statement, the knowledge gap will be identified and then the research questions will be developed based on the research gap and expected contributions will be made in terms of theories and the knowledge. The limitation of our research study will be identified. At the end, the key terms and a brief disposition of this study will be presented.

1.1 Background

Before globalization, the national markets were segmented into international, domestic and regional (Etemad, 2004). The multinational corporations (MNCs) have dominated in international markets and the small enterprises have been focused on domestic markets. The small enterprises mainly initiated their businesses locally to gain experiences and to have strong foothold in the domestic markets. The internationalization process normally takes many years for small firms to be able to sell products or support services globally because they have a lack of various resources and competences in terms of financing, human resources, knowledge, skills, etc when compared with the MNCs in the global marketplace (Freeman et al., 2006).

However, recently, the world has become smaller through the emergence of advanced technology, transportation and communication. Also, there have been changes in consumer preference, for instance products and services are more international now. These factors have also brought changes in the industry sector in the global competitive environment. The way of doing business has been changed and the word globalization has been introduced. Globalization has helped both large and small firms to remove the market barriers and also the entry barriers in the foreign markets (Sasi & Arenius, 2008). Since the emergence of globalization and advanced technology, successively more and more small firms have become increasingly involved in international business activities (McDougall & Oviatt, 2005).

Nowadays, born-global small and medium size enterprises (SMEs) have become an attractive mode of doing business for entrepreneurs who would like to start up their own firms and launch their business internationally from
the inception or shortly thereafter. Born-global SMEs also creates the opportunities for firms to overcome obstacles and barriers that happen in the home market. In addition to these opportunities and advantages, the firms could diversify their business portfolio through expanding to the international markets. Born-global SMEs can be understood as “a business organization that seeks to derive significant competitive advantages from the use of resources and the sale outputs in multiple countries” McDougall & Oviatt, (1994, cited in McDougall, et al. 1994, p. 469).

Born-global SMEs normally start their activities outside the home market at the early stage and most of their incomes are from international markets (Hashai, 2011). Their business activities are operated globally and it has been a new phenomenon that challenges the traditional internationalization theory. Generally, firms will seek to enter markets where they have similar culture, rules and regulations, and close geographical locations from the domestic country (Fernhaber, 2008). Moreover, born-global SMEs will have commitment with each market where they operate and have turnover within the early stage of establishing (Drick, 2009). The speed of internationalization is a factor for the performance of born-global SMEs and the role of resources has a significant influence on their internationalization process (Freeman et al., 2006).

The internationalization of born-global SMEs is a growing interest in today’s business. Born-global SMEs are regarded as a backbone for the economic growth for export-oriented countries since they are creating one of the primary sources of entrepreneurial skills, employment, innovation, investment, etc. In this regard, born-global SMEs take a vital role in economic development of each nation around the world. The born-global SMEs internationalization process is of great concern to business growth and it also reflects on the economy of countries.

“The internationalization process focuses on the increasing involvement in international market and also attempts to increase the commitment of resources in those markets” Johanson & Vahlne (1990, cited in Moen & Servais 2002, p.49). This process aims to discover the opportunity outside home markets for competitive advantages. Also, the international entrepreneurial born-global SMEs are able to get certain opportunities rapidly in the global market. The internationalization process includes the business
plans that can help management teams make strategic decisions in order to improve performance of the firms. To be able to enter and compete with players in foreign markets and stay in the business for the long-run, born-global enterprises need to enhance business performance and create core competency from both external and internal resources (Anderson, 2000).

The resource-based view is one of the important business perspectives for the success of born-global SMEs. Resource-based perspective helps the firms to identify the potential key resources and capabilities that can be used to generate and sustain competitive advantage against their competitors in the marketplace (Rialp & Rialp, 2007). In addition, resources and capabilities of the born-global firms should be heterogeneous, last long and difficult to imitate (Rialp & Rialp, 2007). Also, the chance of going international faster from the beginning depends on the availability of resources. There are external and internal resources that can build strong born-global firms such as intellectual capital, human capital, attitude towards risk, networking and financial capital (Galbreath, 2005).

When small firms attempt to do business in the international markets, they might face many barriers such as lack of economies of scale, limited resources and knowledge and high degree of risk (Freeman et al., 2006). The small firms are mostly active in the domestic market while most of the large enterprises dominate in the international markets with their sufficient funding, resources and international knowledge.

Recently, born-global SMEs have tried to find the solution to solve those obstacles by collaboration with their partners and suppliers. Networking is considered to be a learning perspective from the partner relationship in order to do research and development (Daniel et al., 2002). There are several modes of networking for born-global SMEs such as joint venture, strategic alliance, and owned subsidiary (Sharma & Blomstermo, 2003). These business options allow born-global SMEs to overcome constraints and can achieve rapid internationalization with high potential. Small firms could choose to have alliance with foreign partners who would help to overcome their perceived risks and constraints in the dynamic international marketplace. Network relationship among partners is also an important resource for the ventures since they can share their resources, knowledge,
capabilities, and activities that would help new ventures to gain competitive advantage.

1.2 Problem Statement
After globalization had been introduced, the concept of born-global SMEs appeared to be a new method of doing international business. The speed of internationalization of born-global SMEs is the important factor that has changed the traditional business theory. According to Freeman et al., (2006), rapid internationalization activity has major constraints for born-global SMEs such as lack of economies of scale, lack of financial and knowledge resources and risk aversion, etc. However, born-global SMEs enter international markets shortly after inception and gain business growth in the dynamic international market. Despite being constrained by limited resources, more and more born-global SMEs become active in the international markets (Sasi & Arenius, 2008).

Today, born-global SMEs play an important role in international business contexts. The development in advanced technology enables companies to have enough information about their international markets (McDougall & Oviatt, 2005). The main reasons that born-global SMEs pay attention to their internationalization process are the ability to diversify portfolio and reduce the risks they encounter in their home countries with limited resources. There are previous research studies on how to overcome constraints of born-global SMEs. For example, Mort and Weerawardena (2006) studied on how networking could help born-global SMEs in their internationalization process to overcome resources poverty. Moreover, Freeman et al. (2006) investigated on how born-global SMEs apply networks and alliances to overcome constraints to achieve rapid internationalization. However, there are insufficient studies on the essential resources needed for born-global firms especially on the area of business alliances with international partners.

In addition to the research gap of insufficient studies on the key resources needed for born-global SMEs in their internationalization, there is no research done on the role of networks and its network capabilities toward successful internationalization and sustenance of business growth. The international new ventures are forming alliances and collaboration with partners, suppliers, distributors and joint-venture as a way to internationalize through learning, sharing and pooling resources (Freeman et al., 2006). In
addition, networks facilitate small business owners’ personal link into R&D which is contracted by alliance party to connect in joint R&D ventures for marketing and manufacturing activities (Pittaway et al., 2004).

In non-metropolitan areas, regional development and competitiveness are needed in order to build regional strengths. In Northern Sweden, business associated with the traditional mining and wood industries are the base of knowledge development and maintain competitiveness of some stronghold businesses but they do not create new job opportunities for regions. Recently, in the North of Sweden, new companies have been established during the last decades are based on new information and communication technology (ICT). This is an important trend for regional and local businesses in Northern part of Sweden to develop innovation and attain competitiveness with competent partners regardless of their location. The inspiration in this study is to find how growing born-global SMEs can be facilitated to strengthen competitiveness to the region. In order to narrow down our research finding, this study will focus on the role of networks in Northern Sweden. To be specific, this study intends to find what the essential resources are needed for born-global SMEs and what the role of networks in their internationalization process is.

1.3 Research Questions
The research questions will be based on the research gap mentioned in the above section. The research findings of this study are particularly focused on the born-global SMEs in Northern Sweden:

- What are the essential resources needed by the born-global SMEs in their internationalization process?
- What is the role of networks in the born-global SMEs’ internationalization process?

In order to clarify the role of networks and its capability towards successful internationalization and sustenance of business growth over time, the following sub-questions are developed;

- What are the benefits of using networks in the internationalization of born-global SMEs?
How do born-global SMEs use networks as one of their essential resources to achieve successful internationalization and to sustain business growth in the long-run?

1.4 Purpose of Study
The purpose of this research paper is to contribute the knowledge gap in previous research studies by identifying the essential resources needed for born-global SMEs in their internationalization process and analyzing how they are developed, acquired and exploited. The successful companies in Northern Sweden are born-global SMEs in the technological sector that can compete in international markets with their limited resources. This study focuses on the born-global SMEs in Northern Sweden. This brings the interest to us in order to study how born-global SMEs utilize resources to gain competitive advantage in the global market and sustain business growth. Moreover, this paper aims to find the importance of resource-based views particularly focusing on the role of networks for born-global SMEs. While attempting to gather rich information regarding our findings, this research study will conduct a case study of three born-global SMEs in Northern Sweden. In addition, this study aims to study the international business models that contribute to the sustainability and success of the internationalization of born-global SMEs in Northern Sweden. Also, this study will focuses on examining the factors that drive born-global SMEs for their internationalization process.

1.5 Expected Contributions
The expected contributions of this study are as follow;

- The result of this study can be the practical guideline for born-global SMEs in Northern Sweden to do their business internationally by using network in order to overcome constraints and be successful in the market place.
- Born-global SMEs in Northern Sweden can utilize findings from this study in order to sustain their business growth.
- We expect to contribute theoretical evidence regarding the role of network in the internationalization of born-global SMEs.
1.6 Delimitation
This research paper aims to find the important resources needed for born-global SMEs in Northern Sweden for their internationalization process. The study will focus on the networking perspective from the resource-based view. Moreover, this study will analyze how case companies utilize their networks and apply it as their competitive advantage in order to sustain their business growth. However, there are limitations on this research study and they are as follows;

- This study is focuses on three case companies in Northern Sweden. The sample size is quite small to represent the total born-global companies in Northern Sweden. Thus, our finding is limited to specific regions in Sweden.
- Since the authors of this research paper have limited timeframe to find the empirical findings, the time constraint is also limiting our study.

1.7 Definition of key terms
Internationalization: is a “process of increasing involvement in international markets as the outcome of intensions to expand internationally and consequent efforts” (Schweizer et al., 2010, p.343).

Born-global firm: A born-global firm also known as an international new venture is “a business organization that seeks to derive significant competitive advantages from the use of resources and the sale outputs in multiple countries” McDougall & Oviatt, (1994, cited in McDougall, et al. 1994, p.469).

Small and medium-sized enterprises (SMEs): SMEs can be categorized into micro, small and medium-sized entities. Three criteria are used when it comes to categorize the enterprises in to micro, small or medium-scaled entities. These measurement criteria are number of employees employed, annual turnover and annual balance sheet asset total (European Commission, 2005).

Resource-based perspective: is potential key resources and capabilities that can be used to generate and sustain competitive advantage against their
competitors and the specific resources and the capabilities would be difficult to imitate (Rialp & Rialp, 2007).

**Networking**: is considered to be a learning perspective from the partner relationship in order to do research and development (Daniel et al., 2002) to internationalize rapidly through collaboration with partners, distributors and suppliers through sharing and pooling resources (Freeman et al., 2006).

1.8 Disposition
This section gives a general outline of this research study. The following figure shows the structure of this thesis study.

![Figure 1: Structure of Thesis](image)

1. **Introduction** explains the general background, the problem statement, the research question, and the purposes of the study.

2. In **literature review**, we will review some of the important existing theories and concepts on born-global SMEs, internationalization process, resource-based perspective, and networking. We will further develop a model based on those existing theories in order to establish our conceptual framework and to develop an interview guide for the empirical findings.
3. **In the methodology part**, we will discuss about both theoretical and practical methodology. The theoretical methodology describes our research philosophy, research strategy and research approach in this thesis. Then, we will present our practical methodology that explains our research design such as case study for our data collection. The quality criteria of research and ethical consideration will also be covered in this part to ensure the credibility of this study.

4. **In Empirical Findings**, we will present and interpret our empirical findings according to our interviews with the three case companies in order to answer our research findings.

5. **In Empirical Analysis**, we will analyze the connections between the empirical findings and the theoretical findings.

6. **Conclusion and recommendations chapter** will focus on summarizing the results of the study by responding to our research questions and purpose of this study. Regarding our findings, knowledge contribution and recommendation for further studies will be presented.
Chapter 2: Literature review

This chapter will present the findings of prior literature which are related to the internationalization of born-global firms to build the theoretical framework which will allow us to develop an interview guide for the empirical data collection and to answer our research findings. The purpose of this theoretical chapter is to build a theoretical framework which is connected to our study and a way to lead our research findings through appropriate use of research methods.

2.1 Internationalization

Most of the international business studies describe internationalization as “the process of increasing involvement in international markets as the outcome of intentions to expand internationally and consequent efforts” (Schweizer et al., 2010, p.343). The authors mentioned that the internationalization process would be seen as a by-product of a venture’s efforts to improve its position within networks. Also, the internationalization process is the result of entrepreneurial actions.

There has been an increased attention on SMEs initiating their businesses in the international marketplace than in the domestic markets. The international entrepreneurial SMEs are able to get opportunities rapidly in the foreign marketplace and they are regarded as the backbone for the economic growth of countries. Especially in Europe, the SMEs take a major role of economic development, employments, foreign investments, entrepreneurial skills and innovations. Gray and McNaughton (2010) mentioned that entrepreneurial enterprises tend to be smaller, more innovative and more agile than the larger ventures. Also, the SMEs have ability to expand their businesses rapidly in the international markets.

In the revised version of Johanson and Vahlne’s internationalization model from the 70s, internationalization has been seen as the results of opportunity-seeking efforts made by the focal firms when it comes to improve or defend certain positions (Johanson & Vahlne, 2009). The authors have developed a business network internationalization model by considering the relationship between variables such as existing knowledge, network position and business
opportunities. The authors found that these variables are the driving factors in the new venture internationalization process.

When it comes to discuss the process of internationalization, there are two distinct models to explain. These two models namely the gradual internationalization model and the rapid internationalization model are different in terms of different focus on the size of the firms, entry modes and different strategies when acquiring and allocating new and existing resources. The following section will present the Uppsala internationalization model which focuses on the MNCs in particular.

2.2 The Uppsala Internationalization Model or the U-model
In gradual internationalization model, the business expansions of ventures follow a step-by-step internationalization process. These ventures are called traditional firms (Hermal & Khayat, 2011). The difference between the gradual internationalization model and the rapid internationalization model is that the latter model encompasses the concept of born-global firms. The born-global firms are the business ventures which initiate their businesses in the foreign marketplace from the inception and facilitate rapid internationalization with their limited resources (Hermal & Khayat, 2011). But the Uppsala internationalization model has been focusing on the MNCs and facilitates gradual and incremental internationalization in the global marketplace (Johanson & Vahlne, 1990).

The Uppsala internationalization model is also known as the gradual and incremental model or the traditional internationalization model. According to this model, firms focus in the domestic markets first. After getting a strong base domestically, the traditional firms gradually expand their businesses internationally. The Uppsala internationalization model was developed in the late 1970’s which described the characteristics of internationalization of MNCs. The original version of the Uppsala internationalization model was concerned with the knowledge acquisition, i.e. with the learning. The underlying assumption of the Uppsala model is that the lack of foreign market knowledge is an obstacle for international operations. This lack of market knowledge would gain from the knowledge acquisition through learning (Johanson & Vahlne, 1990). The concept of learning is embedded in this knowledge acquisition in order to overcome certain obstacles such as market risks, information asymmetry, etc. In the original version of Uppsala
internationalization model, market-specific knowledge and general knowledge are the fundamental sources for the knowledge acquisition in order to achieve business success in the global marketplace (Johanson & Vahlne, 1990).

The Uppsala model explained the importance of organizational learning, experience and commitment in the internationalization process. The organizational learning, experiential learning through ongoing activities and organizational behavior are the fundamental success factors in the Uppsala internationalization model. Foresgren (2002) suggested the limitation in the Uppsala model is that the market-specific knowledge is strongly embedded and concentrated to one or a few individuals and poor knowledge transferring to other individuals within the organizational context. The author also suggested the trade-off method between learning on existing knowledge and new knowledge acquisition support the entrepreneurial firms to create the best case scenario in a highly competitive market (Foresgren, 2002).

The internationalization process has been seen as an increasing commitment for foreign operations. Since several researchers have argued that networks play an important role in the internationalization process, Johanson and Vahlne, (2003) reviewed their own original model of entrepreneurial internationalization process. The global competition and the accelerating technological development are the driving forces for entrepreneurial firms to internationalize rapidly than in the few decades ago. Thus, the new and network-based model toward internationalization has increased attention among researchers. Johanson and Vahlne (2003) suggested that experiential learning towards successful internationalization is still an applicable concept. With this regard, the authors attempted to reconcile the network based approach and the learning approach in the internationalization process (Johanson & Vahlne, 2003). According to the business network internationalization model, trust building, learning, creating new knowledge, commitment and managerial decisions are the factors towards the internationalization process in a new and highly competitive foreign marketplace (Johanson & Vahlne, 2009).

Johanson and Vahlne (2003) presented a case study of pharmaceutical company, Nordic Management of Clinical Trials AB (NMCT), in order to get empirical evidence for reconciling the old models of internationalization and
the new network-based models. NMCT is a Swedish pharmaceutical company which entered the US and Polish markets. The authors recognized that NMCT prepared for the second alternative as entering Eastern Europe market in order to reduce the perceived risk in the competitive marketplace such as in the US. When it came to choose the specific market entry, the empirical result showed that the entrepreneurs relied on existing relationships. NMCT had the business ties with one research centre in the US and they offered to form partnership alliances. NMCT seek to lessen the risky nature of the modes of international entry by forming alliances. Thus, the authors found that network relationships are aimed to overcome the potential problems and to reduce the perceived risks in the foreign markets.

NMCT chose to enter Eastern Europe market (Poland) as an alternative in their international market expansion. When NMCT attempted to diversify their domestic market, they decided to enter into the Polish market for their internationalization. According to this choice of target market, Johanson and Vahlne (2003) found that entrepreneurs pay attention on the psychic distance fact in their internationalization process. The NMCT case indicated that the entrepreneurial process is about experiential learning and the effective use of existing relationships when making managerial decisions (Johanson & Vahlne, 2003).

The following section will present and discuss the rapid internationalization model encompassing the characteristics of born-global firms, the fundamental driving forces towards internationalization of born-global SMEs and their success factors and challenging issues in their internationalization process.

2.3 The rapid internationalization model or the born-global approach

The emergence of rapid internationalization in the early 1990’s has challenged the traditional internationalization approaches. The rapid internationalization model is concerned with the small firms and the international small ventures or the born-global firms. In the presence of globalization and technological development, new entrepreneurial firms have been increasingly active in the international markets. Hermal and Khayat (2011) defined the born-global firm also known as international new venture
are firm which entered the international market from the inception or shortly after the foundation.

The born global firms observe and act the world as a one market. Compared with the traditional firms who tend to have a strong base in domestic market, the born-global firms have small or no domestic markets. The born-global firms are more positive towards internationalization and they believe foreign markets have more opportunities. If they could take the first-mover advantage in the international markets, there would be the several advantages such as cost savings, risk reduction and business development and innovations (Chetty & Campbell-Hunt, 2004).

Regardless of limited resources such as financial capital, human capital, and the other tangible resources, the born-global firms leveraged innovativeness, knowledge and capabilities to attain certain foreign market success in their evolution (Knight & Cavusgil, 2004). Due to advanced technologies and globalization, more and more international new ventures foresee business opportunities in the foreign markets and attempted to initiate their firm in the global marketplace directly after their firm establishment. Knight and Cavusgil (2004) mentioned that the theses two global trends are the common arguments for the born-global firms towards internationalization.

Knight and Cavusgil (2004) addressed that globalization involves countless firms in international sourcing, production and marketing as well as cross-border alliances for product development and distribution. In addition, the advanced technologies in terms of advance in information and communication technology, production methods, transportation and international logistics which reduce business transaction costs and facilitate the extraordinary growth in international trade. The broad use of e-mail, the internet, etc is the cost effective options for the new ventures when communication with their customers and suppliers. The authors also mentioned that born-global firms acquire a substantial, fundamental base of international experience and knowledge that traditional MNCs usually take longer times to acquire (Knight & Cavusgil, 2004).

Hashai (2011) described three main mechanisms and different paths of born-global internalization approach. They are single, specific and alternative pathways in the internationalization. The first mechanism on single pathway of born-global SMEs concentrated on key resources which make substantial
expansion for a single internationalization path. The second mechanism is focused on a specific internalization path of leveraging risk reduction and getting greater capabilities. In this mechanism, the firms attempted to explore the markets in order to attain additional resources and capabilities for the purpose of successful market expansions. The third method is shifting to the alternative internationalization pathway in order to prevent the complexity and risky nature of the international marketplace. In this type of internationalization, flexibility is essential and the speed of internationalization is required in order to achieve the first-mover advantage (Hashai, 2011).

2.3.1 The factors driving born-global SMEs towards internationalization

Compared to multinational corporations, SMEs have limited resources, routines, skills and competences. This section will summarize what are the motives behind internationalization of born-global SMEs. The success factors and the barriers in internationalization of born-global SMEs will also be discussed in this section.

Nummela et al., (2004) studied the role of global mindset in the successful internationalization of SMEs. The authors mentioned that SMEs take a significant role in the economy but they have limitations in terms of lack of experiences, resources, skills and knowledge, etc. Thus, the authors are motivated to find out what are the critical success factors in the entrepreneurial firms’ internationalization to facilitate the weakness of entrepreneurial SMEs. The study developed a conceptual framework regarding global mindset or the global orientation towards the internationalization of entrepreneurial ventures. The study found that international managerial experience and the market characteristics are the important factors to develop a global mindset and the success factors for the entrepreneurial firm toward internationalization (Nummela et al., 2004). In addition to the managerial skills and experience of managers or owners of the new ventures, the effective use of collaboration in the new markets would help to overcome the limitation of international new ventures in the international markets (Nummela et al, 2004).

De-Chiara and Minguzzi (2002) studied the relationship between export activities, competitive strategies and the demands for support services in internationalization of born-global SMEs. The authors found that the
development of export activities stimulates the internationalization of SMEs. The ability towards export grows which in turn enhancing the service supports are the fundamental success factors in the internationalization of SMEs. Besides mentioned driving factors of internationalization, Schweizer et al., (2010) found the entrepreneurial behavior and entrepreneurial orientations; the background and the prior experiences of entrepreneur are also the reasons behind internationalization of small firms.

According to Knight and Cavusgil (1996, cite in Bell et al 2001), the current trends which facilitate the emergence of born-global firms can be listed as follows.

- The increasing role of niche markets and market demands for customized products
- Advanced technologies in communication which help small-scaled firms to get greater access to information and help to manage their operations efficiently and easily
- Advanced production technologies which help to achieve economies of scale and boost the volumes of productions
- The advantage of nature of small firms such as greater flexibility, adaptability to foreignness, quicker decision making process and time saving
- Trends toward global networks which enhance the development of mutual benefits between parties within network relationships
- The existence of venture capitalist, corporate business network and institutions that help in funding of new ventures and through certain kinds of networks the new internationalized ventures could get the benefit of knowledge transfer and technology transfer Knight & Cavusgil (1996, cited in Bell et al 2001).

Also, Bell et al., (2001) included three additional trends toward the emergence of internationalization of born-global firms, such as new opportunities in international markets, favorable exchange rates in the foreign markets and the adverse economic conditions in the domestic market. Andersson and Wictor (2003) mentioned the organizational learning is a key factor when explaining incremental internationalization in the traditional model. In born-global firms, the key factors are the globalization trend towards technological innovation, industry characteristics, importance of
entrepreneurs’ behavior and the importance of international network on both personal and the organizational level.

2.3.2 Critical success factors and challenges in internationalization of born-global firms
Hashai (2011) found the three critical success factors in born-global firms’ internationalization which are choosing appropriate internationalization path in accordance with existing firms’ resources and potential market opportunities in the foreign market, reducing the perceived risk of international expansion and developing specific capabilities. The author noted that the direction of managerial resources to a particular internationalization path would reduce the risks in the immediate expansion of internationalization paths. According to Onkelinx and Sleuwaegen (2009), the success factor in the internationalization of born-global firms is measured in terms of export performance.

Arbaugh et al., (2008) studied the challenging factors in the entrepreneurial firms’ internationalization. The authors described entry barriers, domestic success, geographical location distance, perceived financial and economic risks, insufficient information and knowledge in the foreign market, cultural differences which affect the communication and customer demands are the barriers that hinder the internationalization of entrepreneurial firms. The authors also suggested that the support from outside investors or agencies is also an important factor to some extent when the companies attempt to overcome barriers in the global marketplace. If the firms cannot get strong financial capital, the internationalization process of firms will slow down and the insufficient financial capital can limit the creation of entrepreneurial firms in the foreign marketplace (Arbaugh et al., 2008).

The following section will discuss the entrepreneurial behavior, activities and their impact on the creation of new ventures in the global markets from the causation and effectuation point of view. In order to know how the entrepreneurial behavior is affecting the creation of international new ventures, the similar and different features of traditional firms and born-global firms towards internationalization, the following causation and effectuation impact on new venture creation is reviewed.
2.4 The causation and effectuation approaches toward internationalization

In relation to the entrepreneurial behavior and the creating new ventures, Sarasvathy (2001) described effectuation and causation perspectives. In early economic and management literatures, the creating of new ventures had seen as a causation perspective of entrepreneurial activities.

In an effectuation perspective, entrepreneurs have cooperative strategies in order to overcome the uncertainties in the foreign marketplace such as having selling and distributions through corporate networks (Sarasvathy, 2001). Since the main finding of this study is related with network capabilities and successful internationalization, Sarasvathy’s (2001) effectuation perspective on entrepreneurial activities is of great importance to our study.

The entrepreneurs, who have an effectuation perspective on new venture creation and internationalization, tend to predetermine affordable loss than the expected returns and in order to minimize the unexpected changes they focus on the controllable aspects of the unpredictable future (Sarasvathy, 2001). In this effectuation standpoint, since the entrepreneurs systematically prepared for the worst case scenario the uncertainty would turn out to be opportunities when creating new ventures. Since our study is focusing on the internationalization of born-global SMEs, this study attempts to find how the impact of the owners or the managers’ behaviors of born-global SMEs affects the attitude toward internationalization.

The entrepreneurs who follow a causation approach in their new venture creation tends to have well-defined strategy including developing a business plan and opportunity recognition. When it comes to diversify business portfolio and reduce the perceived risks in the new market, the causation approach followers prefer to have different products or services rather than attempt to have collaboration with partners or form strategic alliances with other companies in the new marketplace (Sarasvathy, 2001).

The following table shows the differences between causation and effectuation perspectives towards new venture creation.
Chandler et al., (2011) found out that pre-commitments and forming strategic alliances appear to be used in both causation and effectuation approaches towards venture creation. The authors also provide the explanation of why pre-commitments and strategic alliances of effectuation characteristic become common in both approaches. The authors explained that network contacts could help lower the transaction costs, enable to expand new ventures’ capabilities through extended networks and the advantages in selling and marketing and distribution in a new marketplace (Chandler et al., 2011).

2.5 The Similarities and differences between traditional approach and born-global approach

According to the reviewed of traditional and born- global internationalization models discussed in the above sections, this section will provide the similarities and the differences between traditional and born-global firms. The traditional firms and born-global firms have different characteristics in terms of choosing markets, defining strategies and having different opinions towards internationalization. However, the traditional and born-global firms have the same opinions in acquiring and integrating necessary resources and capabilities of the firms. The similarities and differences will be detailed as follow.

The importance of domestic market: The primary differing feature of traditional firms and born-global firms is that the orientation toward internationalization. The traditional firms focus on domestic markets and learn more about specific markets by investing resources in order to get
stability and recognize the business opportunities in the domestic market (Chetty & Campbell-Hunt, 2004). After getting strong base in the domestic market, the traditional firms intended to expand their business internationally. When it comes to choose the international markets, the traditional firms prefer close psychic distance. Johanson and Vahlne (2003) explained the reason why traditional firms choose close psychic distance as being factors such as similar culture and educational systems, easier communication, business practice and political systems. The born global firms observe and act the world as a one market. Compared with the traditional firms who tend to have a strong base in domestic market, the born-global firms have small domestic markets or no domestic markets. (Chetty & Campbell-Hunt, 2004).

Attitude towards internationalization: The born-global firms have more positive attitude toward internationalization. They intend to internationalize since their inception or shortly after their firms’ establishment. Chetty and Campbell-Hunt (2004) mentioned that born-global firms see the world as one market and take the first-mover advantage in the new and dynamic market. The authors also said that the experiential experience is one of the essential resources for the born-global firms when they attempt to identify the business opportunity in the new marketplace.

Integrating resources and capabilities: The traditional and born-global firms have the same opinion on acquiring and integrating resources and capabilities. Both traditional and born-global firms agreed that prior experience and knowledge are the key resources reduction of perceived risks in the new markets (Chetty & Campbell-Hunt, 2004). However, the authors also pointed out that the traditional and born-global firms have the different ways of utilizing resources and capabilities.

Influence of firm strategy: The traditional firms and born-global firms have different aspects in terms of firms’ strategy. The traditional firms have well-defined strategies, predetermined plans to attain their goals and have differentiated products. However, the born-global firms adopt flexible approach when it comes to approach the market and to reach customers. The born-global firms have flexible sale models and produce customized products in order to get strong customer focus (Chetty & Campbell-Hunt, 2004).

The role of networks: Both traditional and born-global firms have common opinion in the importance of networks in their internationalization process.
Networks are essential for both firms. But the traditional firms employed network relationships in order to accumulate knowledge and attempt to have subsidiaries in the foreign markets. For born-global firms the network relationships took an important role in enabling them to reach customers and to attain market knowledge and experiential knowledge (Chetty & Campbell-Hunt, 2004). The role of networks in the internationalization of born-global SMEs will be addressed broadly in section 2.8.

The following section will present the general overview of resources, both tangible and intangible resources and capabilities of the firms. And the essential resources needed for born-global SMEs in their internationalization process will also be addressed.

2.6 Resource-based perspective

When it comes to the successful internationalization and to achieving a sustainable business growth of born-global firms for the long-run, there are several resources needed as the fundamental resource capital of the firms. The born-global SMEs are using different resources in order to attain the competitive advantages. The traditional resource-based perspective suggested that firms in the same industry perform differently as the consequence of using different resources and capabilities (Barney, 1986). The author also stated that the capability-based perspective is evolved from the resource-based perspective of the firms. Hence, in this section, the resources and capabilities of the born-global firms needed for internationalization will be addressed.

2.6.1 Resources

Resources are generally defined as either assets or capabilities of a firm (Collis, 1994). Assets, whether tangible or intangible, are owned and/or controlled by the firm. The tangible resources of a firm are recorded and measured through financial statements according to their physical and financial values. The capabilities are the intangible resources of the firms such as skills, experiences, reputation and accumulated knowledge of the firm developed and/or acquired through organizational routines and business activities (Collis, 1994). Galbreath (2005) mentioned that intangible resources can either be assets or capabilities which are value creating. The intangible assets include qualities such as intellectual property assets,
organizational assets and reputational assets of a firm. The skills and knowledge are the intangible competences of a firm (Galbreath, 2005).

The following figure shows the general resource portfolio of a firm.

![Resource Portfolio Diagram]

Source: Galbreath, 2005, p. 980

**Figure 2: Resource portfolio**

The resource-based perspective of the firm provides a general explanation of competitive advantage of firm over competitors in the market. The evolution of resources and capabilities are the primary features to attain competitive advantage for the entrepreneurial ventures. By effective use of existing resources and acquire additional resources are the primary perception to the venture growth in the competitive marketplace (Helfat & Peteraf, 2003). There are several resources needed in the internationalization of new ventures. They are:

**Human capital:** The entrepreneurs’ human capital and the human capital of managers, and employees within the firms are one of the essential resources needed for the small ventures in their internationalization process. Galbreath (2005) termed human capital as the intangible resource-based of the ventures. The existing entrepreneurs’ international experiences, knowledge, motivations and skills are the main inspirations for the new ventures to internationalize (Westhead et al., 2001).

**Financial capital:** This financial capital is a tangible resource of the firm (Galbreath, 2005). SMEs are the backbone of a nations’ economy especially for the export-oriented countries but mostly they have a lack of strong financial resource. The ability to obtain external funds takes an important role for the firms with poor internal financing. In the absence of credit history of new ventures, there have been difficulties in getting bank loans. In this
aspect, the entrepreneurs can rely on their network ties, venture capitalist and external support agencies for external financing. Owners’ personal credit records and the business plans can represent the credibility and identity of new ventures when acquiring external funds (Ostgaard & Birley, 1996). Another alternative for external financing is from strong extended families which can provide inter-generational capital flows (Casson, 1997). This external financing through social networks can sort out the poor financial capitals for new ventures in their internationalization process.

**Intellectual capital:** The intellectual capital is one of capital assets of a firm. From the accounting and valuation perspectives, assets of firms supposed to be measurable in order to record in the financial statements. Generally the intellectual capital means the intangible assets which can show in the financial statements when it comes to recognize the financial wealth of the firm. Cohen and Kaimenakis (2007) explained that the intellectual capital of a firm includes knowledge, skills and synergy which can create value for the firms and can be measurable in terms of numerical figures for instance the software, technological and social networks which create values to the firms; and the intellectual properties such as patents, licensing and goodwill.

**Social capital:** The impact of social capital on the internationalization of born-global firms has recently been an increasing concern. There have been many researchers emphasized the role of social capital in encouraging firm growth in general and the internationalization of entrepreneurial ventures in particular. Prashantham and Dhanaraj (2010) mentioned that social capital has been shown to contribute in the creating of new ventures and their business growth in several ways such as motivating entrepreneurs, helping in venture funding, supporting in the strategy and new product development, and enabling the new ventures to internationalize. The authors described the social capital of the firms include network relationships which enable firms to achieve information and to obtain the market knowledge of the global market.

**Networks:** The collaboration with partners is one of the intangible resources and one of the important facilitators for new ventures in their international business activities (Sasi & Arenius, 2008). There are two different network ties such as social network and business network. Networks are the source of market knowledge and information in both domestic and foreign markets.
The sufficient market information would help to gain competitive advantages when compared to the competitors. In addition to the advantage of sufficient market information, network relationship could facilitate the external financing source (Ostgaard & Birley, 1996). Also, networks enable linking to the business activities and the resources of the organization (Andersson & Wictor, 2003). The key factor which can differentiate between resources and capability is the ability of management to develop organizational routines (Mort & Weerawardena, 2006). The authors also mentioned that the capability of the firms can be regarded as an outcome from the effective use of organizational resources. Prange and Verdier (2011) suggested that network competences are the social capital of international new ventures.

**International knowledge:** The international knowledge is an intangible resource of the firm and takes a significant role when it comes to attaining competitive advantages in the dynamic foreign markets. International knowledge includes any information, belief or skill that organizations can apply in their internationalization activities (Fernhaber et al., 2009). The primary source of international knowledge has been termed as the human capital of the firms and the secondary source of external international knowledge has been included in the social capital of the firms. The authors mentioned that the primary internal source of international knowledge is from the international experience of the management team of the firms. The internal knowledge alone would not be enough when the firms internationalize in the dynamic foreign marketplace. Thus, the external knowledge source has to acquire from the external sources in order to attain the firms’ competitive advantage. Fernhaber et al., (2009) mentioned that external knowledge can be gained through strategic collaboration with partners in the marketplace. Forming strategic alliances can achieve business intelligence or the gain of information and market knowledge for the new ventures. New business ideas and innovation could be gained through collaboration with strategic alliance partners (Fernhaber et al., 2009).

The following section will address capabilities of a firm. In this study, capabilities will be regarded as additional resources which create value of a firm.
2.6.2 Capability

Recently, there has been an increase attention in the capabilities of the firms since the born-global internationalization has been attributed to developing organizational capability (Knight & Cavusgil, 2004). The authors suggested that the born-global firms which are lacked of essential resource compared with the MNEs should apply capability-based view of competitive strategy in order to achieve competitive advantages. The dynamic capability approach, in contrast to the traditional resource-based perspective, suggested that the small firms need to develop new capabilities to identify opportunities (Jarvenpaa & Leidner, 1998). However, Barney (1986) stated that the capability-based perspective is extended from the resource-based perspective of the firms.

Knight and Cavusgil (2004) described capabilities as having two major aspects such as 1) the shifting character of the business development and 2) strategic management in appropriately adapting, integrating and reconfiguring knowledge-based capabilities towards the changing environment. The authors also explained that the dynamic capability view enables born-global firms to attain the development of organizational capabilities which allow the born-global firms to enter international markets faster and to achieve successful internationalization rapidly.

Mort and Weerawardena (2006) argued that the organizational capabilities are the main resources of the small firms when they attempt to attain the performance advantage. According to Grant (1996) an organizational capability is one of the competences to establish and sustain competitive advantage increases with the span of knowledge integrated. The author also argues that sustaining competitive advantage under conditions of dynamic competition requires continuous innovation. In order to sustain competitive advantage, firms require flexible integration through either extending existing capabilities to encompass new knowledge or reconfiguring existing knowledge with new patterns of integration.

There are several dynamic capabilities which fostered the internationalization of born-global firms. Prange and Verdier (2011) developed a framework which addresses the firms’ dynamic capabilities and its role in the internationalization process. The following figure shows the role of dynamic capability in internationalization and the performance of the firms.
Prange and Verdier (2011) mentioned that exploitation of existing resources of the firm and the exploration of new opportunities is the source for creating organizational capabilities. Luo (2000) described the three dimensions of dynamic capability which has been discussed in the international expansion and global operations of international new ventures. These dimensions are capability possession (distinctive resource), capability deployment (resource allocation) and capability upgrading (dynamic learning). Capability possession has been known as a firm’s established specific resources such as assets, knowledge or competences which are difficult to imitate and can generate economic returns and competitive advantage (Luo, 2000). The capability deployment is concerned with how the distinctive resources would allocate in order to attain the competitive advantages. Luo (2000) described that technological capabilities, knowledge transfer are the outcomes of the effective allocating of resources through right networks. Consequently, the effective use of network competence or capability enables firms to identify and exploit market opportunities and facilitate the firm’s international market performance.

**Figure 3: Dynamic capabilities, internationalization and performance**

Source: Prange & Verdier (2011, p. 127)
Organizational learning is the building block for new capabilities building (Luo, 2000). The author mentioned that managerial skills and international experience are two key elements of organizational capabilities of the firms. Organizational learning can be divided into two categories such as mutual learning and competitive learning within and/or outside the firms. March (1991) mentioned that when it comes to attain the value-added resources of the firms, entrepreneurs should trade-off between exploiting existing organizational resources and exploring new opportunities in order to attain the competitive advantages. Thus, this organizational learning has been known as the learning competence of the firms.

In our opinions, capabilities are the skills, activities, competences and routines to consume the various types of firm’s assets in order to accomplish different performances of the firms. For example, managerial skills, management team competence, technological competence, sales and marketing competence, network competence, collaboration and communication with partners are the necessary routines and activities in the internationalization of born-global firms. Among several capabilities needed for the born-global firms, this study will focus on the network capability towards successful internationalization and sustainable business growth. This study defines the network as an essential asset of the firms and the integration of network competences which have value-added to the firms is the essence of network capability.

In the following section, the network-based view towards internationalization of born-global firms will be presented. The prior literatures which have been discussed on the types of networks, benefits of network ties and the drawbacks of network relationship will review in order to formulate our interview guide for the empirical findings of this study.

2.7 Network-based view toward born-global internationalization

The successful new venture internationalization is not only depending on the innovative products but also relying on the network competences of the firms (Mort & Weerawardena, 2006).

2.7.1 Types of network

This study is focusing on two distinct network types which are social network (informal networks) and business networks (formal networks). The social network includes direct and indirect contacts through personal
networks. The business network comprises of collaboration with partners, and alliances with suppliers and distributors. Sasi and Arenius (2008) found that firms gained access and mobilized resources through established long-term network relationship. Moreover, the authors also mentioned that the network ties are embedded in the founders’ and its social and business network rather than the firms’ network ties within the market. The high level of trust and commitment are the primary source of founders’ network ties.

The role of personal networks is likely to be dynamic in business development of new ventures. Ostgaard and Birley (1996) described that social networks are the backbone for initializing the entrepreneurial firms’ internationalization. The entrepreneurs should have different types of networks as functional and strategic needs for the organization. The social networks include family, friends and acquaintances with entrepreneurs whom have primary relationship on the social level.

Wincent et al., (2009) mentioned that the network board is also important in the strategic small firm networks not only to attain success but also to make the network functional. In formal business network ties, the network board is appointed to coordinate and organize the network relationship in order to ensure the research and development (R&D) activities are performed in the best interests of the stakeholders. The external support agencies and the government agencies can also be included in the stakeholders with an expectation of business development and innovation.

2.7.2 Benefits of networking
There are several advantages of having strong social networks for the new ventures in their start-up stage in a highly competitive industry. In accordance with the underlying assumption of social networking theory, the foremost advantage of having strong personal networks or extended family networks would be financing advantages (Ostgaard & Birley, 1996). The theory described that when the new ventures attempt to get external financing capital, strong business networks ensure the credibility of new ventures and help to get external funds. Knight and Cavusgil (2004) found that the founders of born-global firms intend to use hybrid structures such as strategic alliances and networks in their internationalization activities in order to overcome the limited resources.
Nowadays, new ventures are forming alliances and collaborating with partners for mutual benefits of each party and reduce perceived risks in the dynamic international marketplace. Networks facilitate small business owners’ personal link into R&D which is contracted by alliance party to connect in joint R&D ventures, marketing and manufacturing activities (Pittaway et al., 2004). Thus, the small firms can get access to international markets rapidly after their foundations.

When the venture has a strong network tie with suppliers, customers and other intermediaries such as, professionals, external support agencies and trade associations, there would be an advantage on innovation, business idea, market knowledge, performance and productivity (Pittaway et al., 2004). The authors also highlighted that networks take an important role of promoting the development of innovation within and across firms and also in the diffusion of innovativeness. Among different network ties, the interpersonal and informal networks are also a main facilitator for the dispersion of innovations which enable the production of innovative and market-oriented products for the niche markets (Pittaway et al., 2004).

In addition to the marketing and manufacturing advantages, technology and knowledge transferred for new venture and risk sharing can also be acquired through successful strategic alliances in the idea generation stage of new ventures (Sasi & Arenius, 2008). According to the theory of March’s (1991) the new ventures forming strategic alliances can say as exploring new opportunities and knowledge by exploiting existing capabilities for the successful business initiating and to attain further product development.

**2.7.3 Drawbacks of networking**

Despite the positive outcomes of founders’ and their network ties, there could be limitations for small ventures in their internationalization. For instance, the ventures may lose an opportunity for new partnerships by being locked-in an existing long-term network relationship (Sasi & Arenius, 2008). Prashantham and Dhanaraj (2010) found three drawbacks of network ties, such as tie decay, tie obsolescence and the utility life cycle. The authors explained that tie decay occurs when there is loss of contacts with the partners or the clients. The drawback from a tie decay problem is the fading and weakening of the network relationship. Losing trust and commitment are the general characters of the tie decay in the network relationship.
Tie obsolescence means that the network tie is no longer in use or becomes less influential over time. Tie obsolescence problem happens when actors leave the industry or move to another company or change the position or changes in sourcing. Since the network ties of small firms have usually embedded in one individual, if the changes happen the firms have the risk of losing the valuable contracts (Prashantham & Dhanaraj, 2010). The authors also explained that running out of direct business opportunities while contracting with initial network relationship can happen. This drawback is called the utility-life-cycle effect on collaborating with network partners.

The following summary of theoretical background provided enables the readers to scrutinize and to have better understanding of our subject matter. And for us (the authors) it is to compare the existing theories with our empirical findings for our abductive research study.
### 2.8 The summary of theoretical background

<table>
<thead>
<tr>
<th>Theory</th>
<th>Findings</th>
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<tbody>
<tr>
<td><strong>Traditional internationalization model</strong></td>
<td>• The lack of market knowledge can attain from the knowledge acquisition through learning and psychic distance is an important factor while deciding international expansion (Johanson &amp; Vahlne, 1990)</td>
</tr>
</tbody>
</table>
| **Born-global internationalization model** | • The globalization which involves countless firms in international sourcing, production and marketing as well as cross-border alliances for product development and distribution.  
  • The advanced technologies in terms of advance in information and communication technology, production methods, transportation and international logistics which reducing business transaction costs and facilitating the extraordinary growth in international trade (Knight & Cavusgil, 2004) |
| **Factors driving born-global SMEs towards internationalization** | • Managerial international experience and the market characteristics are the important factors for the global mindset (Nummela et al, 2004)  
  • The development of export activities (De-Chiara & Minguzzi, 2002)  
  • The entrepreneurial behavior and entrepreneurial orientations (Schweizer et al., 2010)  
  • The role of external supports, venture capitalist, corporate business network and institutions would help in funding for new ventures (Knight & Cavusgil, 1996)  
  • New opportunities in the international markets, favourable exchange rates in the foreign markets and the adverse economic conditions in the domestic market (Bell et al., 2001) |
| **Success factors and challenges in internationalization of born-global SMEs** | • Choosing appropriate internationalization path in accordance with existing firms’ resources and potential market opportunities in the foreign market, reducing the perceived risk of international expansion and developing path specific capabilities (Hashai, 2011)  
  • The support from outside investors or agencies (Arbaugh et al., 2008)  
  • Entry barriers, domestic success, geographical location distance, perceived financial and economic risks, insufficient information and knowledge, insufficient financial capital and cultural differences (Arbaugh et al., 2008) |
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<th>Theory</th>
<th>Findings</th>
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<tr>
<td>Essential resources and capability</td>
<td>• <strong>Human capital</strong> such as entrepreneurs’ international experiences, knowledge, motivations and skills are the main inspirations for the new ventures to internationalize (Westhead et al., 2001)</td>
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<td></td>
<td>• <strong>Financial capital</strong> is an important resource and the poor financial capitals for new ventures in their internationalization can obtain from effective use of personal and/or business contacts (Ostgaard &amp; Birley, 1996)</td>
</tr>
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<td></td>
<td>• <strong>Social capital</strong> (Casson, 1997) which motivating entrepreneurs, helping in venture funding, supporting in the strategy development and new product development and enabling the new ventures to internationalize. Also, the social capital of the firms such as network relationships which enable firms to achieve information and the market knowledge of the global market (Prashantham &amp; Dhamraj, 2010)</td>
</tr>
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<td></td>
<td>• <strong>Intellectual capital</strong> of a firm includes knowledge, skills and synergy of individuals and groups which can create value for the firms and can be measurable; the software, technological and social networks which can value-added to the firm; and the intellectual properties such as patents, licensing, goodwill, brand identity, etc (Cohen &amp; Kaimenakis, 2007).</td>
</tr>
<tr>
<td></td>
<td>• The sufficient market information can obtain through effective network ties (Sharma &amp; Blomsstermo, 2003). Also, the network relationship could facilitate the external financing source (Ostgaard &amp; Birley, 1996) and enables linking to the business activities and the resources of the organization (Andersson &amp; Victor, 2003). <strong>The technological capabilities, knowledge transfer</strong> are the outcomes of the effective allocating of resources through right networks.</td>
</tr>
<tr>
<td></td>
<td>• Network competence or capability enables firms to identify and exploit market opportunities and facilitate the firm’s international market performance.</td>
</tr>
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<td></td>
<td>• The managerial skills and international experience are two key elements of organizational capabilities of the firm (Luo, 2000)</td>
</tr>
<tr>
<td>Benefits of networks</td>
<td>• Financing advantages such as strong business networks ensure the credibility of new venture and help to get external funds (Ostgaard &amp; Birley, 1996)</td>
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<td></td>
<td>• Enable born-global firms to overcome the poverty of resources in terms of using hybrid structure such as strategic alliances and network (Knight &amp; Cavusgil, 2004)</td>
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<td></td>
<td>• Mutual benefits; joint R&amp;D, marketing and manufacturing activities and advantages of innovation, business idea, market knowledge, performance and productivity (Pittaway et al., 2004)</td>
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<td></td>
<td>• Technology transfer and knowledge transfer (Sasi &amp; Arenius, 2008)</td>
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<tr>
<td>Drawbacks of networks</td>
<td>• Locked-in within existing long-term network relationship (Sasi &amp; Arenius, 2008)</td>
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<td></td>
<td>• Tie decay, tie obsolescence and the utility-life-cycle (Prashantham &amp; Dhanaraj, 2010)</td>
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*Source: Authors’ own table*

**Table 2: The summary of theoretical background**
2.9 The conceptual framework

According to Onkelinx and Sleuwaegen (2009), the determinant of successful internationalization of born-global firms is measured in terms of export performance. The product and service quality, price competitiveness, delivery deadlines, relationship with importers, brand image and technical ability are the determinants of export performance in the successful internationalization of born-global firms. According to Hashai (2011), the success factor in the internationalization of born-global firms is measured in terms of organizational performance. The ability to choose appropriate internationalization path, to reduce market risk and to develop value creating capabilities are the determinant of organizational performance of the born-global firms in their internationalization process.

This study aims to find the role of networks in the internationalization of born-global SMEs. Hence, in this study, the successful internationalization and sustenance of business growth in the internationalization of born-global firms will be measured in terms of network performance. This study will find the benefit of using network relationship and how to maintain beneficial and valuable network ties in order to achieve the successful internationalization of born-global firms and to sustain their business growth over times.

The authors of this study define the network as an essential resource and include in the box of resources needed for born-global SMEs’ internationalization in the following conceptual framework. The difference between networks and network capabilities is that the integration of network competences which have value-added to the firms is the essence of a network capability. This means that network capabilities not only assists in integrating network competences for a venture but also help in accumulating additional competences needed for venture’ internationalization.

In this study, we propose network capability as being one of the core competences of born-global SMEs in order to achieve successful internationalization and sustenance of business growth. We will collect empirical data regarding our subject matter through conducting case studies in order to analyze our proposition. In accordance with Table2 which provides the summary of theoretical background from prior studies, the essential resources needed for born-global SMEs can be listed in our conceptual framework as below.
The following figure shows the conceptual framework of our study.

Source: Authors’ own figure

Figure 4: The conceptual framework
Chapter 3: Methodology

This methodology chapter will be explained the methods which are chosen and applied in this study, both in the theoretical and the practical reasons behind it. The methodology for this study will concentrate on the choice of study, preconception, perspective, research approach, research methods, research design, data collection methods, data analysis, quality criteria and ethical considerations.

3.1 Choice of subject
Choice of subject is discussed in the previous chapter in the area of background and field of the study showing the guideline about the interest of the authors of this study. Business development and internationalization is the subject which chooses to study for Master thesis. Then, this study tries to find the specific topic that is related to the study area. After searching for the specific area, this study finds that today, born-global firms are the major drivers in the national economy especially in Europe. The internationalization process of born-global enterprises is also an important tool for the success of the firms and it could be one more interesting area to study. Then, the authors of this study realize that in order to be successful in international markets, business networks are one of the important resources that help born-global firms to gain competitive advantage and sustain their business growth. Then, networking is another specific subject that this study will emphasize. Moreover, this study will try to focus on the born-global SMEs in Northern Sweden, because there is no research study on the born-global SMEs’ internationalization process in the Northern Sweden in particular.

Moreover, the authors of this study have the opportunity to join an ongoing research project (Center for Inter-Organizational Innovation Research- CiiR) at the Umeå School of Business and Economics. The CiiR project is the collaboration between partners at Umeå University and Luleå University of Technology. The CiiR project aims to develop new knowledge from research studies within the field of entrepreneurship, technology management, and technology based research. Umeå School of Business and Economics is responsible for the project called the “Work Package 4”. The Work Package 4 is about the international competitiveness of innovative and growing firms in Northern Sweden. The reason that the authors of this study join this
project is because it is also match with our focus areas to study and understand on innovation and the business growth of born-global SMEs. Moreover, Northern Sweden is the main important area for this project and also an argument for us to choose this region specifically. In the Northern Sweden, most of the companies are technological-oriented SMEs and they have been succeeded in international markets. They have close collaborations with external support agencies such as universities, trade council and science parks. Thus, this study proposes that collaborations and network relationship are the important factors for their business success. This inspires us to study the impact of network relationship on their achievement in internationalization process.

3.2 Preconceptions
Before writing this thesis, the authors of this study have a preconception in advance and should apply their knowledge and experiences in the area of study, in order to find the topic of interest and be objective on the subject as much as possible.

The authors of this study are students at the Umeå School of Business and Economics one with specialization in Business Development and Internationalization and one with specialization in Marketing. The authors of this study have different backgrounds, educations and cultures but share the same interest that would like to do research paper in Business Development field. The authors of this study discuss and agree on one specific topic which is born-global SMEs internationalization process focusing on the networking perspective. Moreover, one has gained knowledge from the courses and case studies regarding born-global SMEs and internationalization process. Another one has studied marketing and done research related to the topic of study before start writing this thesis. Both of us have the knowledge of how to do academic research and also gain knowledge and experiences from the fields of study.

The backgrounds, social and culture differences could affect the research study, therefore it is important to take into account the different backgrounds and different knowledge of us who writing on this specific area in order to avoid the negative consequences during research of this study. Furthermore, the authors of this study should be clear on the objective of the study. The objective of the study is to understand and identify important resources that
could help born-global SMEs in their internationalization process in Northern Sweden. In addition, how could companies find their external alliances with international partners in order to create strong core competencies and use a strong network to compete with competitors and sustain their business over the long period of time? Then, this study comes up with research questions in order to do more research and study and help to fulfill the objective of the study. This study intends to contribute the knowledge gap in this specific area such as the network capability towards successful internationalization and sustain the business growth overtimes.

3.3 Perspective
The perspective is “the point of view chosen to enable one focus on a problem from different dimension” Eriksson & Wiedersheim-Paul (1997, cited in Arey & David 2008, p. 7). It is based on the individual judgment that will result in different perspectives from the choices. Each person looks at the world and perceives the reality differently due to their human behavior, disciplines, and social economic settings. Thus, there should be a general basic sound choice of perspective for better understanding of the subject matter for conducting a quality research.

This study intends to do research on born-global SMEs in Northern Sweden and study the essential resources needed for their internationalization process in terms of network perspective. The authors of this study will attain in-depth opinions and perspectives from respondents from case companies and will try to understand the view point from the subject that this study intends to find. The different perspectives from respondents will be observed and then related them with our theoretical framework of this study. The outcome of this study attempts to contribute theoretical and managerial contribution to the existing knowledge gap in this specific research area and to the born-global SMEs how they could better use network capability in their internationalization process to enable business success and sustain the business growth for the long-run.

3.4 Research Philosophy
According to Saunders et al., (2009), “the research philosophy relates to the development of knowledge and the nature of that knowledge”. The research philosophy is also the set of beliefs resulting from the understanding of the world. The philosophy applied in this thesis will be based on the facts,
theories and general implications of the research (Saunders et al., 2009, p. 107-108). The choice of philosophy that the authors of this study choose has an important role for them to select the best and most appropriate research design to answer the research questions.

There are two general philosophies discussed in business research methods which are epistemological philosophy and the ontological philosophy. Epistemology involves knowing about the reality in the research field as acceptable knowledge (Saunders, 2009, p. 112). Different views of the world reflect different grounds for knowledge of the social world (Morgan & Smircich, 1980). As people look through assumption to assumption together with the subjective-objective continuum, the nature of sufficient constitute knowledge changes (Morgan & Smircich, 1980). There are two parts of epistemology which are positivism and interpretivism. Positivism aims to advocate the use of natural science method in order to observe social reality (Saunders et al., 2009, p. 114). Positivism focuses on generating hypotheses that can be tested and explained by the law to be assessed, and the knowledge should come from the facts that provide the basic for law (Saunders, 2009, p. 112). The research outcome requires sufficient quantitative data and the sample size should represent the whole population. Positivism also uses a deductive method to test theory from real life observation (Bryman & Bell, 2007, p. 16). In contrast, Interpretivism emphasizes the difference on how to study and how to understand the world in regard of people and their institution on subject of social science will be difference from natural science (Bryman & Bell, 2007, p. 17). It shows that human are subjective and will affect the research approach In order to solve problem. In interpretivism, the researcher will apply an inductive method to test and interpret theories.

The ontological philosophy provides rough typology to describe thinking process of different scientists hold on various views about human beings and their world (Morgan & Smircich, 1980). It describes the fundamentals of reality and it attempts to answer the question, whether the society is build by the perception and action or not. The ontological philosophy can be divided into two parts which are objectivism and constructionism. Objectivism tries to assess the research within society and explain the social phenomena independently from social factors. However, constructivism tries to assess and connect social phenomena and their meaning can be accomplished by social factors (Bryman & Bell, 2007, p. 23). Objectivism reveals the
objective of the reality while constructionism gives a subjective view of the reality.

<table>
<thead>
<tr>
<th>Philosophy</th>
<th>Position</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ontology</td>
<td>Objectivism</td>
</tr>
<tr>
<td>Epistemology</td>
<td>Positivism</td>
</tr>
</tbody>
</table>

Source: Adapted from (Bryman & Bell, 2007, p. 11-60)

**Table 3: Research philosophy**

In this research work, for the *epistemological* assumption, this study takes an *interpretivism* position to interpret the data collection from three ongoing born-global firms on their essential resources needed for their internationalization process of born-global SMEs. This study will attain empirical findings through qualitative case studies in order to solve the existing knowledge gap of networking as it is one of the essential resources in internationalization of born-global SMEs. According to the findings from three case companies, the new findings will be included in the theoretical framework and will attempts to construct the new framework in this subject. Further interpretation will also be explained in accordance with our empirical findings from three case companies as well. For *ontological* philosophy consideration, this study takes *constructionism*. It will lead to answer research findings by analyzing three different cases and comparing different perspectives of how respondents view the role of network in their internationalization process. By analyzing subjective judgments of respondents towards network capability in their internationalization process, this study will respond the role of network in the reality.

### 3.5 Research Approach

Research approach is the way in which the researchers will collect data to answer their research questions (Saunder et al., 2009, p. 110). There are also three different approaches of the research which are deductive, inductive, and abductive approaches. Deductive approach is the way of using and developing existing theories on the area of study of the research and also to test the empirical observation (Bryman & Bell, 2007, p. 11). Deductive approach will be determined as a quantitative method. In contrast, inductive approach is the development of theories from the observations and findings (Bryman & Bell, 2007, p. 14). The data collection will be analyzed, and
Theories are generated in an inductive approach is considered to be a qualitative method.

![Figure 5: Comparison of Research Approach](image)

"It is useful also to think of relationship between theory and research in terms of deductive and inductive strategies as the issues are not as clear-cut as they are sometimes presented" (Bryman & Bell, 2007, p. 15). From this situation, there is one more research approach from the combination of deductive and inductive approach which is called abductive approach. An abductive approach is useful if the researcher’s objective is to discover new findings from other variables and relationships. The main concern is related to the generation of new concepts and development of theoretical models, rather than confirmation of existing theories (Dubois & Gadde, 2002).

![Figure 6: Abductive Approach](image)

The existing theories are not enough to support our research findings. There are insufficient studies in the role of networking and its capability towards successful internationalization of born-global SMEs. In addition, there is also a knowledge gap of how to apply the benefits of networks in order to have network competence which would lead the successful business internationalization and to sustain the business growth over times. Thus, when it comes to conclude our research findings, this study will analyze
empirical findings and compare back to the theoretical framework developed from the existing theories.

In this research, the abductive approach is the most suitable for this study. When analyzing empirical findings with the existing theoretical framework, there is a possibility to get new findings which are not including in existing model. Thus, by conducting the abductive approach, it allows this study to create new framework from new empirical findings during the process of empirical research. Moreover, when conducting study, the abductive approach has the ability to combine both the existing theoretical framework and the new information gained from confronting with the reality (Dubois & Gadde, 2002).

3.6 Research Design

Research design can be explained as a framework of research data related to criteria employed when evaluating the research. According to Bryman and Bell (2007), there are five different kinds of research designs, experimental design, cross-sectional or social survey design, longitudinal design, case study design and comparative design (Bryman & Bell, 2007, p. 44).

Experimental design is applied in true experimental findings with strong internal validity and used in quantitative research. Cross-sectional design is used to collect data on more than one variable at the same time (Bryman & Bell, 2007, p. 54-55). The extension of cross-sectional design is longitudinal design and is mainly applied in case study (Bryman & Bell, 2007, p. 63). The case study design pays an attention to the detailed analysis of one case at a time with the high complexity of the case. The comparative design is the study using two or more similar cases and attempts to make logical comparisons between them (Bryman & Bell, 2007, p. 66).

This research is conducting with cross-sectional design. The research questions will be asked and collect empirical data through semi-structured interviews with representatives from three case companies. This study attempts to collect data by doing face to face interviews with respondents from different perspectives. Interview questions will be created based on the theoretical framework developed from existing theories. This study will conduct interviews with representatives from three born-global SMEs in Northern Sweden. The data collection will be gathered from three different
cases, which means the researchers will receive different perspectives from respondents from three born-global SMEs. The interview questions encompass by many variable factors based on the previous studies that the researchers found. Thus, different cases mean different opinions that researchers will get from voluntary owners and CEOs from born-global SMEs. Several factors will be considered, as more than one variable is included in the interview questions. The reason for conducting a qualitative research design for this study is to get the open interpretations and to understand the study from different perspectives in-depth and detailed regarding essential resources needed for born-global SMEs for their internationalization process, rather than getting significant figures of quantitative research. Also, this study could analyze research findings from different perspectives and from more than one variable by using a cross-sectional design.

3.7 Research Strategy

The research strategy refers to the method strategy that the authors choose among options to use which are either a quantitative or qualitative method. The method used for data collection depends on the nature of the research (Saunders, et al., 2009, p. 68).

There are two strategies in conducting business researches, which are quantitative and qualitative methods. Quantitative research can be summarized as a distinctive research strategy coping with the collection of numerical data and finding the relationship between theory and research as deductive (Bryman & Bell, 2007, p. 154). Qualitative research focuses on words rather than numbers. It is also an inductive approach that tends to find the relationship between theory and research (Bryman & Bell, 2007, p. 402). The combination between quantitative and qualitative research in the same research finding is called triangulation. It attempts to have a strong validity from those two research approaches, rather than focusing only on one (Jick, 1979, p. 603). Comparative research method is another strategy which mainly focuses on the diversification among cases. The purpose is to identify similarities and differences between cases and then attempt to build up a new theory.
This study applies a *qualitative strategy*. The main reason is that through qualitative study will enable analyze the findings in words, to attain rich information of our findings and to give respond to the research questions. Since findings need explanation towards the role of networks in internationalization of born-global SMEs, it is an appropriate way to conduct qualitatively rather than giving feedback through hypothesis testing and answer the research question by numerical data.

Moreover, this research study will conduct interviews with owners or CEOs from three born-global SMEs in Northern Sweden. Two companies are in Umeå (Umbio AB and Lime Audio AB) and one company is in Skellefteå (Memoteknik). The reason that this study will focus on interviews is to have a better understanding in the area and subject that is studied. In addition, the face to face communication with respondents will help to get a closer learning experience and a better explanation for research questions. However, this study should keep in mind not to be too subjective when it comes to analyze the findings since the qualitative study could inject the subjective way of data collection and analyzing. Also, this study will achieve richness of data thorough face-to-face interviewing with case companies and be aware of handling rich information through qualitative study when to answer the research question.

### 3.8 Data Collection
Generally, there are two kinds of data sources for collecting data for business research, which are primary and secondary data. The primary data involves the new data collected for the specific purpose and is the first hand information collected by the researchers. The primary data is collected

<table>
<thead>
<tr>
<th>Quantitative</th>
<th>Qualitative</th>
</tr>
</thead>
<tbody>
<tr>
<td>Numbers</td>
<td>Words</td>
</tr>
<tr>
<td>Point of view of researcher</td>
<td>Point of view of participants</td>
</tr>
<tr>
<td>Researcher distant</td>
<td>Researcher close</td>
</tr>
<tr>
<td>Theory testing</td>
<td>Theory emergent</td>
</tr>
<tr>
<td>Static</td>
<td>Process</td>
</tr>
<tr>
<td>Structured</td>
<td>Unstructured</td>
</tr>
<tr>
<td>Generalization</td>
<td>Contextual understanding</td>
</tr>
<tr>
<td>Hard, reliable data</td>
<td>Rich, deep data</td>
</tr>
<tr>
<td>Macro</td>
<td>Micro</td>
</tr>
<tr>
<td>Behavior</td>
<td>Meaning</td>
</tr>
</tbody>
</table>

Source: Adapted from Saunders, et al., 2009, p. 68
through observations, interviews and questionnaires to give the feedback on the research questions. Observation can be categorized into participant observation and structure observation. Participant observation used in qualitative strategy and structured observation is for quantitative data analysis. Qualitative interview can be conducted by using semi-structured interviews, in-depth and focus group interviews, telephone and electronic interviews. Also, a questionnaire is primary data and it can be divided into self-administered and interview administered data. It describes variability and explains research to see the relationship between variables. Data collected from self-administered research can be gathered by the designed questionnaires sent to respondents and data are analyzed by computer. Structured interview are the popular method in questionnaire data collection because the interviewers will not deviate, so it is different from semi-structure and in-depth interviews (Saunders et al., 2009, p. 360-365).

The secondary data is the data that have been collected, processed, and stored. Moreover, secondary data can be categorized into documentary data, survey-based secondary data, and multiple-source secondary data. The main sources of documentary data are journals, interview transcripts, media accounts, voice recordings etc. Secondary data refers to the way of collecting data by using questionnaire surveys. Multiple-source secondary data is mainly based on the collection of documentary or survey data or on both (Saunders et al., 2009, p. 256-262).

In this study, data are collected from both primary data and secondary data sources. To formulate the interview guide, documentary secondary data source is used. The idea to create interview guide is from the previous literatures, journals, books, and articles in the area of Business Development and Internationalization and also from the other electronic sources. Secondary data source that collected from Umeå University library database are e-journals, e-books, theses and articles. In addition, we also used Mendalay database as a source of an ongoing data collection and literature reviews which are related to our study. Moreover, the websites, the annual reports of case companies and brochures of companies are used as secondary data source for empirical findings. The reason to use secondary data source is to ensure overall suitability and to cover all of the area of this study.
Furthermore, primary data source is used in order to collect empirical findings and to answer the research questions. In this research, semi-structured interview is applied for primary data collection. The semi-structured interview will be conducted through respondents from case companies in order to collect their opinions on the role of network in internationalization process. The reason to use qualitative interview methods is to ensure greater flexibility, rich and detail answers from interviewee’s opinions. This study prepares both structured and semi-structured interview questions. The structured interview part is for the background data collection in order to get similar data from all cases. All the respondents will be asked exactly in the same detail and the order according to the interview guides. The semi-structured interview part is for the more specific information from specific companies. It is created in order to find main findings and to get respondents’ free opinions. Interview questions are formulated as the open-ended questions and allow interviewees to have free discussion during the interview and do not have to follow the orders of the questions exactly. Also, the interviewers can ask additional questions that are not written in the interview guide.

This study uses both secondary and primary data. There are at least 20 questions in the interview guide and the interview time with each respondent will be presented in the table 5 below. Face-to-face interviews are conducted in Umeå and in Skellefteå. Interview conversations will be recorded and then noted down as transcripts to avoid misinterpretation of the data. Face-to-face interviews also help to observe the reactions from the respondents clearly, both from verbal and non-verbal gestures. The interview guide will be enclosed in the appendix of this research study.

The following table shows the duration of the interviews that respondents invested.

<table>
<thead>
<tr>
<th>Company</th>
<th>Respondent (s)</th>
<th>The length of the interview</th>
</tr>
</thead>
<tbody>
<tr>
<td>Umbio AB</td>
<td>Stefan Nordin</td>
<td>79 minutes</td>
</tr>
<tr>
<td>Memoteknik AB</td>
<td>Lennart Lundmark, Gabriella Rymark</td>
<td>59.29 minutes</td>
</tr>
<tr>
<td>Sonvox AB</td>
<td>Caroline Burvall</td>
<td>38.58 minutes</td>
</tr>
</tbody>
</table>

Source: Authors’ own table

Table 5: The length of the interviews
According to the above table, this study has different times for interviews but collected information is equal among all three companies. Hence, we ensure that the empirical data that collected from all companies are cover for our findings regarding to interview guide.

**Data Collection Method for born-global SMEs’ Interviews:**

As mentioned above, the primary data for the research would be collected through interviews with the companies to get their opinions and perspectives from voluntary owners and CEOs. The criteria for the chosen companies are that they are born-global SMEs and located in Northern Sweden. Moreover, these companies should have a network as one capability in the resource-based approach. These three case companies operate their businesses in different industries but all of them are technological intensive companies. The reasons behind choosing different industries are to find different opinions regarding role of network in their internationalization process.

The website (www.allabolag.se), a trustworthy website, is used to get the details of the companies, such as financial data, the year of establishment and the business information of the case companies.

### 3.9 Sample Selection

The feasibility and sensibility of data collection is what the sampling and sampling methods rely on to answer the research question and conform to the research purpose. “Population is a universe of units from which the sample is to be selected” (Bryman & Bell, 2007, p. 182). Research is conducted on sample units or co-domains, which represent their population, for cost and time constraints. Sample units of the population are chosen to represent the characteristics of the entire population. Two sampling techniques exist; probability/representative and non-probability/judgmental. Probability sampling is mostly used for quantitative studies. Non-probability sampling is used for in-depth studies, like case studies or pilot surveys. Under this method the samples are chosen based on the researcher’s subjective judgment (Saunders et al., 2009, p. 213-243).

For probability sampling a suitable sampling frame has to be identified first, and then a sampling technique can be selected. If no sampling frame can be constructed, non-probability sampling techniques can be used. The different techniques are quota, purposive/judgmental, snowball, self-selection and
convenience sampling (Saunders et al., 2009, p. 213-243). For this research study *non-probability sampling techniques* are used, because the aim is to select samples purposely and to get a deeper understanding of them. The authors plan to conduct interviews with three companies. Since the sample size is rather small, the non-probability sampling technique is considered the suitable choice for sample selection.

This study will apply *purposive and convenience sampling* since the authors of this study have pre-defined heterogeneous and homogeneous sample groups in mind. Through different opinions of the respondents, this study intends to retrieve different explanations concerning the research question. This is the heterogeneous nature of the purposive sampling technique (Saunders et al., 2009). In regard of this study, convenience sampling refers to the geographical location. Since the authors of this study are students at Umeå School of Business and Economics and participate in the project called CiiR, the sample selections are limited to Northern Sweden. This could address as a limitation to generalization of the findings. There are four potential sources of errors; sampling, sampling-related, data collection and data error. Due to the fact that the research strategy is chosen subjectively and convenient sampling is used, generalization and external validity are difficult to maintain. Furthermore, sampling-related errors are of great concern for this qualitative research.

### 3.10 Data Analysis

As opposed to for quantitative data analyses, which has clear rules for its data stream, it is difficult to define an analytic path for qualitative data analyses through the richness of the collected data. There are two approaches for qualitative data analyses; analytic induction and grounded theory. Analytic induction is applied to give a universal explanation of phenomena. This is done by continuing to collect data until no deviations from the hypothetical explanation can be found (Bryman & Bell, 2007, p. 583).

Grounded theory is a theory deduced from systematically collected data and is analyzed through the research process. Two pronounced features of grounded theory are developing theory out of data and that the approach is iterative. An approach is iterative when the data collection and analysis are repeatedly referring to each other (Bryman & Bell, 2007, p. 585).
In this study the data analysis will be carried out in a **grounded theory approach**. The concepts, categories, hypothesis and theory are the product of grounded theory approach. This research study is finding for the concrete concepts of what are the essential resources needed for born-global SMEs for their internationalization process in the area of network perspective. In qualitative data analysis, coding is subject to a constant state of revision. There are three coding practices; open, axial and selective coding. In order to answer the research question, open coding will be used to break down, examine, compare, conceptualize and categorize the collected data.

### 3.11 Quality Criteria

The main criteria for a quantitative study are reliability, replication and validity, whereas for qualitative studies trustworthiness and authenticity are relevant (Bryman & Bell, 2007, p. 39). As this research will be conducted on a qualitative strategy, trustworthiness and authenticity are the main objective. Trustworthiness consists of four criteria; credibility, transferability, dependability and conformability. Each criterion is defined as followed;

**Credibility** attests that the findings are relevant to the social reality and are accepted by others. In order to obtain relevance and acceptance the authors use respondent validation. The same questions are asked during the interviews and the data is processed in the same way for all samples with the goal to provide evidence of credibility of the findings (Bryman & Bell, 2007, p. 411). In this study interviewees will be asked the same questions and the data will be processed in the same manner, in order to sustain the credibility of this study.

**Transferability** refers to what extent the research findings can be transferred to others. This criterion is analogous to external validity in quantitative research (Bryman & Bell, 2007, p. 412). The findings regarding this study can be transferred to Northern Sweden, but have less transferability for whole Sweden and other countries, since this research area is limited to Northern Sweden.

**Dependability** is equivalent with reliability for quantitative research. For qualitative research it signifies that the complete records are disclosed throughout the research phase (Bryman & Bell, 2007, p. 414). For reliability of this study, the interview guides, the list of respondents and their responses and the detail analysis process will be disclosed.
**Conformability** means that the researcher’s personal values are not influencing the research findings (Bryman & Bell, 2007, p. 414). As the sample selection for this research was subjective, caution has to be taken not to influence flow by personal beliefs. Also, during data analyses no subjective conclusions must be drawn that are not conform to the actual findings.

With regard of intuition from interviewing, this study will use only one interview guide when interview with representatives born-global SMEs. Both authors of this study will conduct interviews together at the respondents’ offices. Then, all interviews are recorded and transcribed. The authors of this study attempt to compare the responses to confirm the relevance between the findings. With this attempt, the conformability of research findings could be proved. In addition to these four criteria, authenticity has to be considered. Authenticity indicates the fair representation of the findings, usefulness for others to better understand the social setting, education value and to what extend the researchers contribute into society (Bryman & Bell, 2007, p. 414). This study will analyze all empirical findings in the same procedure for all case companies and findings will also contribute to society in order to have fair authenticity. In order to contribute in academic research, this paper will be accessible in the Umeå University database to help students interested in this topic.

3.12 Ethical Considerations

When conducting research, ethics are an underlying concern. Ethics are norms of behavior that govern moral choices. The main objective of ethics in research is to assure that no harm derives from the research activities. Bryman and Bell (2007) point out, that ethical issues cannot be ignored, because they relate directly to the integrity the research and of the disciplines that are involved. In this light, when discussing ethics in research, the protection of participants’ rights is of paramount importance.

In this qualitative research, this study collect primary data through interviews, and secondary data from literature related to the study. During the research the four main areas of ethical principles classified by Diener and Grandall (1978, cited in Bryman & Bell 2007, p. 132); harm to participants, lack of informed consent, invasion of privacy and deception will be carefully considered. In order to avoid plagiarism, the secondary data used will be well
cited and referenced to. All things considered, this study assumes that all ethical issues are fully considered.
Chapter 4: Empirical findings

This chapter will be divided into two parts. In the first part of our findings, the background information of case companies and the background of respondents from case companies will be given. In the second part, the findings will be presented from the face-to-face interviews with respondents of each case company.

This study collects the empirical findings from three case companies which are matched with the profiles of born-global firms and within the criteria of SMEs. This study defines the criteria of born-global firms as the companies which export their products or services within three years of establishment. For the criteria of SMEs, this study adapts the EU criteria for classification of enterprises. According to the EU criteria, the firms which are matched with two out of the following three criteria; number of employees, turnover and balance sheet total; they are regarded as SMEs (European Commission, 2005). The following table shows the classification of enterprises.

<table>
<thead>
<tr>
<th>Enterprise Category</th>
<th>No. of Employees</th>
<th>Turnover</th>
<th>Balance Sheet</th>
</tr>
</thead>
<tbody>
<tr>
<td>Medium-sized</td>
<td>&lt; 250</td>
<td>≤ 50 € million</td>
<td>≤ 43 € million</td>
</tr>
<tr>
<td>Small-sized</td>
<td>&lt; 50</td>
<td>≤ 10 € million</td>
<td>≤ 10 € million</td>
</tr>
<tr>
<td>Micro-sized</td>
<td>&lt; 10</td>
<td>≤ 2 € million</td>
<td>≤ 2 € million</td>
</tr>
</tbody>
</table>

Source: European Commission, 2005

Table 6: Classification of enterprises in EU

4.1 Background of case companies

In this section, the general background of case companies such as the profiles of owners or the managers, ownership structure, products and services, markets, customers and business activities (exports and imports) will be given. This way the readers will capture the general information of chosen case companies in our research findings. We (the authors) can also utilize these background data when it comes to analyze the empirical findings aligned with our interview guide.
4.1.1 UmBio AB

UmBio AB, where we interviewed the CEO Stefan Nordin, was established in 2002 and located in Umeå (Northern Sweden). UmBio is a Swedish company and can be regarded as the world’s leading pioneer in hyper spectral image analysis and develops solutions for real time quality assurance of products and production processes. Umbio is a technology intensive company and provides solutions to the Food and Forensic industries. The products of UmBio AB are UmBio inspector and UmBio Evince.

UmBio inspector is used for quality assurance of products and processes in real time. UmBio inspector scans the material and transfers the data to the software for the chemical analysis. UmBio inspector performs multidimensional analysis of chemical imaging data in real time and provides direct conclusions about the chemical content of products and materials. The UmBio Evince is the software for exploring the most out of chemometric images. The products of UmBio provide solutions to the Food and Forensic industries. Arla Foods, Norrmejerier and the Swedish National Laboratory of Forensic Science (SKL) are reference customers of UmBio AB. UmBio exports their products widely in Scandinavia countries and have network relationship with Stellenbosch University of South Africa. UmBio also exports customized products to the partner in South Africa.

UmBio has a diffuse ownership structure where each shareholder has approximately 20% share issues of the company. The management team is responsible for the control of day-to-day business activities. The role of the owner is capital provision and overall guidance of the company. The external support agencies such as Swedish Trade Council and Uminova (science parks) take a managerial role as external supports and capital providers for the company.

The following table shows the financial information of UmBio AB and criteria for regarding UmBio as a SME in Sweden.

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>10</td>
<td>SEK 3,630,000</td>
<td>SEK 16,224,000</td>
<td>SEK 5,202,000</td>
</tr>
</tbody>
</table>

*Source: allabolag, 2012*

**Table 7: Business information of UmBio**
4.1.2 Memoteknik AB
Memoteknik AB was established in 1993. The company is located in Skellefteå (Northern Sweden) where we had the opportunity to interview the CEO Lennart Lundmark and vice president Gabriella Rymark. Memoteknik is a Swedish product development company within the broadband and telecommunications industry. Memoteknik has been focused to produce innovative, user friendly and reliable products. The products of Memoteknik are QuickGrip (high performance connector against stroke of lightning), FleField (a system for interconnection such as front cable for easy maintenance access) and Coax (patchpanels, bakuns and cable assembles). Coax is the new product line for the company. Memoteknik distributes products widely in the international markets in close relation with key customers such as Ericsson, Nokia and Siemens in the telecommunication field and in the fiber network field Stokab network and Trafikverket (leading supplier in fiber network).

Memoteknik is an owner-managed company and the experienced CEO (the owner) controls day-to-day business operations and holds 70% shares of the company. The other shareholders who hold 30% of shares have a position in the external board of Memoteknik and take a role of consulting for the owner and the Memoteknik. The current owner came into the company in 1996 and three years later became the CEO and the owner of Memoteknik with majority shareholdings. The owner has concrete knowledge and experience in the telecommunications industry. Mr. Lundmark had been working in different positions in Swedish PPT and Ericsson before he started his own business. The owner had international experience through joint projects from his previous work experiences and business contacts from previous companies. When Mr. Lundmark started his own business, he could apply previous knowledge and experiences which enabled him to participate in enormous joint projects in Europe, in the US and Asia Pacific project (mainly with China).

The business development manager Gabriella Rymark is the daughter of the CEO and has civil engineering and business administration background. She has worked as a civil designer, project leader and purchasing since she graduated from Uppsala University. She joined Memoteknik in 2009, while still doing her executive MBA program in order to contribute to her family business especially in administration and business development. Mrs.
Rymark is the vice president of Memoteknik and is responsible for the business development.

The following table shows the financial information of Memoteknik AB and its criteria of being an SME according to the enterprises’ size classification of EU.

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Source: allabolag, 2012

Table 8: Business information of Memoteknik

4.1.3 Sonvox AB
Sonvox AB was established in April 2011 and their office is located at the Uminova Innovation compound in Umeå. Sonvox AB is a Swedish company and its business is in the area of medical industry. The company provides innovative products with portable and user-friendly interfaces to the customers. We had an interview with Caroline Burvall, a CEO of the Sonvox AB, and she has a business administration background from the Umeå School of Business and Economics.

The product of Sonvox AB is called “VoxLog”, a portable voice measuring device that helps the patients, doctors, and researchers to simply analyze the voice and it also has user-friendly functions. The main customers of Sonvox AB are the hospitals, the doctors and the researchers. Norrlands Universitetssjukhus in Umeå is one of their preference customers. Currently, Sonvox AB exports the product to Germany, France, and England. The company also participated in the promotion exhibition launched in China for their products introduction.

Caroline Burvall, the CEO of Sonvox AB is the person who is responsible for day-to-day operations such as selling, marketing and customer services. The owner of the company takes the role of guidance for the company and helps the management team to get the business deals through his networks. The following table shows the financial information of Sonvox AB and its criteria of being an SME according to the enterprises’ size classification of EU.
4.2 The internationalization model

In order to distinguish between traditional firms and born-global firms, a question regarding the business model of born-global firms in their internationalization is included in our interviews. Since both traditional firms and born-global firms suggest that market knowledge is an essential competence to acquire before internationalization, our interview guide includes the sales model of companies, the phases in the internationalization process and the resources needed for each specific phase and the challenges in particular, and how the companies deal with the psychic distance matter.

**Sales model for internationalization:** In order to collect the data regarding the sales model of born-global firms in their internationalization process, our interview guide includes the following questions. What kind of sales channel does your company use in your internationalization, for example, direct sales, agents, subsidiaries, joint venture, and network?

**UmBio** replies that currently the company only has direct sales and the company invests most of their human resources in direct sales and service to the end-customers. The company assigns one sales representative in one specific region and that person is responsible for the market analysis in order to find potential customers and maintains the relationship with existing customers. UmBio also mentions that they intend to find re-seller partnership when they aim to extend their international markets through re-sellers’ networks.

**Memoteknik** say that besides having partnership agreements with Ericsson and close collaboration with others reference customers; they have one sales representative in-house in Stockholm. They also mention that the sales representative has a background with Ericsson and he is not Swedish, this way he can able to find some potential customers using his different networks.

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*Source: C. Burvall, personal communication, 14.05.2012*

Table 9: Business information of Sonvox AB
Sonvox answers that at the moment the company has direct sales. The respondent from Sonvox also mentions that the company can get the deals with customers through personal networks of researchers and hospitals. In the future, the company will try to sell the products through agents to distribute the products widely in the markets.

**International business model:** In order to attain empirical data regarding business model of born-global SMEs’ internationalization, our interview guide includes the following questions; whether born-global firms have business planning in their internationalization process, what kind of resources are needed for each specific phase and what are the challenges in each of its internationalization phase.

UmBio replies that at this moment the company only has business deals with customers within Europe. The respondent mentions that in the next two years the company will probably expand outside Europe. Before going outside Europe, the respondent mentions the challenge in the new marketplace is that “we need to have sales and distribution channels in place that we can safely rely on before we take the next step”. The respondent also replies regarding business model that “I believed that it's not going to theoretically lock in a business model every one said that it's important to have a business model, but you cannot say to customers this is the only way you can do this business, may be the customers just say may be your way but not our way and then we may lose the business”.

Memoteknik answers regarding business models that “there is no written strategy about it”. The respondent also adds that the company could not expand their product global market without collaborations with customers and distributors since their products are the components or the accessories of a complete product set. The respondent says that the products have to be better and cheaper than competitors and this is challenging for the company. The company has to be flexible when it comes to find re-sellers and partners in order to sell the products in the global markets and to be able to adapt with the re-sellers and partners’ demands. Thus, finding right partners and re-sellers are also challenging factors for the company in their internationalization process.

Sonvox replies that “we have a sort of internationalization plan but it is not the solid plan for the company”. The company has planned to enter into the
big markets for example the US market. The respondent mentions that “there are hundreds of different ways that you can actually reach markets so we’re still working on that” and the internationalization plan has to be flexible according to the business environment and the market conditions.

**Psychic distance:** In attempt to find the impacts of psychic distance on born-global firms’ internationalization, we ask whether the companies are willing to extend their businesses in the distance geographical area from their home markets.

**UmBio** replies that currently their preference customers in Sweden are geographically close so that there are advantages in terms of easy transportation, communication, installing and providing support services. The customers outside Sweden are also geographically close in order for UmBio to transport the product physically to the end-customers and providing services for instance, installing and training directly to the end-customers. Currently the assembling, loading and transportation processes are in the small-scale thus the company can manage with their existing resources. However, the respondent mentions that in the long-run “if we will get more customers who are located in the far distance, it will be impossible for us to transport by ourselves; we will need resources in external manufacturing and to find partners who could help us transport to our new customers”.

**Memoteknik** replies that they have a global sales representative in Stockholm for the international markets and he is responsible for all business transactions in the assigned regions and finding new potential markets and customers for further development of the company. When the end-customers’ location is far to reach, Memoteknik is willing to find partners or installer companies in the new markets that the company could not provide direct sales and services. Moreover, the respondents also explain how they sort out the psychic distance between end-customers in far distances and the production-based Skellefteå as “we do not have clear strategy for that ... we are mainly working in the Ericsson market field together with Ericsson”.

**Sonvox** says that geographical distance is not a problem for them. The respondent replies that since the product is compact and portable thus the company uses FedEx or postal services when they send the products to the end-customers. The respondent also mentions that advanced technology and communication help them to distribute widely in the international markets.
However, when it comes to communicate with the international customers, the respondent expresses that “there is problems in term of not face-to-face conversation with the customers, language and cultural differences”.

According to the empirical findings, born-global SMEs tend to have flexible business models in every phase of their internationalization process. The born-global firms mostly use direct sales in their selling and distributions of products and services. Other sale channels for instance selling through agents, re-sellers, partners and distributors are also applied depending on the type of the products. If the products are components of the complete product sets, the company has to find partners or distributors to sell their products. Thus, the sale models of born-global firms are also flexible in order to adapt with the changing market conditions and the customers’ demands. Regarding the physic distance aspect, the company’s selling and distribution only rely on their direct sales. However, if the company has collaboration with partners, re-sellers, agents and distributors, the physic distance is not an issue in their internationalization.

4.3 The factors driving born-global SMEs towards internationalization

In an attempt to find the primary argument for internationalization of born-global firms, we ask what the internal and external driving forces are towards internationalization of born-global firms and how firms deal with the challenges in their internationalization process.

**Internal and external driving forces towards internationalization:**

According to the theories, the shareholders’ interest, product innovation or services and the owners’ orientation are the internal driving forces towards internationalization. The external driving forces are such as international market demands, customers, suppliers, business contacts, etc. In order to attain the empirical findings regarding the above mentioned subject, we ask what your company’s primary argument to go for internationalization is and which of the mentioned internal and external drivers affect your internationalization process;

**UmBio** replies that their products are the product pioneer in the Chemo matrix and image analysis for food industry and forensic. There are some other competitors in the markets when it comes to analysis of enormous amount of data, but UmBio inspector is able to analyze effectively and
efficiently than the competitors’ product. The software and hardware components are not new in the market but the knowledge, idea and the innovation of combining the existing software and hardware into developing a completely new product can be said to be a product pioneer. The respondent mentions that the unique products of UmBio are their internal driving force towards exporting their products in the international markets. Regarding the external driving force towards internationalization such as customers, as the respondent expresses “we decided to extend the business internationally because we have the strong customer reference in the domestic market in Sweden.” UmBio also mentions they have solid base in domestic market and have business deals with leading companies in the food and dairy industry in case the company intends to extend their products in the international markets. At the beginning of their internationalization, the target market will be only within Europe to be able to do business transaction closely geographically and to provide sales and services effectively and efficiently.

**Memoteknik** expresses that the product itself is very global and there is a market demand for our products in the international markets. However, there are difficulties in the mode of entry in the international markets. Despite the products having market potential in the global market; the company does not have enough resources to sell the products by themselves in the new marketplaces. Besides that, the product is a component or the accessories of a complete product set. If the company intends to expand sale volumes and margin, the company has to involve or have business contacts with big companies in the telecom industry. Memoteknik expresses that “we try to form contracts with our partners, we have global purchase agreement with Ericsson which is very rare to have Ericsson from our side and ... for production or manufacture and licensing in China, and we also have business contracts with them”.

**Sonvox** replies that their primary argument to internationalize is, “the domestic market is rather a limited market and the product has the potential in the global marketplace”. The product itself is very global, portable device and user-friendly, because of these facts the company decided to launch the products into the international markets since the establishment of company. The product, VoxLog, is developed through close relation with the researchers in the field of medicine. In this regard, the respondent mentions
that “there is an international opening for us to go with the researchers’ network”.

According to the empirical findings of UmBio, the internal and external driving forces of born-global firms toward internationalization are; the company has unique products, the global market demands for the products, strong domestic market base with good customer preference. For Memoteknik, the driving factor towards internationalization is having global purchase agreement with partners and products have potential in the global marketplace. Sonvox intends to internationalize because the product has high market demands in the international markets. However, the domestic market has limited demands for their product.

**Challenges in the international market:** There are several challenges in the international markets such as, market barriers, trade barriers, cultural differences, different rules and regulations, etc. In order to achieve successful internationalization, born-global firms should consider what could be the challenges in the international markets and how to better prepare for these challenges. Thus, we ask what the challenges that need to be solved before your company enters the international markets are.

*UmBio* answers “the most challenging is to have support and services”. The respondent also explains that if they have support and service organization in the international markets. When the company intends to extend their business in the international markets, the sale and service organization can take care of customers in parallel in the far distance from the home market. The solution for them is to have sales and service support in their target international markets where the company intends to expand.

*Memoteknik* says that the most challenging aspect is that the product has to improve itself and another challenge in the global market is to get product approval. For instance in China, the company has network relationships with big telecom organizations whereas due to the different rules and regulation there is difficulty in getting the product approval for their products. Memoteknik mentions the solution for their company in international markets is to form partnership alliances with big actors, as the respondent responds “this is the reason why they are working with Ericsson under partnership agreement; we need bigger actors to open up the way for us in order to get product approval in the international markets”.

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Sonvox replies that the most challenging for them is to know the right customers. The respondent of the company mentions that the product is developed by the medical researchers and they are writing the academic paper about the product, in this aspect the product’s reputation is very important for the company to sustain. The product is very new in the market and it is challenging to sustain the product’s reputation, brand identity and the patenting of the product for the security reasons. The respondent says that sales and support services are also challenging facts when the company attempts to extend their products in the international markets. The last challenge is the international trade barriers while exporting their products globally. The respondent expresses that “for example if we want to enter into the US markets there is different rules and regulations that could be tricky especially if you are dealing with medical devices”.

According to the empirical findings of UmBio, the most challenging factor is to have sales and service support in their internationalization process. For Memoteknik, the challenges are to get product approval, to improve the quality of their products and to form valuable partnership alliances. The challenging factors for Sonvox are to know the right customers, to deal with the international trade barriers and to maintain their product’s reputation.

4.4 Resource-based perspectives

There are several resources needed in internationalization of born-global SMEs. In order to find empirical data regarding the essential resources in the internationalization of born-global SMEs, our interview guide develops including the following facts; the essential resources needed in internationalization of companies, the challenges in accumulating additional resources and the ways to overcome the problems.

**Essential resources in internationalization:** According to the theoretical background, the essential resources needed for the born-global firms are human capital, financial capital, intellectual capital and social capital. In order to identify the practical evidence regarding what resources are needed for the born-global firms, we collected data from the following case companies.

**UmBio** replies that to have sales and service partners are the most important resource in their internationalization. The respondent mentions that the products have to be simplified in terms of technology. With this regard, the
weak point of the company in the service and support will be solved if the products will become more and more user-friendly. The respondent also mentions that training to the end-customers is also very important since their products are still in the process of being simplified to have user-friendly advantage. Besides that, the respondent says in order to do detailed analysis for instance for the forensic industry, the product needs to improve to be able to analyze the detailed chemical components. The respondent also mentions human resource and financial resource are also important to enable business expansion. The respondent says regarding additional human resource needed in their internationalization that “we will need more application specialists; they are core competent for the company”.

Memoteknik replies the most essential resource to go to international markets is “all relationships, all the networks we have”. The respondents also reply the core competency of the company is to produce innovative products for the global market.

Sonvox replies that network is an essential resource which enables the company to internationalize early. The role of external support agency is also a very important resource for the company when it comes to attain the business information of the customers and the international market information. The respondent also mentions that VoxLog is developed from the business idea of the researchers. Currently, the researchers are working on their research paper regarding VoxLog so the reputation of the product is very important for the company to maintain.

According to the empirical results of UmBio, the essential resources and capabilities needed for their internationalization are human resource, financial resource, technological competences and, sales and marketing competences. Besides that, the partnership agreement is also an important capability in order to acquire sales and marketing competences for the company. According to Memoteknik, the core competency for them is to produce innovative products. The network capability is their mediating factor while acquiring the core competency and other competences needed for the company. For Sonvox, the product and its reputation, personal and business contacts are the essential resources enabling the company to internationalize.
**Challenges in accumulating additional resources:** In order to identify the challenging factors for the companies when accumulating additional resources, we collect the empirical data as follows.

**UmBio** responds that the first challenge is to have sales and service support in the international markets and the second is to have employees who have specialization in Chemo matrix. The core competent of the products is mainly relying on the knowledge and technology. In this regard the key personnel who have specialized in Chemo matrix are an important human capital resource for the company. The respondent mentions that to have essential human resource is challenging for the company. Regarding the diffuse ownership structure of UmBio the respondent says that “we need private industrial investors who will represent the board of directors and give guidance to the management team.” When UmBio attempts to get the new industrial investors, the additional resource such as patent is also very important not only for the safety of investors but also the product itself has to be secured and to have brand identity. Regarding the challenge towards product patent, the respondent expresses “it is a very tricky area to patent the product for example and personally I think it is very important to have patent on your solution”.

**Memoteknik** replies that the company is able to produce mass productions not only for the domestic markets and the existing partners but also for the global market. Regardless of the company being able to produce mass production efficiently, they are lacking sales and marketing competence in the international marketplace. Thus, to acquire additional resource such as sales and marketing competence is a challenging issue for Memoteknik.

**Sonvox** answers that the challenge is to get additional contracts with customers or partners which are important in their business expansion. The respondent also mentions to sustain the reputation of the product, to improve the quality of the product, to provide after sale services and to have patent are challenging factors when accumulating additional resources in their internationalization.

According to the empirical results of UmBio, the challenges in accumulating additional resources for the company are to have sales and service support in the international markets, to have key personnel who have specialized in Chemo matrix in particular, to have management team competence and to
have patent on their solution. For Memoteknik to acquire sales and marketing competences is a major challenging fact for them. According to Sonvox, the challenges in acquiring additional resources and capabilities are to have additional contracts, to improve the quality of the product, to maintain the reputation and to have patent.

Ways to overcome the constraints of resources: After recognizing the challenges of companies when accumulating the additional resources and capabilities, we ask the ways to overcome the constraints. The collected empirical data are as follows.

The respondent from UmBio mentions that the company has lost customers in the past mainly because of insufficient resources of the sales and services support team. Thus, the respondent says “the most challenging obstacle is to have a support and services system organization in place that can take care of several customers in parallel in far distance”. Memoteknik replies the way to overcome their lack of knowledge and skills in the sales and marketing competences of the company is to form partnership relationships with big actors in the global markets. Sonvox responds that the way to overcome the barriers in the international markets is to have good relationship with the customers, and to get support from the external support agencies, through their networks the company will get more information about the markets or the customer and this regard the company would plan how to overcome the barriers in the global markets.

According to our empirical results from UmBio, the way to overcome their resource constraint of inadequate sales and marketing competence is to improve their sales and support services. Having sales and support organization close to their customers is also a solution for UmBio. For Memoteknik, forming partnership agreements is a solution to solve their lack of competence in the sale and marketing. According to Sonvox, building good relationship with their customers and getting supports from the external support agencies are the solutions to overcome the resource constraints of the company.

4.5 Network perspectives
In order to understand the role of networks in internationalization of born-global SMEs, we collected empirical findings from case companies focusing on benefits of networking and its network capability towards successful
internationalization and maintaining the business growth over times. In addition to our main research findings, we also find out the drawbacks of collaboration with partners and the impact of external support agencies in the internationalization process to be able to capture the clear picture of the role of networks in the internationalization of born-global SMEs.

**Benefits of networks:** The empirical data regarding benefits of network from case companies are as follows.

The respondent of **UmBio** explains regarding benefits of network relationships as being less time consuming and cost savings. Besides that, valuable network ties enable the company to choose the right customers, re-sellers and distributors. From selling and distribution perspective, the products can quickly reach the end-customers through right networks.

The respondents of **Memoteknik** say that collaborating with partners can gain mutual benefits for each party. The respondent explains the mutual benefits for instance, while collaboration with Ericsson, Memoteknik attain the benefits selling the products through the networks of Ericsson. Also, Ericsson benefits from efficient suppliers who supply and produce mass production of quality accessories at good prices. The respondent also says that for research and development both parties have the advantages of product innovation and development while collaborating.

**Sonvox** mentions that communicating with formal and informal networks help the company reach the end-customers. The respondent also says that good communication with the suppliers is also an advantage for the company as they get the components of the product on time and at the good price. The network relationship with external supports could help to get more information about the international markets.

According to UmBio, the effective use of networks would help them to have transaction cost savings and less time consuming. Besides that, there is an advantage in selling and distribution through right network ties. For Memoteknik, mutual benefits between parties for instance, advantage in joint R&D for product innovation and development, and in acquiring selling and distribution competences for the company. According to Sonvox, ability to reach the end-customer, advantages in production, market knowledge and market information.
**Drawbacks from network relationship:** The empirical data regarding drawbacks from network relationship are as follows.

The respondent of **UmBio** replies the knowledge and technology of the company can transfer to the suppliers or the re-sellers, which is the main drawback from close collaboration with their partners. The respondent expresses that for instance the cameras’ supplier might try to explore the market and sell directly to the end-customers. In this case, the respondent says the company might lose the end-customers and it would be difficult to find reliable suppliers. This is the complex nature of collaborating with the partners, suppliers and the re-sellers.

**Memoteknik** mentions regardless of terms and agreement with partners when collaboration, networks cannot totally solve the potential risks dilemma and sometime the collaboration could inject additional risks to the company. Flexibility is important in the partnership agreement since both parties need to adapt to the changing market conditions. The respondent also says that partnership relationships sometimes are embedded in one individual of partners’ companies. When changes occurred in partners’ side such as the individual who has good relationship with the company moves or leaves, there is a risk of losing partnership agreement. The respondents also mention that without recognizing the company might be locked-in in the existing partnership ties. Thus, the company has the risk of losing the opportunities.

**Sonvox** replies that when collaborating with customers, there is a risk to have lack of interest from the customers. The respondent explains that in the beginning of the collaboration there is good communication with the customers but after a while the customers will not satisfy the product. The respondent mentions it is tricky to know what the customers really demand is. There is the possibility that the network relationship may depend on one individual. If changes happen with the contact person, the company might face the risk of losing the business deal.

According to the empirical findings from UmBio, the drawbacks from network relationships are the knowledge and technology transferring from the company to its suppliers and re-sellers. According to Memoteknik, losing a partnership agreement could happen while depending only on the person who has contracted and the lock-in effect within partnership agreement are the drawbacks from the network relationship. For Sonvox, lack of interest
from the customers, the business deals are only embedded in one specific person and difficulty in getting feedback are the drawbacks of network relationship with their customers.

**Ways to overcome the constraints and sustain the network relationship:**
The empirical data regarding ways to overcome the constraints and to sustain the network relationships are as follows.

**UmBio** replies that they have to be faster and to run their company with smarter people. They need to improve their products to match with customers’ demands, for example, currently the UmBio Inspector cannot assemble in customers’ production line. Customers need to take samples out from the production process and run the analysis on the machine. With this aspect, the company will plan to develop the UmBio Inspector which can build-in within the production line as a part of the whole production process. Moreover, the company has a plan to have a patent on the UmBio Inspector, a hygiene protection, in order to make their customers’ network feel more confident with the products and also a security reason for their investors.

**Memoteknik** replies the main concern is to maintain the quality of their products especially with their sub-contractors in China. The company needs to come up with quality control over their suppliers because they cannot have problems with the products. Moreover, in order to sustain their business in the long run, the company tries to have a written agreement such as contracts and licenses with their partners including terms of agreements, required criteria, etc.

**Sonvox** says that the way to overcome the constraint is to improve their after sales services. In order to sustain the network relationships for the long-run, Sonvox responses that the external support agency is an important support to assist the company with the international market knowledge and information regarding the customers and suppliers. Thus, the company has to work closely with valuable external support to attain market knowledge and to build strong networks with doctors and researchers in order to understand customer demands deeply. In this aspect, the company would build good reputation in the long-run.

According to UmBio, the ways to overcome the network constraints are to improve the products, to have product patent on their solution, and to acquire
additional competences. According to Memoteknik, maintaining the quality of the products and having written agreements with customers, suppliers and the distributors are the way to solve the drawbacks of network relationships. According to Sonvox, the ways to overcome the constraints are to improve their sales and services and to build valuable network relationships in order to maintain it over time.

**The impact of external support agencies in internationalization:** The empirical data regarding impact of external support agencies on the born-global SMEs in their internationalization process are as follows.

**UmBio** responds that external supports can help find the right customers by analyzing and prioritizing customers’ profiles through the connections of support agencies. The respondent expresses the opinion on external support agencies as “we have some exchanges with Uminova Innovation, for example through their networks we can try to match our profile with our customers’ profiles… provide financial capital to our company. It is good to have a network support but the way of approaching customers becomes a bit theoretical and need time to extend”.

The respondent of **Memoteknik** says that working with the Swedish Trade Council in different projects in different regions can help to know more customers in the international markets.

**Sonvox** says that the company has a close relation with Uminova innovation for external consulting and business network when it comes to attaining more information about the markets and the customers. The respondent also mentions that the Swedish Trade Council also helps to give information especially for the international trades and its rules and regulations.

According to UmBio, the external support agencies are helping them to find customers and to provide financial capital as an external shareholder. For Memoteknik, the external support agencies assist in getting information about the markets and their customers. According to Sonvox, the external support agencies provide consulting services regarding customers and market information, and information related to international trades.
Chapter 5: Empirical Analysis

In this chapter, we will analyze the connections between empirical findings and theoretical findings. Since this is an abductive study, the purpose of this chapter is to analyze whether theoretical findings are aligned with our empirical results. Also, the new findings which are not included in the current literatures will be considered. This study intends to develop a new theoretical framework enclosing with new findings of our empirical study.

5.1 The model for internationalization

In order to analyze the similarities and differences between traditional firms and born-global firms, our interview guide includes the questions regarding sale model for internationalization of born-global firms and the international business model. The traditional firms pay attention on the psychic distance when they decided to enter into the international markets (Johanson & Vahlne, 2003). But there is no specific finding regarding the global-firms whether they have been concerned with the psychic distance before entering into the global marketplace. In this aspect, this study attempts to give the managerial contributions regarding the impact of psychic distance on the internationalization of born-global SMEs.

Sale model for internationalization: The findings from UmBio and Sonvox imply that currently the company has direct sale and service support to the end-customers. According to UmBio, they are willing to have re-seller partnership in order to build strong customer support globally and to expand their sale channel broadly. According to Sonvox, they are trying to have agreements with agents in order to sell and distribute the product globally. Memoteknik has direct sales, agents and selling their products through extended partnership networks.

The finding from Memoteknik is relevant with an effectuation perspective of venture creation (Sarasvathy, 2001). The author noted that in effectuation perspective, entrepreneurs have cooperative selling strategies in order to overcome the uncertainties in the foreign marketplace for instance having selling and distributions through corporate network relationship. Also, our empirical findings are relevant with findings of Chetty and Campbell-Hunt (2004) who mentioned that the born-global firms tend to have flexible sale
model that enable firms to produce customized products in order to have strong customer reference.

**International business model:** According to our empirical findings from all case companies, they have planned in advance before taking the business actions but the business plans are not fixed in all phases of their internationalization. The findings from UmBio indicate that the company would not lock-in in a business model or a business plan. Regarding this respondent of UmBio expresses as “I believed that it's not going to theoretically lock in a business model. Everyone said that it's important to have business model, but you cannot say to customer this is the only way we do the business, may be the customers just say may be your way but not our way and then we may lose the business”.

Regarding with the challenging factors in each phase of international business model, UmBio and Memoteknik responses that in the phase of growing their companies in the global market, companies require additional sale and service supports. According to UmBio, the key personnel who have specialized in Chemo matrix and the additional knowledge competences are challenging issues for the company. When they attempt to acquire these additional resources for their business sustenance in the long-run, born-global firms have been taken longer times. In this aspect, we can broaden a finding of Knight and Cavusgil (2004) as “the born-global firms acquire a substantial, fundamental base of international experience and knowledge that traditional multinational enterprises (MNEs) usually have been taken longer times to acquire. However, in the long-run, the born-global firms are not efficient enough to acquire additional resources and capabilities for their business sustenance.

**Psychic distance:** According to our findings, the born-global firms which have collaboration with partners, suppliers and distributors are not concerned regarding psychic distance in their internationalization process. The empirical findings from Memoteknik and Sonvox show that the psychic distance fact is not an obstacle in their internationalization process since they have good collaboration with corporate partners. Memoteknik explains that collaboration with their partners help them to conquer the geographical distance obstacle while exploring their business globally. According to Sonvox, because of the advanced communication technologies, a
geographical distance obstacle is not a challenging issue for them. However, the findings from UmBio are relevant with the general characteristics of the traditional firms. UmBio mentions that the company is willing to make business deals with customers who are geographically close in order to reduce the perceived risks in the dynamic international markets. Besides that, UmBio decided to go internationalize after they have been accomplished strong preference customers in the domestic market and they have been relied on their direct sales. These findings are relevant with findings of Johanson and Vahlne (2003) who stated that the traditional firms tend to expand their business in the international markets after getting a strong base in the domestic market. Also, Johanson and Vahlne (2003) mentioned when traditional firms intend to choose a specific international market, they prefer the region that is geographically close from the home market.

The sale model of internationalization can summarize as follow. Born-global SMEs are mostly applying direct sales in their internationalization process if they do not reply on network relationship in their selling and distribution. However, born-global SMEs who have good collaboration with partners use agents and re-sellers’ network in their selling and distribution. Born-global SMEs tend to have flexible sale model in order to adapt to the markets and customer demands and to facilities the collaborating with the partners. According to our empirical findings, this study concludes that born-global SMEs have flexible business model in every phases of their internationalization process. The additional resources and capabilities such as the key personnel and organizational knowledge competences are difficult to acquire in order to sustain the business growth in the long-run. According our findings, psychic distance is an obstacle for companies who only reply on their direct sales. However, psychic distance is not an obstacle for companies who have good collaboration with network partners.

5.2 The factors driving born-global SMEs towards internationalization

**Internal and external driving forces towards internationalization:** The two global trends such as globalization and advanced technologies are the primary arguments for the born-global firms towards internationalization since from inceptions or quickly after their foundations (Knight & Cavusgil, 2004). In addition to the global trends, Nummela et al., (2004) found that the international experience of managers or the owners and the favorable market
conditions are the drivers for the internationalization of born-global firms. Our findings from all three case companies confirm that the international experience of owners and managers and easy access in communicating and collaboration with partners, customers and suppliers in terms of advanced technologies are the driving forces toward internationalization of born-global SMEs.

Knight and Cavusgil (1996) found that the increasing role of niche markets and the demands for customized products are the favorable factors for born-global firms to internationalize earlier. Our findings from UmBio and Sonvox show that global market demands, ability to provide customized products or the unique products, and the strong customer references in the domestic markets are the fundamental driving factors to expand the business from their domestic market to the global marketplace.

The development of export and import activities stimulates the internationalization of SMEs (De-Chiara & Minguzzi, 2002). Regarding with this, our findings from UmBio explains that the reasons to export their products to the global market because the products are global and pioneer in the markets. Bell et al., (2001) found that the adverse economic condition in the domestic market is also a fact that born-global firms entered to the international markets shortly after inception. This is relevant with our findings of Sonvox. The respondent from Sonvox expresses that “the domestic market is rather a limited market and the product has the potential in the global marketplace”.

Challenges in international market: The entry barriers, favorable conditions in the domestic markets than in the global marketplace, psychic distance are the challenging factors for the internationalization of born-global firms (Arbaugh et al., 2008). According to our empirical findings, these facts are not the challenging factors in their internationalization process. However, UmBio mentions that they intend to make business deals with customers who are geographically close especially in the beginning of their internationalization process. UmBio also says that if the company have sale and service supports abroad, they are willing to extend their business worldwide regardless of the psychic distance problem. According to the answer from Memoteknik and Sonvox, forming partnership alliances and
expand their businesses through the right network tracks are the ways to overcome the entry barriers in the global marketplace.

The insufficient information and market knowledge in the foreign markets, and the cultural differences are the barriers to weaken the internationalization of entrepreneurial firms (Arbaugh et al., 2008). Our findings suggest that the insufficient information can gain from the effective use of networks. In the case of UmBio and Sonvox, they use extended customer networks to collect information regarding markets, re-sellers and the customers.

Memoteknik mentions that collaborating with big companies in the same industry is a way to overcome the challenges in their internationalization. Our findings from Sonvox confirms that the cultural differences challenging fact is concerned when it comes to communicate with the international customers and suppliers. Also, our findings show the different rules and regulations are a challenging factor to consider in the international trading. Sonvox mentions that the international trade barrier is a challenging factor in their internationalization. Our findings from UmBio and Sonvox express that patenting is also a challenging issue when they attempt to maintain their products’ reputation and to build the brand identity.

To summarize the factors driving born-global firms towards internationalization are globalization, advanced technologies, international experiences of owners and managers, strong customer references in domestic market, global market demands, and ability to provide customized products and being a product pioneer. The challenges in international markets are to have sale and service supports, to choose right networks, to deal with cultural differences, to overcome trade barriers and to have patents for products.

5.3 Resource-based perspectives

**Essential resources in internationalization:** The international experiences of entrepreneurs, knowledge, motivations and skills are the necessary resources for the new ventures enable them to internationalize (Westhead et al., 2001). Our empirical findings support this theoretical finding to some extend and we also find that not only entrepreneurs’ competences but also the skilled, knowledgeable and experienced management teams and key personnel are additional human capital required in the internationalization of born-global SMEs. All case companies mention that financial capital is an essential resource which enables companies to internationalize quickly after
the foundations. According to the case of UmBio who have the external fund from the external support agency, this finding supports the theoretical finding of Ostgaard and Birley (1996). The authors suggest financial capital is an important resource and the poor financial capitals for the international new ventures can obtain from the effective use of personal and/or business contacts and/or the external supports.

Our empirical findings include the essential competences in their internationalization such as network competence, technological competence and sales and marketing competence. In additional to these competences the intellectual capital for instance, patenting and the product’s reputation are also necessary resources for the born-global firms. These findings support the theoretical findings of Casson, 1997., Sharma and Blomstermo (2003)., Cohen and Kaimenakis (2007)., Prashantham and Dhanaraj (2010). We realize that our findings regarding essential resources in the internationalization of SMEs notably support the existing theoretical finding. According to our findings, we can prioritize which competences are needed among other several resources. For instance, patents and the reputation of products are the primary competences of intellectual capital. Besides that, network has the capability to acquire others competences needed for born-global firms.

This study also includes what are the challenges in accumulating additional resources and the way to overcome the resource scarcity in order to have concrete findings regarding essential resources needed in the internationalization of born-global SMEs.

**Challenges in accumulating additional resources:** The empirical findings of company UmBio and Memoteknik show that to have selling and marketing competence is a challenging factor when companies attempt to accumulate the additional resources. UmBio and Sonvox mention that to have product patent is a challenging for them while accumulating resources as a security for their company, investors and customers. Sonvox mentions that to have more contracts with partners is also a challenging issue to solve in their internationalization.

**Ways to overcome the resource constraints:** According to the results from our case companies, the ways to overcome the resource constraints are to form relationships with partners, to have support and service system
organization in place, to have good relationship with customer, and to have external supports.

The summary of essential resources needed in the internationalization of born-global SMEs are as follow: human capital (competence of management teams and skilled employees in particular), financial capital (external financial supports), social capital (selling and marketing competence and technological competence), intellectual capital (patent and products’ reputation) and network capability. According to our case companies, the most challenging factors to be solved in their internationalization is to have sales and marketing competences in order to expand their businesses and to distribute their products globally. Regarding with insufficient market knowledge and information, born-global firms have to build valuable network ties and form collaboration with partners, re-sellers, and the external support agencies. Having patents is also a solution to protect against product imitation and to build product identity for investors and the customers.

5.4 Network perspectives

Benefits of networking: According to the findings from Memoteknik, collaborating with partners has the mutual benefits for both parties in terms of joint research and development (R&D) for innovation and business development. This empirical finding is relevant with theoretical finding of Pittaway et al., (2004) which implies while collaboration with partnership or joint venture, the born-global firms have the advantages of involving in joint R&D project for further product innovation. Pittaway et al., (2004) also found that network relationship enable born-global firms to have better performance and productivity and to assist in the business idea of international new ventures. This statement is not relevant with the empirical finding of our case companies. Respondent from Memoteknik mentions that small ventures have an advantage of flexibility in terms of producing customized products and able to support their partners by supplying large amount of components. Thus, we realize that mutual benefit of network relationship is not only for the joint R&D for product innovation but also joint production while collaborating with partners.

Sonvox describes that the benefit of network ties is to reach the customers effectively. Besides that, the effective use of business networks and external support agencies can lower the transaction cost, time saving and sufficient
information and market knowledge. The benefits of network for instance, technology transfer and knowledge transfer by Sasi & Arenius, (2008) are not relevant with findings from UmBio and Sonvox. They intend to form network relationship in order to fulfill the gap of sales and marketing competence of companies. Since they are product pioneer in the market, they do not concern about technology transfer and knowledge transfer as benefits while collaborating with partners, re-sellers and suppliers. Thus, we analyze that for born-global SMEs who are product pioneer in the markets perceive market knowledge transfer as a benefit of collaboration with partners. However, they do not consider that technology transfer and product knowledge transfer are benefits for them.

**Drawbacks from network relationship:** According to UmBio, drawback from close collaboration with partners is that their knowledge and technology can transfer to the suppliers and the re-sellers. The respondent from UmBio also mentions that company has the risk of losing customers and difficult to find reliable suppliers are the consequences of knowledge and technology transfer drawbacks from network relationship.

According to Memoteknik and Sonvox, the partnership relationship sometime embedded in one personal contact and a consequence companies might lose the valuable contracts. This drawback is relevant with the theoretical finding of tie obsolescence drawback of network tie by (Prashantham & Dhanaraj, 2010). The theoretical result stated that a tie obsolescence problem occurs when the actors left the industry or move to another company or change the position. Since the network ties of small firms have usually embedded in one individual, if the changes happen the firms have the risk of losing the valuable contracts (Prashantham and Dhanaraj, 2010). Also, Memoteknik and Sonvox mention that they might lock-in in the existing network relationship which would cause the company to lose the business opportunities without recognizing it and companies could not extend their business forward. This empirical finding is relevant with the findings of Sasi & Arenius, (2008) who find the lock-in effect as a drawback of network relationship.

There is a knowledge gap in how to overcome network constraints and to sustain the network relationship over times. Hence, we find the way to overcome the constraints and the way to sustain the valuable network ties for
a long-run perspective in order to have knowledge contribution regarding with this subject matter.

**Way to overcome constraints and sustain network relationship:** Our findings from UmBio show that to acquire more competences in terms of human capital and to improve their product in terms of technological competences which would create value to companies are the way to overcome constraints in their network relationship. Since UmBio mentions technology and knowledge transfer are drawbacks for them, thus the company intend to have patent on their products to overcome constraints in their network ties while communicating with suppliers and customers.

We also recognize from UmBio and Sonvox, the ability to provide after-sale services can help to sustain customer network relationship in the long-run. According to Memoteknik and Sonvox, they have to maintain the quality of their products not only to overcome the existing constraints but also to sustain their valuable network relationship over times. Also, Memoteknik mentions that company has to pay attention on the terms of agreement not to being lock-in in the existing relationship.

**The role of external support agencies in internationalization:** Our findings suggest that external support agencies for instance the Swedish Trade Council and Uminova take a significant role in financing and external consulting to companies. Our finding from UmBio supports the theoretical finding of Ostgaard and Birley, (1996) who suggest the effective use of external support agencies would help to get external financing for the international new ventures. In additional to external financing from external supports, our findings explain that external support agencies enable companies to gain market knowledge, information about the customers and to reach the end-customers effectively.

The summary of benefits of network for born-global firms in their internationalization is as follow. The mutual benefits in terms of joint R&D and joint production, the ability to reach customers effectively, lower the transaction cost, time saving, gain sufficient information and market knowledge. According to our findings, the drawbacks are knowledge and technology transfer to supplier and re-sellers, tie obsolescence and lock-in effect. In order to overcome the network constraints, born-global firms have to acquire more competences for instance improving the quality of the
products, making user-friendly products, providing after-sales services and having patents. The external support agencies take a significant role in providing valuable information and consulting in the internationalization of born-global firms. The summary of our empirical findings will show in the following table.

<table>
<thead>
<tr>
<th>Theory</th>
<th>Empirical Data</th>
<th>Empirical Finding</th>
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<tbody>
<tr>
<td>Sale model for internationalization</td>
<td>• Direct Sales</td>
<td>• Flexible business model in every phase</td>
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<tr>
<td></td>
<td>• Selling through alliance partners</td>
<td>• Human resource and knowledge competence are challenging</td>
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<td></td>
<td>• Agents</td>
<td>factors in mature phase</td>
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<td>International business model</td>
<td>• Reseller networks</td>
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<td>Psychic distance</td>
<td>• It is not an obstacle for companies which have good</td>
<td>• It is an obstacle for the companies who only rely on their</td>
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<td></td>
<td>collaboration with partners</td>
<td>direct sales</td>
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<tr>
<td>Internal and external driving forces towards</td>
<td>• Globalization</td>
<td>• Ability to provide customized products</td>
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<td>internationalization</td>
<td>• Advance technology</td>
<td>• Product pioneer</td>
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<td>Challenges in international market</td>
<td>• International experiences of owners and managers</td>
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<td></td>
<td>• Strong customer references in domestic market</td>
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<td>• Global market demand</td>
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<td>Essential resources in internationalization</td>
<td>• Human capital</td>
<td>• To choose right network</td>
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<td></td>
<td>• Management team competence</td>
<td>• To deal with cultural differences</td>
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<td></td>
<td>• Key personnel competence</td>
<td>• To overcome trade barriers</td>
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<td>• Financial capital</td>
<td>• To have patents for the products</td>
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<td>• External financial support</td>
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<td>Challenges in accumulating additional resources</td>
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<td></td>
<td>• Selling and marketing competence</td>
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<td>Ways to overcome the resource constraints</td>
<td>• Intellectual capital</td>
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<td>• Patents</td>
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<td>• Products’ reputation</td>
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<td></td>
<td>• Network</td>
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<tr>
<td>Benefits of networking</td>
<td>• Network capability and competence</td>
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<tr>
<td>Drawbacks of networking</td>
<td>• To have selling and marketing competence</td>
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<tr>
<td>Ways to overcome and sustain network relationship</td>
<td>• To have patent for product</td>
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<tr>
<td>The role of external support agencies in</td>
<td>• To have more control with partners</td>
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<td>internationalization</td>
<td>• To form relationship with partners</td>
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<td>• To have good relationship with partners</td>
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<td></td>
<td>• To have external support</td>
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Source: Authors’ own table

Table 10: The summary of empirical findings
5.5 Building new knowledge

According to our empirical findings, this study finds that network takes a significant role in the internationalization of born-global SMEs in terms of acquiring additional core competences for the companies especially in the beginning of internationalization process. The collaboration with partners enables companies to achieve product innovation through joint R&D and joint productivity. Besides that, the effective use of network would help companies to overcome the constraint of resource accumulating and enables companies to enter in the international market successfully. With this regards, empirical findings support our proposition of network capability is one of the core competences of born-global SMEs in order to achieve successful internationalization.

However, our findings also suggest that when companies aim to sustain their business growth over times, network capability would not take a significant role while acquiring and integrating necessary resources and competences. Thus, we conclude that the role of network in the born-global SMEs internationalization is changing over times. In order to sustain business growth, born-global firms needed to acquire not only network capability but also additional capabilities such as key personnel and sales and marketing competence.

The following figure shows our new findings regarding role of network in the internationalization of born-global SMEs. When born-global SMEs intend to achieve successful internationalization, network capability takes a significant role in acquiring and integrating needed resources. This is shown in black color arrow direction in the following new framework. However, in the long-run, network capability does not take a significant role for born-global SMEs in order to sustain their business growth. Thus, born-global SMEs have to acquire additional competences through other modes of resources to sustain their business growth. This is shown in the following blue color arrow direction.
Figure 7: New framework of this study

Source: Authors’ own figure
Chapter 6: Conclusion and recommendations

This study will conclude and fulfill our research purpose by answering research questions and sub-questions regarding the theoretical background and our empirical results from the interviews. The new findings of our study will be considered and applied to build a new model as a theoretical contribution. In addition, this study will propose managerial suggestions. Last but not least, we will provide further recommendations for researchers who are interested to further explore the role of networks in the born-global SMEs internationalization process.

6.1 Answering research questions and discussions

In order to find the essential resources needed in the internationalization of born-global SMEs, this study formulates the following question.

What are the essential resources needed by the born-global SMEs in their internationalization process?

In accordance with our empirical results and theoretical framework of our study, human capital, financial capital, intellectual capital, social capital and network are the essential resources needed in the internationalization of born-global SMEs. In addition, the competences and skills are also necessary resources which add value to the firms and enable born-global firms to enter the international markets rapidly after they are founded. The managerial competence, key personnel competence, products’ reputation and patents, sales and marketing competence, technological competence and network competence are the additional capabilities which are needed in the internationalization of born-global SMEs.

Our empirical findings prove that networks are one of the essential resources needed for born-global firms. This study intends to find the role of networks among other resources, with this regard the following research questions and sub-questions which support our main finding will be answered.

In order to examine the specific role of networks and its capability towards successful internationalization and sustain the business growth over the times, the following sub-questions will be answered first.
What are the benefits of using networks in the internationalization of born-global SMEs?

The benefits of using networks in the internationalization of born-global SMEs are mutual benefits between alliance partners, ability to reach customers effectively, lowering the transaction costs, time saving, ability to attain sufficient information and market knowledge.

While collaboration with network partners, born-global firms gain the benefits of joint R&D and joint production advantages. Our findings explain these benefits are the mutual benefits of born-global firms and the alliance partners. The effective use of personal and external network ties have the advantages of lowering the transaction costs and enabling to reach of the right customers effectively and efficiently. Also, the external support agencies support born-global firms by providing market knowledge, consulting, and information on customers, suppliers, re-sellers and alliance partners.

How do born-global SMEs use networks as one of their essential resources to achieve successful internationalization and to sustain business growth in the long-run?

The findings of this study support our proposition that network capability is one of the core competences of born-global SMEs in order to achieve successful internationalization.

According to our findings, acquiring more competences in terms of improving quality of the products, having patent on the products and providing after-sale services are the ways to sustain network relationships with end-customers, suppliers and alliance partners. In order to gain competitive advantages through effective use of network capabilities and competences, companies have to be aware of potential problems while collaborating with network partners. Especially for the companies who are product pioneers in the markets, they have to be aware of technology and knowledge transfer to the suppliers. Our findings also suggest that the
business deals and partnership agreements should not depend on one person in order to sustain the valuable network relationship for the long-term.

**What is the role of networks in the born-global SMEs’ internationalization process?**

Our empirical results show that networks are a core competence of companies and play a significant role in acquiring additional competences needed for born-global firms in order to get successful internationalization. Our findings also suggest that when the born-global firms aim to sustain business growth for the long-run, companies cannot only rely on their network competences and networking does not take a significant role in acquiring additional resources and competences to sustain the business growth.

In this aspect, this study will develop new knowledge regarding the role of networks and its different impacts on the different phases of the internationalization process.

**6.2 Discussion of our new knowledge**

When the companies have effective network ties and network competences, companies can further explore additional competences which are value-adding to them and enable companies to achieve successful internationalization.

However, our empirical results also suggest that when born-global firms attempt to sustain their business growth they might not rely only on their network capability, companies have to sustain their product competences, key personnel and managerial competences.

Thus, we develop new knowledge showing networking plays different roles in different stages of internationalization. Networks take a significant role and network capability is a core competence of born-global firms which enable born-global firms to internationalize early and to achieve successful internationalization. But in the stage of sustaining business growth, the born-global firms need additional competences which cannot be acquired through existing networks and their capabilities.
6.3 Managerial recommendations
Since networks are an essential resource and core competent for the born-global firms to achieve successful internationalization, the authors suggest born-global firms should build strong personal and business contacts before entering into the international markets. Besides that, our study finds the significant role of external support agencies in the internationalization of companies. Hence, the authors suggest that the effective use of external support would assist in the born-global SMEs’ internationalization process.

Born-global SMEs should be aware of their product identity and reputation. Companies should have patents on their products since technology and knowledge transfer would happen while in close communication with suppliers and re-sellers. According to our findings, the lack of sales and marketing competence is the most challenging factor for born-global SMEs in Northern Sweden. Hence, the mangers or the owners of born-global firms have to be aware of inadequate sales and marketing competence and should acquire this competence in order to distribute products widely not only in the domestic but also in the global market.

6.4 Limitation of the study
- The results of this study in accordance with the empirical data from the Swedish case companies in Northern Sweden could be limited in the generalization for other regions and other countries.
- This study specifies the research area focusing on an important key factor in the internationalization of born-global firms which is networking. However, there are many essential resources that would enable born-global SMEs to achieve successful internationalization in the global marketplace. Hence, there could be limitation on the scope of study of born-global SMEs.

6.5 Suggestion for further research
In order to further explore our research findings, we would propose the following suggestions.

It would be rewarding to find what factors impact the occurrence of the role of networks changing over times. We suggest that it would be worthwhile to further explore by conducting both qualitative and quantitative study in order to know to what extent the role of networks affects the born-global SMEs.
internationalization process. Besides that, quantitative study could help to define the variables regarding success factors in terms of financial figures in the born-global SMEs internationalization process.

This research study is only focusing on three case companies in Northern Sweden. Thus, there should be further research conducted involving more case companies in order to have a stronger analysis which can be used to represent the whole population of Swedish born-global SMEs. Besides that, it would be rewarding to study the different opinions of born-global SMEs on network capabilities by conducting comparative studies of born-global SMEs from different countries.

6.6 Overall Quality Assessment
To ensure the overall quality of this study, we followed the criteria assessment of qualitative research. To start with, we made sure that our findings are relevant to social reality and accepted by other people. All interviewees were asked the same questions and data was processed and analyzed in the same way. Moreover, we recorded all the conversations and made transcripts with all case interviews in order to provide evidence for credibility of the findings. Secondly, this study can be replicated by others who would like to do further research and study particularly in Northern Sweden. However, it has less transferability for other countries. Thirdly, we ensure that the detailed analysis process of this thesis work is disclosed. Fourthly, we confirm that there is no personal belief affecting the research findings in this study. Finally, we present and analyze the findings with impartiality in order to have credible, transferrable, dependable and conformable quality criteria for a qualitative study.
References


Appendix: An interview guide

Background (business / entrepreneur)

- Could you introduce yourself and your background (education, position, international experiences)?
- Could you tell us about your company background?
  - Owner
  - Products/Services
  - Customer segments (regular customers)
  - Market (regional, national, international)
  - Export
  - Import (raw materials, supplies)

Drivers for internationalization

- Could you tell us about the idea/ambition to go internationalization?
  - Shareholders’ interest at the beginning
  - Products/services are very global
  - International market demands
  - External drivers such as partners and customers
  - Import, development (innovation), personal or social contacts.
- What were the three most challenges or obstacles that needed to be "solved" before go for internationalization?

The model for internationalization

- What are your sale channels? Such as, direct sales, sales representatives (agents), subsidiaries, trade office, joint venture, and networks.
- How to deal with geographical distance? Such as transportation, communication (internet, mail, telephone), exhibitions.
- Is it possible to identify different phases / steps in your process of internationalization? What are the characteristics in each of these
steps? And what are the challenges in different phases?

**Resource-based perspective**

- What are the most important arguments for you company to internationalize? Small home market, international product/service, etc. And what kinds of resources are needed in your internationalization process?
- How do you manage and allocate your company’s existing resources before go to internationalize?
- If you compare your business in the home market and international market, what extra/new resources, and strategic investments do you need? Such as, Financial (what kind), market investments, knowledge, networks, skills, technology updating, etc.
- How do you feel the importance of resources in your internationalization process?
- What are the challenges when it attempts to accumulate additional resources for your company? And how could you deal with those challenges?
- Could you discuss and prioritise the essential resources for your company which would help your company to enable enter international markets and make your company different from competitors in the market?
- When it comes to enter the international market do you prefer your products differ from others or do you adapt with other products in the market in order to share the risks? If your products differ from your competitors, what are the primary resources applied in order to attain differentiate products? And how do your company manage to sustain business growth in the long-run? If your products are similar with your competitors, what resources are used in order to survive in the marketplace? And how does your company mange to sustain your business growth for the long-run?
Network-based perspective

Companies are almost never working alone. They are often involved in various formal or informal, temporary or permanent relationships or networks.

- When you consider the specific international market to internationalize, could you explain what kinds of network types (formal or informal, temporary or permanent relationships or networks) do you use? What are their functions? And what is your main purpose of having those networks? Could you list the three most important networks of your company?
- Your company uses certain kinds of network contacts in which business activities? Such as for financing? Investment? Operation? Sales? Administration?, etc. And could you explain the most important functions?
- What role do business networks and investors have?
- Do you have external support agencies (ALMI, Exportrådet, Swedish Trade Council, Uminova (science parks), How do you use theses external support in your internationalization? How and in which activities they could assist in your entrepreneurial orientation?
- Do you believe that the role of networks change over time? (For example networking is a great help in the start-up stage of your company but in the later stages it could not help your company like before.) If the role of networks change over times, what kinds of specific networks are important for the particular stages of your internationalization process?
- How networks could say as one of the essential resources needed for internationalization of your company? And how would you maintain your network relationship for the long-term?
- Could you list and discuss the advantages of using networks in your internationalization? And how could you think of sustain them for the long-term?
• Are there any barriers or difficulties in your network relationship? Could you discuss what are the barriers or difficulties and how do you think of cope with them?

• If your company has alliances with another company(s), what are the benefits and difficulties of having alliances? How do you think of maintain the benefits and overcome the difficulties in your alliance relationship?

• Do you feel that there may be negative aspects of working together with others that complicate the process of internationalization? Lock-in effects, hard to break the relationship.