



UNIVERSITY OF GOTHENBURG
SCHOOL OF BUSINESS, ECONOMICS AND LAW

Pre-Internationalization Process of SMEs
A case study of Swedish SMEs

Boris Simic

Graduate School
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Supervisor: Roger Schweizer

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Abstract

Although there has been a considerable amount of research focused on explaining SME internationalization behavior, the pre-internationalization phase has been left relatively ignored. This paper has recognized the need for a new, and more updated, pre-export model which more accurately explains the pre-export behavior of Born Globals as well as the impact of technological advancements on a decision-makers' perception of stimuli. Through a multiple case study confronting Wiedersheim-Paul's et al (1978) pre-export model, two concrete findings were made. Firstly, and contrary to the model, the pre-internationalization process of Born Global begins before a firm's inception. This is exemplified by a decision-makers' recognition of foreign business opportunities through the perception of stimuli without the influence of firm characteristics and the firm environment. On the contrary, the research also concludes that, although outdated, the pre-export model still provides an adequate description of the pre-export behavior of Traditional Firms.

1. Introduction

Problematization

Advances in information/communication technologies, the globalization of markets, and economic and regulatory changes, have given Small and Medium Sized Enterprises (SMEs) unprecedented opportunities to compete in international markets (Johanson and Vahlne, 2001; Knight, 2001). Internationalization however, requires countless resources, such as knowledge of international markets, knowledge of specific countries, and partners to reduce risk and costs (Eriksson, Johanson, Majkgård, Deo Sharma, 1997; Knight, 2001). For SMEs which already lack this knowledge, the problem with internationalization is accentuated (Coviello and McAuley, 1999) and the burden of finding and acquiring such knowledge lies in the hands of entrepreneurs.

To date, most SME Internationalization literature has focused on explaining the internationalization process itself but very little has attempted to explain what happens *prior* the internationalization process (Tan, Brewer, Liesch, 2007). In particular, traditional research has found that the internationalization process of SMEs follows an incremental and “staged-approach” where commitment towards foreign markets increases as knowledge, experience and learning increases; Johanson and Vahlne (1977); Bilkey (1978), Eriksson et al (1997); Ruzzier, Hisrich, Antonic (2006). This has been most evident in Vernon’s (1971) “Product Life Cycle Theory”, Johanson and Vahlne’s (1997) “Uppsala Model”, and Cavusgil’s (1980) “Innovation Model”. Although these models provide an excellent description of an SMEs’ international growth, they do not explain how and when this internationalization process actually begins (Tan et al., 2007).

More recently, the concepts of “Born Globals” (BGs) and “International New Ventures” (INVs) have begun to pick up steam in the academic world which argues that firms seek to establish a simultaneous presence in many foreign markets from, or near, inception (Oviatt and MacDougall, 1994). It is therefore assumed within these models that entrepreneurs begin with a global view of their markets, and develop the capabilities needed to achieve their international goals at or near the firm’s founding (Knight and Cavusgil, 2004). Once again however, the models fail to explain properly how decision-makers develop these capabilities into uncovering foreign-market opportunities.

As seen, internationalization literature has been divided into two fields (traditional and modern) and although they provide a good description of SME internationalization behavior, there is a lacuna of knowledge as far as pre-export behavior is concerned (Morgan and Katsikeas, 1997).

Purpose

With the exception of Wiedersheim-Paul et al (1978) and Caughey and Chetty (1994), there have been few other reported research attempts aimed at explaining the pre-internationalization behavior of SMEs (Tan, Brewer and Liesch, 2007). Therefore, by confronting the outdated Wiedersheim-Paul et al (1978) pre-export model and understanding its deficiencies, the purpose of this paper is to increase our understanding of the pre-internationalization behavior of modern day entrepreneurs.

The Wiedersheim-Paul et al (1978) pre-export model has been chosen for a number of key reasons. Most importantly, since it was first created almost twenty-three years ago, it has remained relatively untouched (Tan et al, 2007). Secondly, given that the model was created using empirical findings from Australian-based manufacturing firms, confronting its applicability in different contexts (knowledge-intensive firms, high-tech firms, etc.) was another motive. Thirdly, and similar to a growing number of stage-theorists at that time (Vernon, 1971; Johanson and Vahlne, 1977; Reid, 1981) Wiedersheim-Paul et al (1978) used the assumption that all firms were initially non-exporters which only sold to local markets. However, given the influx of Born Globals and International New Venture literature, it is not known how applicable the model is to such modern-day firms.

Research Question

Therefore, utilizing a multiple case-study, this research aims at answering two specific research questions

1. *How are SME decision-makers influenced by internal and external attention-evoking factors during the pre-internationalization phase?*

And

2. *How does the perception of these factors influence the (pre)internationalization behaviour?*

To answer the first research question, we must first understand what the main factors are that influence the perception of attention-evoking factors. This will be illustrated in the

explanation of Wiedersheim-Paul et al (1978) pre-export model in the following chapter. To answer the second research question, traditional and modern SME internationalization literature will also be introduced to provide the reader with a better understanding of different expansion strategies available to entrepreneurs.

Following the theoretical framework, a detailed description of the research methodology will be provided. This will then be followed by an in-depth examination of four Swedish SMEs which will provide the context in which the research questions will be answered in. This is then be followed by a descriptive discussion where, by linking theories and empirical data, the research questions can be answered. Finally, a conclusion will be provided.

Definition of internationalization

Different researchers, dependent on their research focus, have taken alternative approaches in defining 'internationalization'. For example, Calof and Beamish (1995) whose research focused on the firm's operations and processes, defined internationalization as the process of increasing involvement in international operations. Lehtinen and Penttinen (1999) on the other hand, whose study focused on networks and relationships, defined internationalization as the process of developing networks or business relationships in other countries through extension, penetration, and integration. Other perspectives which SME internationalization has been studied from include organization theory, marketing, strategic management, international management and small business management (Ruzzier et al, 2006). For this research, a more general approach was adopted which encompasses the different perspectives and therefore adopts the definition used by Ruzzier et al (2006) to define 'internationalization' as the geographic expansion of economic activities over a national country's border.

Definition and Importance of SME

There have been many debates as to what exactly constitutes an SME ranging from the number of employees to the value in their balance sheets (European Union, 2003). Within this research, and parallel to that of the European Union's definition, SMEs are defined as organizations that do not exceed more than 250 employees (European Union, 2003).

Today, more than 99% of all European business are Small and Medium Sized Enterprises and provide approximately 66% of all the private sector jobs. In Sweden alone, 99.8% of all registered firms are SMEs and employ 63.2% of the total workforce (Small Business Act, 2009). Given the significant impact SMEs have on both the European Economy and Swedish economy, it is a field which has been relatively overlooked

2. Theoretical Framework

“Pre-export Model”

Overview

Based on a study of seventy-five Australian-based manufacturing firms, Wiedersheim-Paul et al (1978) developed, what they refer to, a “pre-export model” (see figure 1). Under the assumption that all firms are initially non-exporters that sell to a local market, their empirical findings suggested four key factors affecting the pre-export activities of a firm – characteristics of the decision-maker, the enterprise environment, the extra-regional expansion of the firm, and information. It is assumed that the starting point of this process begins as soon as a firm is born (Wiedersheim-Paul et al, 1978).

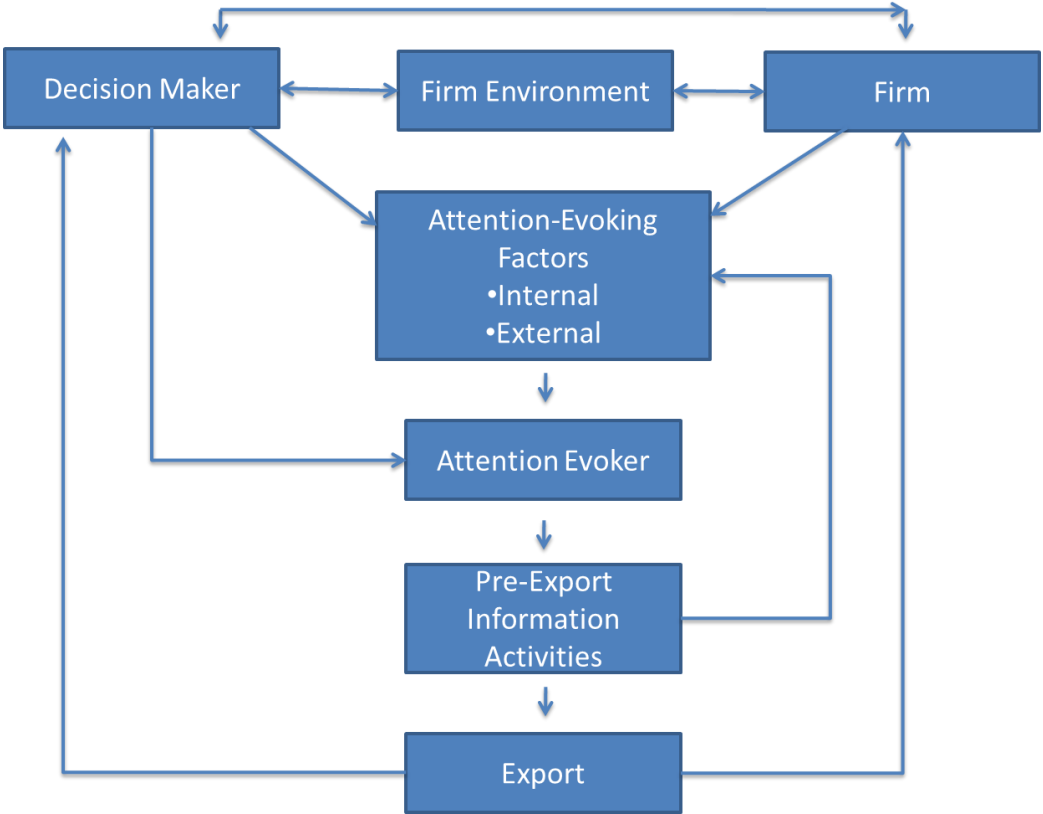


Figure 1 - Pre-Export Model (Wiedersheim-Paul et al, 1975)

The model argues that a decision-maker is exposed to different kinds of attention-evoking factors (in other words, “trigger cues”) and the decision-makers' attention and perception of such factors, is to a considerable extent, dependent on the interaction of three factors – decision-maker, the firm, and the firm environment (Wiedersheim-Paul et al, 1978). This interaction is illustrated below:

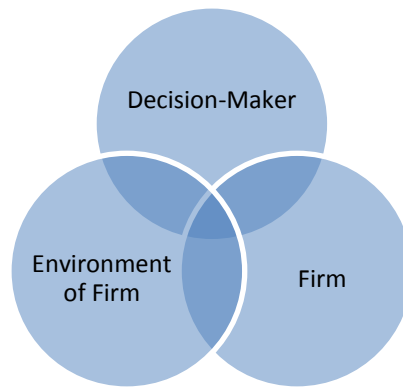


Figure 2–Interaction of factors influencing perception of attention-evoking factors (Wiedersheim-Paul et al, 1978)

In other words, the way these attention-evoking factors are perceived is not only dependent on the decision-maker per se, but also the environment in which s/he acts in. Changes in the firm and/or environment expose new problems and opportunities (Johanson and Vahlne, 1977) and it is the decision-makers responsibility to decide the appropriate action. This process is seen as a two-way process where the decision-maker is influenced by his environment and at the same time the firm involved also helps create a new environment. Eventually, the accumulating process of these interactions is what ultimately leads to the decision to begin export activities. Tan et al (2007) have adopted an alternative interpretation of the Wiedersheim-Paul et al (1978) pre-export model and they see the pre-export process as a learning-process that over time influences the international readiness of a firm.

Decision-maker Characteristics

The ‘decision-maker characteristics’ operate at two levels within the model – they not only influence other factors but also influence the decision-makers' own perceptions (Wiedersheim-Paul et al, 1978). It is therefore significant to understand the decision-makers’ past history and experience to get a more accurate depiction of their perception. In particular, it has often been argued that the personal characteristics of the decision-maker significantly impact the behavioral pattern of the firm (Reid, 1981; Gundlach, Achrol, & Mentzer, 1995; Tan et al, 2007). One key personal characteristic which is emphasized by Wiedersheim-Paul et al (1978) is the decision-makers’ international orientation. Similar to the findings of Collinson and Houlden (2005) and Dichtl, Kreglmayr, and Mueller (1990), they argue that a decision-maker that has a deep international background (born overseas, studied abroad, lived abroad, etc.) is more likely to not only be exposed to attention-evoking factors, but also perceive them. Such findings were reiterated by Caughey and Chetty (1994), who after testing the Wiedersheim-Paul et al (1987) model, confirmed those findings.

Domestic environment and the location of the firm

There has been considerable SME internationalization literature directed at understanding how the location of the firm influences the internationalization process (Brewer, 2001; Chetty and Campbell-Hunt, 2003; Johanson and Vahlne, 1977; Oviatt and McDougall, 1994; Pleitner, 1997; Ruzzier et al, 2006). In relation to the model, Wiedersheim-Paul et al (1978) argue that there are two critical location-related factors which potentially instigate the internationalization process. The first one is in relation to the cost associated with the firm's physical assets such as –location of plant, manufacturing of product, transportation of products, location of customers/suppliers, etc. More importantly however, is the concept of “information production” which highlights the ease of which information can be transferred (Wiedersheim-Paul et al, 1978). This transfer of information has one main impact – a change in the attitude of a decision-maker. If for example a firm is located in an environment that contains a significant number of exporting firms, it is likely that this environment will lead the decision-maker to have a positive perception of exporting.

Characteristics of the firm

Four different characteristics have been identified which affect the pre-export behaviour of a firm, all of which are equally important – goals of the firm, product line, history of the firm, and extra-regional expansion (Wiedersheim-Paul et al, 1978).

The number one *goal* of every SME is to survive. If a firm perceives its future sales-performance as something that is unpredictable and volatile, then the main goal of the firm will be to find other sources of sales and growth in order to circumvent potential disturbances. Therefore, such a scenario provides a powerful reason for export operations to be developed (Wiedersheim-Paul et al, 1975:50). On another and more independent level, the more growth-oriented a firm is, then the more likely it will initiate pre-export activity. As the firm matures, the attitude towards future growth will be determined by the feedback received from past expansionary efforts. This feedback is the result of a firm's *past behaviour*. Before international expansion, a firm often experiences domestic expansion (extra-regional expansion) (Wiedersheim-Paul et al, 1978). Similar to that of the “staged” internationalization process (which will be discussed later), firms acquire valuable knowledge and experience during this growth stage and as the firm continues its gradual geographic expansion, the relative “foreignness” of a distant market is reduced (Johanson and Vahlne, 1977). Alongside this significant learning the firm also develops vital competencies and establishes vital future networks.

Lastly, the nature of the *product-line* associated with a particular firm also influences pre-export activity. If the nature of a product requires greater information flow between buyer and seller, the greater the chance for the potential seller of being exposed to export stimuli (Wiedersheim-Paul et al, 1978).

Attention Evoking Factors

“Attention evokers” are the critical component of the model and are ultimately the factors or influences (trigger cues) which causes a decision-maker to consider international expansion as a possible strategy (Wiedersheim-Paul et al, 1978). Although they can remain dormant, they can be activated through certain events such as experiences from domestic expansion. What is important to understand is that firms can be exposed to attention-evokers regardless of its life-stage. In other words, the experiential history of a firm provides the context in which attention-evokers are analysed and also forms the foundation on which future strategies are developed (Wiedersheim-Paul et al, 1978).

Attention-evoking factors can be divided into two categories – *internal* and *external*. The internal factors can be further divided into two main groups (1) unique (firm) competence and (2) excess capacity in the resources. Unique competencies positively influence a firm to seek foreign expansion in order to maximize the return on its unique advantages and a firm that possesses excess resources also seeks international expansion in the attempt of utilizing its free resources (Wiedersheim-Paul et al, 1978). *External* attention-evoking factors can be divided into; (1) fortuitous orders from foreign customers, (2) market opportunities, (3) competition and, (4) government export stimulation measures. (Wiedersheim-Paul et al, 1978)

Pre-Export Activities

Eventually, the factors mentioned above influence the pre-export information activities and the way firms behave during this phase is dependent on three different dimensions (see table 1).

Group \ Dimension	Willingness to Start Exporting	Information Collection Activity	Information Transmission Activity
Domestic	None to Low	None to Low	None to Low
Passive	Low to Medium	Low to Medium	Low
Active	Medium to High	Medium to High	Low to High

Table 1- Groups of pre-export activity (Wiedersheim-Paul et al, 1975)

The authors argue that all firms begin in the ‘Domestic’ group because of several reasons, i.e. products unsuitable in foreign markets, their location is not suitable for exporting, or they are content with servicing the local market. The evolution from a ‘Domestic’ firm into a ‘Passive’ or ‘Active’ firm occurs as a result of internal (i.e. the arrival of a new decision-maker) and external changes (i.e. shift in environment leading to greater collection of information and thus a greater desire to export)(Wiedersheim-Paul et al, 1978). This evolution however, varies from firm to firm and the process can go forwards and backwards.

The evolution process is heavily dependent on the decision-makers’ attitudes and reactions to prior experiences and the more positive a previous pre-export activity has been, the more it reinforces the decision-makers ‘active’ pre-export activities. Negative experiences, on the other hand, have an opposite effect (Wiedersheim-Paul et al, 1978).

Internationalization Strategies

Staged-Approach – Uppsala Model and Innovation Model

The so-called, behaviorally-oriented, staged-approach has traditionally conceptualized the internationalization of a firm as an incremental process involving a various number of stages (Rialp, Rialp, Urbano, and Vaillant, 2005). One of the most commonly referred to staged-approach internationalization models is the “Uppsala Model”. The model was developed by Johanson and Vahlne (1977) using empirical observations from a database of Swedish owned subsidiaries abroad, and also from a number of industry studies of Swedish companies in international markets.

The findings suggest that SME internationalization is a process which generally begins through ad hoc exporting into countries which are physically close to the domestic market. Levels of commitment within a market increase as learning and experience increase and over time, companies begin to enter markets which are further distant(Johanson and Vahlne, 1977).

The authors use two forms of distance to explain this process - ‘psychic distance’ (defined as factors that make it difficult to expand, e.g. language, culture, political etc.), and physical distance (geographical distance). Two forms of learning are also introduced – objective learning (things which can be taught) and experiential learning (learning by doing) Johanson and Vahlne, 1977). The more time a company has spent in overseas markets, the higher the level of experiential learning and it is this learning which is useful in reducing psychic distance (Johanson and Vahlne, 1977).

The structure of the Uppsala Model is defined using two critical aspects – state aspects and change aspects (please see figure 3). The state aspects are the resource commitments to foreign markets (market commitment) and knowledge about foreign markets and operations. The change aspects are the decisions to commit resources and the performance of current activities (Johansson and Vahlne, 1977). As Tan et al (2007) describe, the internationalization process is therefore seen as a progressive development of transitions between the state aspects and change aspects via the accumulation of experiential knowledge. Looking at figure 3, it is argued that market-knowledge and market-commitment affect both commitment-decisions and the way current activities are performed, which in turn modify knowledge and commitment (Johansson and Vahlne, 1977).

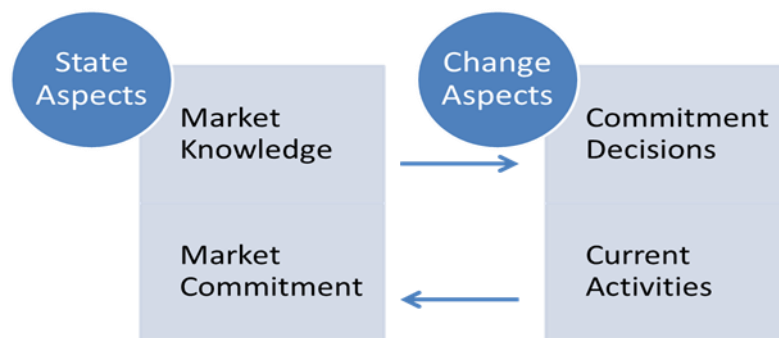


Figure 3 – The Basic Mechanism of Internationalization – State and Change Aspects (Johansson and Vahlne, 1977)

Another commonly referred to internationalization theory, also based on the staged-approach, is Reid’s (1981) ‘internationalization as an innovation process’ model. Reid (1981) constructed a sequential five-step export progression treating the internationalization process as an innovation-process (see figure 4).



Figure 4 – Internationalization as an Innovation process (Reid, 1981)

The five steps are said to occur chronologically but as argued by Reid (1981), it is possible that some of the steps occur together. The behavior of each stage, similar to the arguments of Wiedersheim-Paul et al (1978), is heavily dependent on decision-maker characteristics as well as firm variables. In short, the export process initiates from two alternative scenarios. It can either originate when there are problems within the domestic market hindering the growth of the firm, or a decision-maker recognizes a foreign market opportunity to promote firm-growth (Reid, 1981). Such events lead to changes in the entrepreneur’s motivational and attitudinal factors which positively influence pre-export behavior (i.e. the commencement of foreign market information analysis, returns on investment calculations etc.). The entrance into the ‘export awareness’ stage and/or ‘export intention’ stage is said to be triggered by external stimuli such as unsolicited foreign order, trade shows, visit to foreign market, etc. (Reid, 1981). Eventually, the ‘export trial’ stage is reached when a firm begins to respond to foreign orders and/or begins actual export engagements. If the feedback/experience from the trial stage is positive (‘export evaluation’), then it is likely that a firm will maintain its export activity and even begin considering possibilities of further expansion (‘export acceptance’) (Reid, 1981)

Unlike the Uppsala Model, Reid (1981) makes a conscious effort into explaining how the pre-export characteristics of a decision-maker and the firm, eventually influence the actual internationalization process. Just like Wiedersheim-Paul et al (1978), Reid (1981) states that a decision-makers experience, foreign orientation, and individual characteristics, coupled with the firm’s past performance, reputation and visibility are the driving forces between the initial stages of the pre-export process towards the actual export. As the firm reaches more advanced stages in the pre-export phase, a decision-makers’ foreign market knowledge and attitude towards export, together with the firm’s goals, influence the path towards internationalization. (For a more detailed explanation of each step, please see Appendix 1)

Born Globals

Social, technological and economic changes (Rialp et al, 2005) have given entrepreneurs an unprecedented opportunity to exploit global market opportunities more rapidly and efficiently (Zhou, Wu and Luo, 2007).As a result, more modern day SMEs decide to participate in

international activity at or shortly after inception. These changes have influenced the birth of the concept of “Born Globals” which is defined as a *“business organizations that, from or near their founding, seek superior international business performance from the application of knowledge-based resources to the sale of outputs in multiple countries. The distinguishing feature of these firms is that their origins are international”*(Knight and Cavusgil, 2004:124). Other names have also been created, depending on the nature of the study, to define this new phenomenon including ‘International New Ventures’, ‘High Technology Start-ups’, Global Start-ups’, Instant Exporters, Born-internationals, etc. (Rialp et al, 2005). The underlying feature behind all these concepts, although sharing similar definitions, is management’s global view of their market. Unlike traditional firms who gradually evolve from domestic firms to Multinational Enterprises, Born Globals and INVs begin with a proactive international strategy (Oviatt and McDougall, 1994) demonstrated by rapid internationalization and high market commitment soon after inception (Crick, 2009). For the sake of simplicity, the author has chosen to only use the term Born Global.

The primary feature which helps explain the behavior of BGs is that managers within these firms tend to possess extensive international experience (education, work, travel, etc.) (Bloodgood, Sapienza, and Almeida, 1996) and that the knowledge, experience, and learning of entrepreneurs help shape the firm’s goals, strategic actions and performance (Kundu and Katz, 2003, and, Zahra, Matherne, and Carleton, 2003 in Crick, 2009). Two other factors which promote the inception of BGs include a small domestic market and knowledge exchange with network partners (Wiedersheim-Paul et al, 1978; Crick, 2009; Coviello and Munro, 1997). Furthermore, and similar to Wiedersheim-Paul et al (1978), Crick (2009) argues that a firm develops characteristics resembling BGs from both proactive factors (i.e. planned and growth-oriented expansion strategies) and reactive forces (growth strategies influenced by unanticipated events). Contrary to traditional firms, the growth pattern of such firms is characterized by a dynamic, and sometimes, capricious path. This path is generally dependent on founders’ and partners’ international orientation, networks and other customer-related factors (Rialp et al, 2005) as opposed to Johanson’s and Vahlne’s (2007) concepts of psychic distance and experiential learning. In other words, the international expansion process does not follow a “rings in the water” process but instead can be seen as a whimsical expansion where engaging business activities in multiple national markets at or near inception is not out of the norm(Rialp et al, 2005).

3. Methodology

In order to develop, and answer, the two research questions, a deductive multiple case study was employed. A case study, according to Saunders, Lewis and Thornhill (2007:139) enables a researcher to develop a *“rich understanding of the context of the research and the processes being enacted”* and a multiple case study allow researchers to compare and contrast the findings of each of the cases (Bryman and Bell, 2007). Furthermore, a deductive approach allows a researcher to construct a research question based on existing literature and *“the research design and the collection of data are guided by specific research questions that derive from theoretical concerns”* (Bryman and Bell, 2007:63).

In total, four Swedish SMEs were used within this research. The chosen companies were selected using convenience sampling (because of good access) and non-probability sampling. In reference to the non-probability sampling, potential research subjects were found using industry-specific databases applying explicit search criteria such as location, size, and age. Contact details, when not provided by the database, were found on individual company's websites and provided easy access to the founders, managing directors, and/or other managers. Contact was established with approximately forty SMEs (via phone and/or email) of which only one agreed to participate in the research.

As is most common in multiple case study research, qualitative and quantitative data collection methods were used (Yin, 1981). Most qualitative data was derived from interviews. A total of seven interviews were conducted with four different interviewees, ranging from forty-five minutes to ninety minutes. In order to get the most accurate data, the interviews were organized with either the founder of the firm, co-founder, or managers who had been involved in the internationalization process since day one (see to table 2). Consequently, the interviews were performed using a semi-structured format which ultimately enabled cross-case comparability (Bryman and Bell, 2007). Each interview, for however possible, followed a matching structure in order to extract similar data from all four firms. Since studying the pre-internationalization process of an SME implies interpreting a subject's perception of past events, whenever possible, all data was recorded, transcribed, and verified by the interviewee to reduce any misinterpretations. In addition to the interviews, a short self-completion questionnaire with open-ended questions was distributed to all decision-makers and managers within each firm to gather general, and comparable, personal information (i.e. job title, education, years of industry experience).

Interviewee	Company	Position in Firm	Number of Interviews	Reference Code
Peter Lindberg	Travelize	Sales and Marketing Manager	2	PL
Joakim Karlsson	PNT Water	Founder and Managing Director	1	JK
Johan Quiding	Jetreq Components	Founder and Managing Director	2	JQ
Fredric Ståhl	Scandinavian Photo	Co-founder and Marketing Director	2	FS

Table 2 - Interview Summary

The data, once collected, was analyzed using the principles of grounded theory allowing data collection, analysis, and eventual theory to stand in close relationship with one another (Straus and Corbin, 1998). Following the guidelines of Bryman and Bell (2007), the data was broken down into component parts that reflected the relevant pre-internationalization literature. This enabled constant comparison between data and conceptualization, and whenever necessary, further data was collected to improve this process. The quantitative data was not analysed individually, but instead provided further variables in which the qualitative data could be analysed from.

Given the nature of the study – interpreting a subject's interpretation of past events – one could always question the reliability of data. Furthermore, differences in personalities, coupled with linguistic barriers may have provided skewed data making the analysis erroneous. Such potential errors were minimized through the verification of the collected data.

4. Empirical Findings

Travelize International AB

Firm History

Travelize International was founded in 2002 and develops and markets Enterprise Business Systems for customers in the travel industry. It is a privately owned company where the Managing Director is the principal shareholder. The headquarter, alongside the Development and Support function is based in Gothenburg, Sweden, which at the same time is being supported by an outsourced Development Center (where platforms are developed) in Sri Lanka. Today, the company has approximately 150 clients across 15 countries with the Swedish market representing approximately 1/3 of total revenue. The firm is represented by 11 employees.

The two managers, through their extensive international industry experience and exposure to travel agents and their reservation systems around the world, were able to identify a significant gap in the market and because of this, Travelize was born.

“Around the year 2002, we didn’t recognize any 100% completely web-based systems on the market at that stage at that time. We developed a different kind of business model, meaning that we provided the platform already from the beginning as software as a service” (PL)

Managerial Characteristics / Decision-Making

Presently, there are two managers within the firm who have been there since day one – Anders Johansson (100% owner and Managing Director) and Peter Lindberg (Sales and Marketing Manager). Within the firm, all decisions are carried out individually by Anders Johansson, however, given Peter’s experience, valuable input is provided and all decisions are discussed.

Anders, who is also responsible for Systems Architecture, holds two Master of Science degrees – one in Economics and one in Information Technology Engineering. It was this education in IT engineering which proved vital in discovering a gap in the use of Enterprise Business Systems within the industry. Before working, Anders had never studied abroad nor lived abroad and his first international experience came after starting his first job. Before establishing Travelize, Anders had five years of relevant work experience. During this time, he travelled to and worked in over twenty-five countries focusing primarily on system-

installation and sales. The opportunity to observe how different systems were used by travel agents around the world was the most important factor behind the idea to start his own company. Since establishing Travelize, he has constantly been working all over Europe, the Middle East, and the US.

Peter, on the other hand, holds a Masters in Business Administration and his international orientation began at a young age. Although he is Swedish, during his studies he lived abroad in three different countries – France, Spain and England. Before joining Travelize, Peter had fifteen years of work experience within the travel industry. Throughout this time, most work was directed at marketing and sales and this constant personal interaction with customers/suppliers gave him first-hand market information. Throughout his work-experience, he has spent considerable time working in the travel industry in Sweden, Switzerland and Greece.

Firm and Firm Environment

A unique and virtual product-offering (100% completely web-based booking system) has been a key factor behind the fast growth of the firm. Since the nature of the product requires continuous interaction between buyer and seller, having a virtual product makes the communication easier and does not require a physical presence in each market. Therefore, the location of the firm is not vital and communication around the world can be done instantly.

The product which they provide also enables their customers to benefit from the same advantages – software that is user-friendly and the enabling of instant communication between user and provider. On top of this, a strong product allowed customers to:

“(...) recognize the return on investment and the opportunities by working completely 100% web-based and they were very much attracted to our business model meaning that there was rather easy to throw out their system”. (PL)

Having a platform that was transparent/applicable in a number of geographic markets, coupled with increases in online travel bookings, presented the firm with international opportunities, almost, from day one.

Pre-export activity and Internationalization

Consequently, the company has had a very active pre-export activity. Personal networks and professional connections, together with strong industry knowledge, allowed the managers to recognize an international market demand for their product quickly. Positive feedback

received through their initial sales encouraged the managers to look for customers located further away. The first market outside of Sweden was Denmark followed almost simultaneously by Norway (both in 2002) and according to Peter, the geographic proximity to Sweden was just a “*coincidence*”. This occurrence was based on several reasons. Firstly, the managers had a very strong understanding of the local market demands in Denmark and the potential business opportunity that could be generated. Secondly, given the striking similarities between the three Scandinavian countries, in terms of culture, language, social-acceptance, political relations, way of business, etc., external barriers to trade were relatively small and the entry was fairly easy. Thirdly, the Scandinavian customers (in particular the Danish market), had a strong resemblance to Swedish customers when it came to internal organizational capacity, organizational set up, and implementation and training processes.

It was argued that the most difficult event throughout the pre-export phase was determining an effective establishment strategy within the foreign market.

“Once you have your feet inside the doorstep and you have established your position within the market then it is quiet a straight-forward process”. (PL)

The first experience abroad (as were all experiences) proved to be a positive experience, and as a result, the managers became more interested in expanding intomarkets which were geographically further. The most common form of market entrance was through direct exports. In larger markets, such as Germany, UK, Latin America and South-East Asia, the company employed commission-based sales-agents or ‘key market figures’ to skim local markets and deliver general business intelligence data. In other words, the agents, or key figures within each market, had to pinpoint prospects, deliver that information to Peter or other representative, who in turn try to pitch the system towards those prospects. This mode, Peter argues, is the most efficient way to get market-sensitive information, develop close personal contacts with potential customers, and as a result build a strong foundation within the foreign market.

PNT Water

Firm History

PNT Water was established in 1987 and employees 25 people. It was established following the sale of Joakim Karlsson’s (25% owner of PNT Water and founder) initial company “ABC Water Engineering AB” in 1984 which was also involved in the same sector. Through the experience obtained during his initial firm, alongside interaction with engineering consultants,

Joakim discovered an opportunity to offer new and innovative pipe-network solutions within the local-community's water and waste-water system. After learning about the local market demand, Joakim through his previous experience and expertise realized that he had the competencies to produce these made-to-order products and as a result, PNT Water was born. Today the company has an extensive product range consisting of anything from ratchets all the way through to large wells and pressure boosters.

Managerial Characteristics / Decision-Making

There are currently three decision-makers/managers within the firm all who have an ownership stake and all who are responsible for making strategic decisions.

“Decisions happen by themselves. We don't have a process; decisions are the result of unstructured interactions and individual thoughts”. (JK)

At the time of inception, there was only one employee present – Joakim. Joakim, who is originally from Sweden, has had considerable industry experience which began shortly after graduating from high school. Most notably, the majority of experience was acquired while working at his previous company for eleven years. Through this experience, Joakim had the opportunity to travel to other Northern European countries (Germany, Holland, and the Scandinavian countries) for work-related purposes but has never lived outside of Sweden.

In 1998, Joakim was joined by Henrik Erlandsson (Managing Director and Sales) into the organization. Henrik, unlike Joakim, has a university degree and a very different personal background. After completing his Law degree at the University of Gothenburg, he began working as a lawyer before switching to an insurance banking. After realizing he was not enjoying his work and wanted a career change, he decided to quit. He then became a part-owner of a company which at the time had frequent communications with PNT Water. Through this connection, Joakim and Henrik met and after learning more about PNT Water, Henrik asked Joakim to join the firm and become part-owner. Like Joakim, Henrik had never lived or studied abroad and his international experience was rather limited.

Five years following Henrik's arrival, Joakim's son Thor also joined the company. Thor (Sales Manager) took half of the ownership stake of Joakim and became a 25% owner. Thor was the only one out of the three who had lived abroad and his international experience was based on a Bachelors Degree which he completed in Switzerland (Bachelor in Hotel Management). Before joining PNT Water, Thor did not have any considerable work experience.

Firm and Firm Environment

Initially, the goal of the firm was to satisfy the needs of local customers. By keeping a close relationship with local customers, the company was better able to identify and satisfy the changing local customer demands, which according to Joakim, helped them develop a niche market. Through this relationship, the company was able to develop unique custom-made products which their competitors could not do and eventually their customer base grew. One key feature that enabled them to stay competitive was the fact that they were small and flexible. By keeping business on a smaller scale, the company was better able to adjust to changing customer needs.

Pre-Export Activity and Internationalization

Following the establishment in 1987, business progressed slowly for Joakim and there was no initial urgency to start developing the business. The growth/profit motive continued to be relatively non-existent until Henrik Erlandsson came into the business, who together with Joakim, began discussing the possibility of expanding this business. This event was reinforced five years later by the arrival of Joakim's son Thor into the firm. By the time Thor had arrived, the firm had significantly increased its human capital and even hired a number of full-time production workers.

"As a result, new products were developed... domestic market opportunities were discovered and exploited... and eventually talks of entering a foreign market had taken place".(JK)

This domestic market expansion played a vital role in inducing the three decision-makers to seek information about expanding internationally. As domestic sales skyrocketed the three eventually realized that they could expand their business internationally. Both Joakim and Henrik, through their experience, had strong connections with similar firms across Scandinavia and these connections played an important role during the pre-export activities (strong information sources). Through these connections, Joakim and Henrik were better able to collect foreign market data, identify a market segment, and begin calculating the costs and expected returns of a potential expansion.

It wasn't until 2000 that the company entered its first market outside of Sweden. The company was able to successfully introduce their products into the Norwegian market through a strategic alliance with a company whom Joakim had been in contact with throughout his long experience. This development was shortly afterwards followed by the expansion into the

Danish market where the entry mode was exactly the same as the Norwegian market. According to Joakim, the reason behind the decision to enter those markets through networks was based on one fundamental reason—lower costs. Since PNT Water was responsible for the marketing and establishment costs of entering a new market, countries which were most similar to Sweden would obviously be the cheapest. He then went on to explain that:

“The further away a country/market is, the higher the marketing costs and establishment costs. Since most of our products are only useable within a domestic market, each market has slightly different demands. If we could develop a product which could be sold all around the world then we will consider entering other markets”. (JK)

Today, Sweden represents 80% of total sales while 20% comes from abroad.

Jetreq Components AB

Firm History

Jetreq Components was founded in 2007 and is today represented by 6 employees. Headquartered in Kungälv, the firm specializes in the supplies of a wide variety of electrical components (i.e. connectors, resistors, IC circuits, etc.) to a wide range of manufacturing firms and in 2010 recorded a total turnover of 30MillionSEK. Before the establishment of Jetreq Components, Johan Quiding (CEO/Founder) was employed by a rival firm which he argues lacked good management.

“Although business was going well, the managers were very stubborn and reluctant to expand their business to capture new business opportunities”. (JQ)

It was this reason which motivated Johan to create his own company. Today, Jetreq Components has not only captured this market opportunity, but has also expanded its offerings to over 15 countries around the world.

Managerial Characteristics / Decision-Making

Johan, who is the CEO, began working straight out of high-school. His studies in high-school focused on economics and after finishing high-school he had a choice between University and work.

“I had a few interviews with some universities in Australia and could have easily gone there. But at the same time I got offered a job here in Sweden so I decided to take the working road instead”. (JQ)

Johan, who is Swedish, had never lived outside of Sweden and his international orientation was limited to a few overseas trips. Before starting his company, Johan worked for a rival firm for one-and-a-half years. During this time however, he did not have the opportunity to travel overseas. Despite this, he was still able to establish good connections with foreign customers/suppliers and got a good understanding/knowledge of the import/export business. However, since starting Jetreq Components, Johan has made a significant number of trips around Europe and Asia meeting with suppliers and customers.

Decision making within the firm is generally done only by Johan. Although the other employees provide valuable input through their experience and knowledge, most big decisions are made by Johan.

“I like to make an open environment in the office and I don’t want to be close-minded when hearing other people’s ideas”. (JQ)

Firm and Firm Environment

Given Johan’s strong knowledge and experience within this industry, he has been able to establish vital connections with suppliers and manufacturers all around the world. In an industry where profitability is dependent on the supplier’s ability to find, order, and deliver products quickly, these connections and experiences give his company a unique competitive advantage. Through this knowledge/experience/connections acquired, Johan’s initial goal of the firm was to be a global supplier of electrical components. However, he wanted to achieve this desire by remaining as small as possible and keeping financial and operational risks at a minimum. Today, he provides components to firms of all sizes ranging from small local manufacturing firms to the world’s biggest such as Volvo and ABB.

One key firm characteristic is the type of products which the firm imports/exports. Given that their main focus is providing their customers with electric components, the nature of the product (small size) does not require large physical storage facilities. Shipping/logistics costs are also kept at a minimum as are inventory-holding costs. Furthermore, even though business is done with customers all over the world, as Johan describes, all he needs is a computer, desk, and a phone to get the job done.

Pre-Export Activity and Internationalization

According to Johan, having personal contact with purchasing managers of large manufacturing firms all around the world, allowed him to discover a significant international market opportunity. It was this exposure, coupled with internal competencies, which motivated

Johan to initiate pre-export information seeking activities and eventually start foreign activities.

The first market outside of Sweden in which Jetreq Components began selling to was Poland (established through customer recommendations) and the second market in which the company began selling to was Norway (through employee connections).

It wasn't until 2008 however that the company made its first significant investment. Because one of the employees was from Estonia and most foreign customers at the time came from Estonia, a decision was made to open up an office to capture this growing market opportunity. It was believed that by having an office within the foreign market, they could stay closer to their customers which would increase their flexibility and responsiveness rate and ultimately satisfy a growing market demand. However, after establishing the office and relocating the Estonian employee to manage the office, the office closed down 6 months later. The closing down occurred because of personal disputes between Johan and the employee in Estonia. Interestingly and almost simultaneously, a similar action was taken with the French market. An office was also established in France to focus on the growing market there but, similar to the Estonian case, the office closed down due to personal conflicts. Today, Estonia continues to be the biggest market outside of Sweden representing 40% of all foreign sales

Scandinavian Photo AB

Firm History

Scandinavian Photo AB, headquartered in Bankeryd, is Scandinavia's largest retailer in photographic and video products. In 2010, the company recorded a turnover of 325 Million SEK in which 92% derived from the Swedish market and 8% from abroad. Today, the company has a customer database of over 200,000 professional and amateur photographers who demand top quality products and services at a low price.

The company began in 1982 when 2 gentlemen opened a small photo boutique inspired by a US mail-order company 'B&H Photo'. In 1994 however, the company was bought over by Fredric Ståhl, together with his father and brother who, by combining their fields of expertise, envisioned immense business opportunity for the small company. Before the purchase, the company relied solely on mail-order sales and as a result had a limited customer reach. Immediately after the purchase, Fredric together with his brother and father added an E-commerce division which today continues to play a vital role in the growth of the firm.

Managerial Characteristics / Decision-making

As seen above, the company is represented by three owners which all come from the same family. Fredric Ståhl (Marketing Director/EVP), Joakim Ståhl (CEO), and Kenneth Ståhl (Senior Advisor and former CEO) have had a generally domestic upbringing with none of three holding any previous working experience outside of Sweden. Out of the three, only Kenneth has lived abroad for educational purposes (studying in London).

Furthermore, Kenneth is the only one to hold a University degree while Fredric and Joakim concluded their studies following high-school. Interestingly, all had a different focus in their studies and this diverse education helped them develop the firm to what it is today. As seen above, one of the most important factors behind the growth of Scandinavian Photo was the development of the E-Commerce division. This division was developed thanks to Fredric's interest, knowledge (IT Consulting experience) and education (IT education in high school) in computers. The other important aspect was logistics which had already been established through their mail-order functions. This collaboration between the two divisions was brought together by all three decision-makers and was based on "*experience and confidence*".

When it comes to previous industry experience, none of the three had ever previously worked with photo-related products. Although they all acquired important know-how through their exposure in other industries, it was a new experience for all three. Fredric, the least experienced out of the three, worked as an IT consultant for three years. His brother Joakim, worked in the financial industry where he spent five years working at Handelsbanken. It was only Kenneth (the father) who possessed the most relevant experience in running a business and his experience has mainly been limited to the retail industry. He has held a CEO position for over thirty years in a variety of companies within the furniture industry. Interestingly, decision-making within the company is mainly performed by Fredric and Joakim. Given that this process is very informal and unstructured, Kenneth also provides the brothers with invaluable input.

Firm and Firm Environment

In an industry that is price competitive, Scandinavian Photo succeeded through its ability to not only provide top-quality products at a low price, but also provide excellent pre and after-sale service to its customers. Since the competitive advantage which Scandinavian Photo has is its pre and after-sale services, location is an important factor.

This need to for close proximity to its customers has been reflected by the gradual domestic expansion - Gothenburg (2001), Stockholm (2005) and Malmö (2009). – and is mainly due to the nature of the firm’s product-line. Since the product-line revolves around highly valuable goods, it is more beneficial for the customers to be able to physically see/touch the product before they buy it. Although the company also has an E-commerce division aimed at generating further sales, most ‘big’ purchases are continually made in the store.

Pre-Export Activity and Internationalization

Initially, the company only had a physical store in Bankeryd. As a result, customer reach was limited as most customers derived from the Jönköping area. However, utilizing the data collected through their E-commerce division, coupled with physical customer-orders, the two brothers eventually realized a growing customer base in the larger cities (i.e. Gothenburg). Eventually, a decision was made to open up a store and based on the positive experience in Gothenburg; two more stores were opened up in Stockholm and in Malmo.

In the meantime, orders from foreign customers also began to increase and these sales were executed both online, and through sales agents calling from Sweden.

“When we decided to expand our sales outside Sweden, Norway was our first choice as we seemed to be most well-known there (...) This decision to expand was based on two key factors – customer data as well as the currency factor at the time”. (FS)

Customer data was initially collected through their customer orders (both physical and online) but as their business grew they realized that they needed to invest more in foreign markets to grow faster. In 2011, the company made a significant investment in its quest to capture more of the Norwegian market and acquired the Norwegian company “Foto&Video”. As a result, the company today employees 85 people in Sweden and a further 65 in Norway.

Summary of Empirical Data

Firm	Year of Inception	Country First Entered and Year	Born Global vs. Traditional Firm	Decision-Maker/Manager	Level of Previous Relevant Industry Experience	International Orientation
Travelize	2002	Denmark (2002)	Born Global	Anders Johansson	Medium	High
				Peter Lindberg	High	High
PNT Water	1987	Norway (2000)	Traditional Firm	Joakim Karlsson	High	Low
				Henrik Erlandsson	Medium	Low
				Thor Karlsson	low	Low
Jetreq Components	2007	Estonia (2008)	Born Global	Johan Quiding	Low	Low
Scandinavian Photo AB	1994	Norway (2011)	Traditional Firm	Fredric Ståhl	Low	Low
				Joakim Ståhl	Low	Low
				Kenneth Ståhl	Low	Low

Table 3 - Summary of Empirical Data

5. Discussion

Factors Affecting Perception of Attention-Evoking Factors

Prior Industry Experience

As pointed out by Tan et al (2007), the pre-internationalization process is characterized as an on-going learning curve where the more experience a decision-maker possesses, the higher the probability that they positively perceive export-related stimuli. This learning curve, according to the empirical data, begins its steepest climb when the decision-maker is initially exposed to

the respective industry (i.e. gets his/her first job). Therefore, hypothetically, more time spent within an industry results in a steeper learning curve and a steeper learning curve leads to a higher probability of awareness and (positive) perception of stimuli. This assumption is also based on Wiedersheim-Paul et al (1978) initial statement where they argued that perceptions of stimuli can remain dormant until certain events are experienced. Therefore, more time spent within in an industry increases the likelihood that ‘certain events’ are experienced enabling decision-makers to pick-up, interpret, and act upon internal and external attention-evoking factors.

This hypothesis however was not fully supported by the empirical data. The data suggests mixed results on how a manager’s previous industry experience influences the pre-internationalization process. On the one hand, the company with the decision-makers who have the most industry experience (PNT Water) was reflected by the slowest internationalization process. It took the company thirteen years to enter its first market but it can be argued that this slow internationalization process was due to a number of controllable factors (lack of managerial incentive, low firm growth-incentive, low international orientation, etc.) and uncontrollable factors (different product demand between countries, cultural barriers, etc.). These factors will be discussed later. On the other hand however, Travelize is also a company where the decision-makers have had extensive industry experience (approximately twenty years) and unlike PNT Water, their international expansion has been rapid and aggressive. This extensive amount of time within an industry allowed Peter and Anders to recognize a gap in the market and utilize their knowledge and connections to fill it. As will be seen in the next section, the extensive international orientation that the managers possessed also played a significant role the perception of attention-evoking factors which resulted in a very aggressive internationalization strategy.

On the other end of the scale, the decision-makers in Scandinavian Photo had no previous experience within the photo industry and this lack of experience was shown in their pre-internationalization process. When reflecting back to Reid’s (1981) innovation-related pre-export behavior, the managers within Scandinavian Photo experienced a constrained ‘export-awareness’ stage (stage one in Reid, 1981) due to the managers limited past industry experience, limited foreign market knowledge, and no established export-related attitude. The firm on the other hand had one key advantage, which was not discussed in both Reid (1981) model and Wiedersheim-Paul et al (1978) model – an E-commerce division. As will be mentioned later, the pre-export literature does not take into consideration the effects of

technological advancements and their impact on the exposure/perception of attention-evoking factors during both the pre-internationalization stage and the internationalization process.

The last case (Jetreq Components) was also a special case as even though the founder/decision-maker had only one-and-a-half years of relevant experience, the arrival of co-workers/friends (closely after inception) proved to be a vital point in the pre-internationalization phase. The influence of multiple decision-makers, co-workers/co-managers and new employees will also be discussed later.

International Orientation

The academic literature suggested that the wider the international experience of a decision-maker, the wider their exposure to attention-evoking factors and the more likely they were to positively perceive such attention-evoking factors (Wiedersheim-Paul et al, 1978; Reid, 1981; Caughey and Chetty, 1994; Collinson and Houlden, 2005). This assumption would then lead us to believe, that decision-makers with a wider international orientation adopt a more aggressive internationalization strategy (as a result of a greater ability to capture and interpret foreign stimuli). Interestingly, the data does not suggest any conclusive evidence. Based on this assumption, we would expect to see that the decision-makers within the two Born Global firms (Travelize and Jetreq components) possessed a very strong international background and that because of this personal characteristic, they were better able to identify and perceive export stimuli. Although this was clearly the case with Travelize, it was not so clear with Jetreq Components.

The two managers at Travelize had a wider international orientation than decision-makers/managers/employees in any of the other three companies. Interestingly, they are also the ones who have expanded their company the most. Before Travelize was found, both managers had acquired considerable international experience from their previous employer and as a result, it gave them an opportunity to observe how other decision-makers act, given the same attention-evoking factors. Consequently, through the experience of working with travel agents/companies all around the world, they were able to identify a market-opportunity which other decision-makers could not realize. This could arguably be based on the Anders' and Peter's ability to better perceive external attention-evoking factors than other decision-makers at the time and this greater ability is, in part, due to their wider international orientation. As a result, after the inception of the firm, this exposure to travel industries across four different continents had a positive influence in their motivation and expectations of

internationalization. This was characterized by a very rapid expansion strategy where commitment to foreign markets happened almost immediately following inception.

On the contrary, Johan, who was the founder of the other BG, had never lived or worked outside of Sweden. His only exposure to foreign stimuli was acquired during his previous work experience. By being able to develop relationships with overseas customers/suppliers, he was also able to discover an international market opportunity. However, this discovery cannot be traced to his international orientation as it was relatively non-existent. As will be seen later, this discovery was influenced by two other factors - the arrival of new employees (who did in fact possess a wide international orientation) and information technology.

Alternatively, where there was conclusive evidence was with the two Traditional Firms (Scandinavian Photo and PNT Water). All the decision-makers and managers within these two firms had a relatively non-existent international orientation and only one of the decision-makers/managers in each firm (Kenneth in Scandinavian Photo and Thor in PNT Water) had actually lived abroad (for educational purposes). As mentioned before, although the decision-makers in PNT Water had the most industry experience, they had a very limited international orientation and it can be argued that such personal characteristics may have hindered their eventual internationalization process. These findings are in line with the results of Bloodgood et al (1996), Kundy and Katz (2003), Zahra et al (2003), Rialp et al (2005), and Crick (2009) who argued that the level of a decision-makers' international orientation influences the firm goals, growth strategy, and internationalization strategy. Looking back at Reid's (1981) five-stage model, the decision-makers in Scandinavian Photo and PNT Water had a convoluted experience in reaching stage one (export awareness) of the five-stage export process. This significant decision-maker variable (lack of international orientation and lack of exposure to foreign information) coupled with key firm characteristics (lack of foreign orders and small foreign visibility) hindered the decision-makers ability to recognize foreign opportunities. Therefore, by not knowing how to initiate and behave in the pre-export phase, the rate at which it took the two firms to reach stage one was relatively slow. This can also be seen from the lens of Johanson and Vahlne's (1997) Uppsala Model where the state aspects (lack of knowledge about foreign markets and operations) had an almost non-existent influence on the change aspects (no real decision to commit resources).

Influence of other decision-makers

Two of the four companies were represented by multiple decision-makers. This implies that the perception of attention-evoking factors and export stimuli occurred multiple times

increasing the probability that foreign business opportunities were recognized and appropriate action was taken. The impact of multiple decision-makers was not taken into consideration by Wiedersheim-Paul et al (1978) in terms of the influence it has on the perception of attention-evoking factors. What was taken into consideration however, was the explanation of how the arrival of new decision-makers/employees influences the pre-export behavior of a firm. This consideration was well-supported by the empirical data in two of the four cases.

Jetreq Components and PNT Water were two of the more clear examples where the arrival of new personnel not only changed the way in how the firm was run (PNT Water – the arrival of two new decision-makers) but also brought in a different lens into how information was perceived/interpreted/analyzed (Jetreq Components – the arrival of an Estonian employee). In particular, the arrival of the Estonian employee into Jetreq Components, who had a strong international orientation, brought with him a new way to perceive export stimuli. Consequently, this difference in perception, after discussions, also played a role in influencing Johan's perceptions which eventually enabled him to recognize a foreign business opportunity. Therefore, with a new recognition, a new strategic action was adopted leading to a change in pre-export behavior.

Pre-internationalization process - Born Globals vs. Traditional Firms

Considering that Wiedersheim-Paul et al (1978) pre-export model was developed in the 1970s, one could question the validity and the generalizability of the model in today's globalized and technologically developed world.

Born Global

The empirical data suggests three main factors, in relation to BGs, which the pre-export model fails to explain:

1. Pre-internationalization activities begins before the inception of the firm

Travelize and Jetreq Components (the two BGs) began foreign expansion within twelve months of their inception which therefore implies that some pre-internationalization activities must have taken place before the inception of the firm (meaning decision-makers were exposed to and therefore perceived certain attention-evoking factors while still at their previous employer). As a result, this previous exposure enabled the entrepreneurs to identify an international market opportunity enabling the soon-to-be decision-maker to enter the 'export awareness' stage (stage 1 in Reid, 1981). It is argued that decision-makers enter the 'export awareness' stage when there is a recognition of a problem/opportunity and/or when

there is an arousal of a need but, according to Reid (1981), this entrance is influenced by both managerial characteristics and firm characteristics. Such market-opportunity recognition however, in the cases of Travelize and Jetreq Components, had already occurred before the respective firms were born contradicting the findings of both Reid (1981) and Wiedersheim-Paul et al (1978) who argue that pre-export activity begins after firm inception. Eventually, this opportunity discovery also influenced the soon-to-be firm's goal and growth strategy. Again, this is contrary to Wiedersheim-Paul et al (1978) where it is argued that firm goals, growth-orientation, and past behavior, influence the pre-internationalization behavior and although this is true for traditional firms, it is not suitable to BGs.

From this sense, it can be argued that Wiedersheim-Paul et al (1978) model does not explain the pre-export process of BGs adequately. Although they argue that decision-maker characteristics (i.e. experiences gained prior inception, international orientation, etc.) can influence the behavior of a firm during the pre-export process, it is assumed that a firm must already be established before pre-export activity actually begins. The empirical data clearly illustrates that the decision-makers of the two BGs were aware of international market opportunities before physically starting the company. Therefore, before inception and while still all working at their previous employers, the soon-to-be entrepreneurs already begun the process of identifying market opportunities through the exposure to attention-evoking factors and eventually began determining (hypothetical) means to capture these market opportunities (without the influence of an existent firm or its environment).

2. Firm's past behavior does not influence a BG's pre-internationalization process

Wiedersheim-Paul et al (1978) and Reid (1981) argue that a firm's operations prior internationalization (i.e. domestic expansion) influence the decision-makers perception of attention-evoking factors; which as a result influences the entire pre-export process. But what happens when a BG enters a foreign market almost immediately after inception?

Unlike traditional firms, where decision-makers have the opportunity to base future perceptions of export stimuli on a firm's previous activities, BGs are restricted in their learning endeavors. As seen in the empirical data, the two BGs began international expansion within twelve months of inception and did therefore not have time to learn or acquire feedback from past firm behavior. Neither firm expanded domestically which therefore implies that the judgment to internationalize was based on the decision-makers' perception of attention-evoking factors without the influence of the firm's past behavior (reiterating the aforementioned point). Furthermore, since both firms entered more than one country (almost)

simultaneously, there was also insignificant time for learning to occur between the first market entered and the second market entered. From this perspective, and contrary to Wiedersheim-Paul et al (1978) and Reid (1981), BGs are not given the luxury of learning from their past behavior and this learning only takes place after several markets have been entered. Such learning can theoretically take a long time and until it happens, and the actions which the SME has performed may be irreversible. Therefore, the influence of the firm's past behavior (which in the two BG cases was limited only to insignificant domestic sales) can be said to have almost no impact on the consequential internationalization strategy. Of course, such a bold statement is only based on the findings of two SMEs and for a more accurate result; a larger sample would need to be studied.

3. BGs constantly exhibit an 'active' pre-export seeking activities

As mentioned earlier, the decision-makers within the two BGs had already determined there were potential international opportunities to be gained. As a result, decision-makers within both firms began with an 'active' approach to pre-export information activities which was characterized by decision-makers having a high willingness to start exporting, high information collection activity, and high information transmission activity. This is contrary to Wiedersheim-Paul et al (1978) who argued that most firms begin pre-export information activities within the 'domestic' group and a transition into the 'passive'/'active' group is only achieved following internal and/or external changes (which consequently influence a decision-makers perceptions of attention-evoking factors). What was more interesting is that the two BGs did not leave this group despite negative experiences. Jetreq Components who had failed attempts at entering the Estonian and French market, did not change Johan's mindset in relation to the firm's pre-export activities reiterating the fundamental points in BG literature (that entrepreneurs have a global view of their market and are constantly looking for ways to capture this opportunity)

Traditional Firms

Despite the three exceptions in relation to BGs, the Wiedersheim-Paul et al (1978) model, alongside Reid (1981) and Johanson and Vahlne (1977) models, continues to provide a very accurate description on the pre-export behavior of Traditional Firms. Unlike BGs, the 'firm characteristics' and 'firm environment' proved to be particularly important characteristics in explaining the pre-export behavior of traditional firms. Such a striking resemblance can theoretically be traced back to the year in which the pre-export model was created. In the late

1970s, the staged-approach internationalization literature was beginning to emerge and it can be said that the inspiration behind the model was derived from such literature.

For the two Traditional Firms, PNT Water and Scandinavian Photo, the firm's location was vital. Given the nature of the products and the necessary communication between buyer and seller, staying close to the customers was imperative. Through this need of close relationships, both firms had an initial focus on the domestic market and were mainly focused on capturing as much of it as possible. In relation to the three 'pre-export activity' groups outlined in table 1, both the Traditional Firms, at inception, possessed the characteristics highlighted in the 'domestic' group – low willingness to start exporting, low information collection activity, and low information transmission activity (Wiedersheim-Paul et al (1978). The exit out of the 'domestic' group and the arrival into the 'passive' group occurred as a result of internal changes (arrival of a new decision-maker at PNT Water) and external changes (growing customer base leading to greater collection of information) which ultimately influenced the decision-makers capacity to perceive attention-evoking factors. Once again, such proceedings are identical to Wiedersheim-Paul et al (1978) findings. Interestingly this initial shift in groups is also well explained in Reid (1981) five-stage innovation-process where it was argued that a firm enters the 'export intention' and 'export awareness' when, in the case of Scandinavian Photo, there are problems with a local market (market saturation), and/or decision makers recognize foreign market opportunities (following the arrival of Henrik). For Scandinavian Photo, such changes resulted in a domestic expansion before the eventual internationalization.

With an increase in domestic market activities and a greater commitment of resources (in the case of Scandinavian Photo), decision-makers within the two firms were now experiencing changes in their motivation, attitude and expectancy towards exporting. Such a change is characterized by the entrance into 'active' pre-export activity stage where behaviour, according to Wiedersheim-Paul et al (1987), is characterized by a higher willingness to start exporting, and a higher information collection/transmission activity. Based on the experiential learning acquired during the domestic activities, decision-makers in both Traditional Firms eventually decided to enter their first foreign market. Along the lines of Johanson and Vahlne (1977), the choice of market was based on a decision where both physical and psychic distance was low. This decision is also relatable to the 'export trial' stage in Reid (1981) five-stage process. In particular, Scandinavian Photo, through market data acquired from customer orders and their E-commerce division (firm variables), alongside managerial efforts into

evaluating alternative entry modes (managerial characteristics), were the ‘trigger cues’ to initiate internationalization. Similarly, personal connections with Norwegian firms (managerial characteristics) alongside a niche market demand for their products, proved to play the key roles behind PNT Water decision to enter the Norwegian market.

6. Conclusion

Conclusion

This study has confronted the outdated Wiedersheim-Paul et al (1978) pre-export model against modern day SMEs and its representatives. In particular, it has focused on emphasizing the aspects which need revising to allow the model to better fit today's globalized business environment. The findings lead us to a number of different conclusions.

Firstly, the Wiedersheim-Paul et al (1978) model presumes that pre-export activities start from the moment a firm is physically born. Although it is arguably true for Traditional Firms who follow a staged-theory and base their internationalization decision based on prior experiences and learning, it is not true for Born Globals. This research has found that pre-export activities start well before the founding of a firm and is reflected by the entrepreneur's exposure and perception of attention-evoking factors acquired during previous work-experience. Ultimately, it is this attention and perception which initially enables the entrepreneur to discover foreign (and domestic) market opportunities and this perception is not influenced by the (non-existent) firm and its environment, as argued by Wiedersheim-Paul et al (1978). Secondly, the findings also suggest that entrepreneurs with a low international orientation tend to adopt more traditional pre-export behavior, categorized by a slow and incremental expansion strategy. Thirdly, the impact of multiple decision-makers and/or arrival of new employees are another aspect which influences, not only the perception of attention-evoking factors, but also the pre-export behavior. Such factors were not emphasized in the model and provide a good foundation for future research.

Given that Wiedersheim-Paul et al (1978), at the time of the development of the model, would have been influenced by a growing number of traditional internationalization literatures (i.e. Uppsala Model) it is no coincidence that their model almost perfectly explains the pre-export behavior of modern day firms who also internationalize along the lines of a staged-approach. In particular, the three main factors which are argued to influence a decision-makers’

perception of attention-evoking factors – decision-maker, firm, firm environment – all played a vital role in explaining the pre-export behavior in the two Traditional Firms.

On the contrary however, there are some severe deficiencies in the outdated pre-export model/literature when it comes to explaining the pre-export behavior of Born Globals. Three main points were found. Firstly, evidence has suggested that decision-makers begin performing pre-internationalization activities before the actual inception of their firm. In particular, the initial attention and perception of external attention-evoking factors occurs independently and without the influence of the firm and firm environment (which questions the starting point of pre-export activities in Wiedersheim-Paul et al, 1987 model). This event, which leads to a recognition of a domestic/foreign market opportunity, is what ultimately influences the soon-to-be firm's goal and growth strategy. However, following inception, the influence of the firm and firm environment on a decision-makers perception of attention-evoking factors is re-ignited. Secondly, unlike Traditional Firms who base their initial internationalization decision on feedback from domestic operations, Born Globals who internationalize almost instantly do not get the opportunity to learn from their firm's previous business activities. Therefore, a decision-makers perception of attention-evoking factors does not experience change until learning takes place (which may happen after multiple markets are entered). Thirdly, Born Globals, from day one, exhibit behavior that is found in the 'active' pre-export activity group meaning there is a high willingness to start exporting, and high information collection/transmission activity. Such activity does not change following negative experiences.

Limitations

As is common in multiple case study research, a key limitation was the generalizability of the findings. Since the research only took four Swedish SMEs into consideration, in four different industries, practical generalizations cannot be made. To provide more generalizable findings, studies would have to be conducted across multiple countries to provide international comparisons of SME pre-export behavior. On top of this, conducting studies using industry-specific/age-specific/product-specific firms could also provide a more effective means in comparability and measurement.

Further research

This research has also identified some possible ideas for future research. In particular, and as observable in the cases, the impact of technological developments in IT and communication

has significantly changed a decision-makers exposure, attention, and eventual perception of (online) attention-evoking factors leading to a change in attitude towards exporting. Such factors provide endless information for decision-makers reducing the benefits and significance of possessing a deep international orientation. Furthermore, it can be argued that through online communication, the firm and its environment lose influence during the pre-export phase. Metaphorically, the other side of the world, for a firm, is just a mouse-click away. Secondly, given the significant role a decision-maker plays during the pre-export phase, understanding the pre-export phase from a decision-making perspective is also a proposal. In particular, understanding how the decision to reach internationalization is achieved may also help explain the pre-export behavior from a different perspective.

7. References

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8. Appendix

Appendix 1 – Export Adoption Stages (Reid, 1981)

Export Behavior As an Adoption of Innovation Process

	Stage 1	Stage 2	Stage 3	Stage 4	Stage 5
	Export Awareness	Export Intention	Export Trial	Export Evaluation	Export Acceptance
EXPORT ADOPTION STAGES	problem or opportunity recognition, arousal of need	motivation, attitude, beliefs, and expectancy about export contribution	personal experience from limited exporting	results from engaging in exporting	adoption of exporting/rejection of exporting
DECISION MAKER	past experience export-related or not; type, level, & amount of foreign information exposed to, and associated individual characteristics, unsolicited foreign orders	expectations from entry into foreign market, foreign market orientation, export orientation, and underlying attitudes toward foreign involvement	sought foreign orders through search of foreign markets	profitability, sales stability	export expansion activity shown by continued export growth as: (1) increased exports as a percentage of sales; (2) continued entry into new markets; (3) continued absolute export growth; (4) continued introduction of new products into export markets
FIRM	past firm performance, reputation, and visibility	managerial goals and existing firm resources	unsolicited foreign orders, existence of available managerial and financial resources	results from engaging in export behavior	
Variables Involved					