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Born Global E-Business Companies

-A theoretical model for the internationalization process

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Abstract

There are several models aiming to describe the internationalization process of companies. These models are based on traditional companies where distribution and physical products are common features (Bell, McNaughton, Young & Crick, 2003). This implies that these models need to be adjusted in order to fit e-business born global companies. Theoretical entry models for born global companies are still limited (Riapl, Riapl & Knight, 2004). The purpose of this thesis was therefore to develop a theoretical model for e-business born globals and their internationalization process.

In order to develop the model, the theoretical models chosen were evaluated and three e-business born global companies were interviewed. The developed model was put together with aspects from the Uppsala Internalization Process Model (Johanson & Vahlne, 1977, 2009), the Waterfall-, Sprinkler-, and Wave Strategy (Lymbersky, 2010), and the Integration Responsiveness Framework (Prahalad & Doz, 1987) because parts of them can all be seen in the internationalization process of born global companies, and they all fit e-business born global companies.

The developed model suggests that networks and relationships of the founder determine which markets to enter and is the first step. The second step consists of political-, legal- and social aspects that the company must evaluate. The third step is the most complex part of this model and concerns the decision whether to enter one market or several markets simultaneously and is determined case by case. The last step of the model suggests a combination of localization and standardization when entering new markets.

The model will hopefully be applicable for e-business born global companies when entering new markets and create a better understanding how the internationalization process works.

Keywords: Born global, e-business, EBC, internationalization process, Waterfall-, Sprinkler- and Wave Strategy, Uppsala Internalization Process Model, Integration Responsiveness Framework



List of definitions

Born globals: Born globals are defined as organizations that within a few years from being founded enter several international markets and have a global mindset from day one.

EBCs: E-business companies which entirely depend on the accessibility and usage of the Internet. An EBC is not necessarily a born global company.

Digital services: Completely automated services provided through the Internet on platforms such as websites and mobile applications.

Traditional companies: In this thesis, traditional companies are companies who do not fall under the category e-business companies or born global companies.

Traditional models: In this thesis, traditional models are referred to as models that were initially developed for traditional companies and describe the internationalization process.

Entry models: In this thesis, entry models are defined as models used by companies in stages of the internationalization process. The models used are Uppsala Internalization Process Model, Waterfall, Sprinkler and Wave Strategies, and Integration Responsiveness Framework.



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1. Introduction and Background

Digital services and technology have increased rapidly in recent years and are connected to the expansion of globalization. Through this, the phenomenon of e-business has also increased and is a part of many companies today (Hart, 2009). Another development that has evolved from the Internet is the appearance of e-business companies (EBCs) that are totally reliant on the services that Internet has to offer. Also connected to globalization is the internationalization process of companies. Through this process the availability of new and foreign markets has increased, especially for e-business companies (Dung Lee & Rothlauf, 2008).

It is important to understand how the internationalization process of born global companies works. Contrary to original expansion models, which suggest gradual steps of internationalization, the process for born global companies is much faster (Hollensen, 2011; Luostarinen & Gabrielsson, 2004). Some born global companies even leapfrog certain steps in the internationalization process (Hedlund & Kverneland, 1985). A common feature for born global companies is that they enter different markets simultaneously at the start of their international expansion (Halldin, 2012, 2012). Born global companies from small and open economies (SMOPEC) often face major challenges to master the international market immediately due to the fact that they might have limited financial resources (Luostarinen & Gabrielsson, 2004). As a result of the limited resources, these companies usually use hybrid distribution channels including relationships and networks (Madsen & Servais, 1997). Born global companies are usually niche focused such as in the technology industry. This leads to standardized products being a common feature for these companies instead of products being customized (Rasmussen & Madsen, 2002).

The fact that these companies have a global mindset and therefore see the world as one market, some of them are still restricted in the choice of which market or markets to enter first (Oviatt & McDougall, 1994; Tanev, 2012; McKinsey & Co., 1993; Knight & Cavusgil, 1996). The networks and contacts the company and especially the manager have are said to determine which market the company chooses to enter (Coviello & Munro, 1997; Keeble, Lawson, Smith, Moore & Wilkinson, 1998; Sharma & Blomstermo, 2003; Bell, Crick & Young, 2004). The entrepreneurs found in the company usually play a vital role in the internationalization process. Therefore, the success of the company is said to be dependent on to what extent his or her social- and business network is used, in combination with their experiences (Wictor, 2006).



From the information provided above, it is evident that born global companies are born into the internationalization process. With the increase of e-business around the world a new kind of economy has emerged and much of the focus lies on e-business companies (Phan, 2002) and born global companies specialized in Internet services (Gabrielsson & Gabrielsson, 2010). This raise the question whether new and extended research needs to be done regarding models of entry for e-business companies when going global (Dung Lee & Rothlauf, 2008).

1.1 Problem Discussion

The current problem is that research regarding entry models for born global companies is limited because of the rapid development of these companies in recent years (Riapl, Riapl & Knight, 2004). The challenge is that these companies are assumed not to follow the traditional patterns of internationalization due to the fact that they have a rapid and instant global focus from the beginning (Oviatt & McDougall, 1994; Aspelund, Madsen & Moen, 2007). The phenomenon and concept of born globals is not new and extensive research has been done but with focus on the actual concept (Tanev, 2012; Knight & Cavusgil, 2004; McKinsey & Co., 1993; Rennie, 1993). Even though there has been much research regarding the concept of born globals, it is still limited when it comes to choice of entry model in the internationalization process (Jantunen, Nummela, Puumalainen & Saarenketo, 2008).

It is evident that there is a gap between the research regarding the concept of born globals and existing traditional entry models. As mentioned, the concept has been subject to research but the empirical research has been more extended than the theoretical research regarding born globals. Therefore this research area would benefit to have entry models adjusted for these companies. This implies that more theoretical research needs to be done in order to develop a proper model describing the internationalization process of born globals in a new perspective (Riapl et al., 2004). One important aspect to consider is that these born global firms challenge the traditional models and future research therefore needs to address the actual lack of research (Coviello & McAuley, 1999; Fillis, 2001; Jones & Dimitratos, 2003; Zou & Stan, 1998). A theoretical model is needed to apprehend the current and interesting development of born globals (Madsen & Servais, 1997). Gabrielsson, Manek, Kirpalani, Dimitratos, Solberg and Zucchella (2008) have started to develop the theoretical research field regarding born globals. Their article focused on the different growth stages that the born global company goes through. The Uppsala Internationalization Process Model from



1977 has also started to fill the gap due to the fact that it has been further developed to fit the concept of born globals (Johanson & Vahlne, 2009).

According to Bell (1995), a large part of the born global e-business companies in his research diverged from the gradual process used in traditional models. This research has been supported by empirical observations done by Knight & Cavusgil (1996) and Oviatt & McDougall (1994) suggesting that new models needs to be developed. The fact that traditional models are not completely adjusted to factors faced by e-business born globals, research in this area could work as guidelines for current and upcoming e-business born globals (Bell & McNaughton, 2000; Bell, McNaughton, Young & Crick, 2003; Dimitratos & Jones, 2003; Kudina, Yip & Barkema, 2008). Lack of information increases uncertainty and higher risk for unsuccessful market entries (Segura-Cayuela & Vilarrubia, 2008), and if research is available, it can create an understanding of this certain phenomenon in a better way. Gabrielsson et al., (2008) focused on the growth stages of the actual born global company however, the research field of born global companies could benefit from a similar research but with focus on the stages of the internationalization process that e-business born globals go through, in a new perspective.

1.2 Purpose of the Study

The purpose of this thesis was to develop a theoretical model for e-business born globals and their internationalization process.

The contribution that this thesis provides to the research field of born globals is a first step to develop a combined model out of our specifically chosen theoretical models. This was done by analysing and evaluating existing literature regarding entering new markets for born global companies. The proposed model will hopefully continue the process of filling the gap between the concept of e-business born globals and traditional entry models, and be applicable for e-business born global companies in their internationalization process when it comes to entering new markets. Further contributions to this specific field are guidelines to enter new markets for current and upcoming e-business born global companies.



1.3 Delimitations

Our thesis has been delimited to look at certain traditional entry models that can be applicable for e-business born global companies. The focus is on e-business born global companies entering the international market. The part of the internationalization process that regards entry modes such as joint ventures, acquisitions etc. is not included in this thesis. The reason for not including entry modes was that even though they are a part of the internationalization process of companies, this was not the part that we wanted to focus on.

There are several models that could have been included in the theoretical framework of this thesis. However, the models chosen were seen in the internationalization process of born global companies. A certain model that could have been used but was not shown before the empirical findings were collected was for example the ETPS model (Economical, Technical, Political and Social) (Aguilar, 1967). Due to this, it is not a part of the theoretical framework in this thesis.

1.4 Thesis Structure

Introduction: Chapter one presents the introduction and the context of the thesis. The intention is for the reader to get an understanding about the gap between the research regarding the concept of born globals and existing traditional entry models. Previous research about born globals' internationalization process is provided to create a base for the theoretical framework chosen. This leads to the purpose of the study which was to develop a theoretical model. The delimitations made can also be found in this chapter.

Method: The second chapter describes how the methodology in this theoretical thesis has been conducted and the reasoning behind the choices made. The case study of Company X, Y and Z that supports the development of the model is also introduced in this chapter. The important aspects of credibility can be found here.

Theoretical Framework: Chapter three includes a description of the phenomenon born global companies. The traditional entry models; Uppsala Internalization Process Model, Waterfall, Sprinkler and Wave Strategies, and Integration Responsiveness Framework, that can be applied for e-business born global companies are also included in the theoretical framework.



Empirical Findings: This chapter will provide the reader with the empirical findings combined with the authors' analysis. The different companies are analysed separately.

Analysis: Chapter five will combine the analysis of the different companies in chapter four and the theoretical framework.

A Theoretical Model: In this chapter a theoretical model for e-business born global companies is put together from the analysis section.

Conclusions: The chapter will summarize the main findings in this Bachelor thesis with some suggestions on areas where future research could be focused.

References: In this chapter of the thesis, a full list of all the references used can be found.

Appendix: The last part of this thesis includes the questions asked when conducting the interviews.



2. Method

2.1 Research Method

A descriptive research method is preferred when the writer wants a description and an explanation rather than predictions based on cause and effect. A description of a phenomenon that already exists, without any manipulation of the research object, is made in this type of research method (Merriam, 1994).

The most appropriate approach to gain information needed to fulfil this thesis's descriptive purpose, is to conduct a case study (Yin, 2007). The case study provided support to develop the combined model out of the theoretical framework chosen.

2.1.1 Literature selection

A deductive approach is used to verify a theory through analysing actual happenings and behaviour, whereas an inductive approach starts in the empirical findings and thereafter creates new theories. A combination of these approaches is called an abductive approach, where the author goes back and forth between theory and empirical findings (Merriam, 1994). The fact that there is a research gap between the concept of born global companies and traditional entry models as mentioned earlier, this paper proceeded from the models described in the theoretical framework and then moved forward with empirical findings to support the creation of the developed model. The fact that we proceeded from theory to the empirical findings and then developed a theoretical model based on both these sections indicated an abductive approach.

In a theoretical research strategy, empirical findings only exist to support and validate the theory, which is also the main focus. Empirical findings are usually a large part of academic texts however in texts with a theoretical problematization, theory is given a bigger role compared to the empirical findings. Having theoretical statements as problematizations is not that common, but they are preferred when new theoretical frameworks are developed (Styhre, 2013). This theoretical thesis is based on the theoretical framework chosen and used a case study to support the development of the model.

There is an array of models and theories within this subject and therefore only a few models were chosen. The models were selected based on the internationalization process that born globals are said



to follow and the criterion that they fit e-business born global companies and their characteristics. Based on these requirements and co-occurrence in relevant literature, a few specific traditional entry models were selected. Therefore, models that consider distribution which requires physical products are not part of the theoretical framework in this thesis. The models chosen are not dependent on physical products and are therefore also assumed to be applicable for e-business companies. None of the models chosen are dependent on the pace of internationalization and is therefore another reason that they fit e-business born global companies.

The models chosen in this thesis are the Uppsala Internalization Process Model (Johanson & Vahlne, 1977, 2009), the Waterfall-, Sprinkler-, and Wave Strategy (Lyubersky, 2010), and the Integration Responsiveness Framework (Prahalad & Doz, 1987). They all regard different stages in the internationalization process. The Uppsala Internalization Process Model concerns the initial stage when born globals consider markets to enter and is connected to relationships and networks. The second stage concerns the Waterfall-, Sprinkler-, and Wave Strategy and consider the number of markets for a company to enter. The Integration Responsiveness Framework regards the third step and the company's global integration and local adaptation.

One of these models, the Uppsala model, was altered by Johanson and Vahlne (2009) as a response to the rapid industry of born globals and is therefore a part of this thesis. The reason why the developed theoretical model is not solely based on the Uppsala model is that it does not cover stages in the internationalization process that the other chosen models do. Both the original- and the revised version of the Uppsala model contain important aspects in the internationalization process. Networks, relationships and the importance of the entrepreneur were the common factors that were found both in the internationalization process and in the empirical findings and these aspects were therefore the focus in this thesis. All models selected consider different steps in the internationalization process. By combining the models, a broader spectrum of the internationalization process could be evaluated and this was needed to fulfil the purpose of the thesis.

The developed model is based on the chosen entry models, which are applicable for e-business born global companies. However, it is important to acknowledge that there is a range of theoretical models that could be used in this thesis. Aspects from the Uppsala Internalization Process Model, the Waterfall-, Sprinkler-, and Wave Strategy, and the Integration Responsiveness Framework can all be seen in the internationalization process of born global companies and was therefore the most



appropriate theoretical framework to base our thesis and the developed model on. The proposed model in this thesis therefore consider aspects from all traditional entry models chosen, in combination with industry specific information provided through interviews, to enhance characteristics of e-business born global companies that might not be found in these traditional entry models. This means that this developed model is hopefully suitable for e-business born global companies.

The developed theoretical model is of descriptive features due to the fact that the research regarding entry models for e-business born global companies is lacking. The model tries to explain how e-business born global companies enter new markets with regards to the internationalization process. However, it is important to remember that a model is only a description of reality. It tries to explain complex processes and is therefore not always applicable for living organizations. Also, for the model to be rectified it must be recognized in the research field of born globals. It is also important to remember that if different theoretical frameworks are used, it might result in different findings, and in this case a different model being developed. This can be related to the quote by Heisenberg (1958, cited in Best and Kellner 1997:212) “What we observe is not nature itself, but nature exposed to our method of questioning”.

2.1.2 Qualitative Method

Information that is presented by words is labelled as qualitative data (Patton, 1980). A qualitative method is often identified as a soft method compared to a quantitative method, which is used to interpret and explain statistical results (Gillham, 2000). Qualitative data consists of detailed descriptions of situations, events, people and observed behaviour, and of direct quotations from different people regarding their experiences, attitudes, opinions and thoughts (Gillham, 2000; Patton, 1980). Qualitative research focuses on content and context, and therefore demands a sensitive approach to the collection and analysis of data. The companies in the case study wished to be anonymous and therefore the sensitive information was analysed in a conscious way. Qualitative methods focus on the process rather than the result. For a qualitative approach, data collection and analysis are conducted at the same time. However, this does not mean that the analysis has to be finished when the data is collected. A qualitative approach is, to great extent, built upon information from interviews, observations and documents of different kinds (Merriam, 1994).



A qualitative approach is favoured when examining the reality from inside, to discover how things actually are (Gillham, 2009). When testing models, qualitative data should be incorporated (Bryman & Bell, 2013). A qualitative method was preferred for this theoretical thesis because in order to develop a theoretical model, information that was provided through a case study was needed. Getting a deeper insight into how the companies operate when going international made the connection to traditional entry models clearer and was additional support to strengthen the developed model.

In a quantitative method focus is on measuring the range of an opinion, an attitude, an event or a behaviour, rather than describing them (Merriam, 1994), which was the case in this thesis. A quantitative method would not provide enough in depth information to develop this specific model.

2.1.3 Case Study

There are numerous different research strategies and the one used should be appropriate for the purpose of the study (Yin, 2007). Adelman, Jenkins and Kemmis (1993) described that one can decide the research question first and thereafter choose a certain case. This was the approach chosen in this thesis due to the fact that the subject e-business born globals was chosen prior to the selection of companies. The criterion for selecting the companies was that they were e-business born global companies with all their operations online. The chosen companies are all e-business born global companies based on the characteristics of born globals, but they are all in different industries. The companies wished to be anonymous and they will therefore from now on be referred to as Company X, Company Y and Company Z.

The purpose of a case study is to contribute with information to a specific phenomenon that regards current events (Yin, 2007; Merriam, 1994; Gillham, 2000). It is used when the boundaries between the current events and the context are unclear (Yin, 1981a, 1981b). Normally, a case study is preferred when a paper has an exploratory purpose, but it is also possible for a descriptive project (Yin, 2007) as in this thesis. We chose to use a case study in order to better understand the process of born global EBCs becoming international and used the information to develop our model. Evidence, which is required for the case study, can be collected from documents, formal written sources, interviews and observations (Yin, 2007; Gillham, 2000). The focus in this thesis was on the theoretical framework, but the interviews were seen as support in order to fulfil the purpose.



Even if case studies are a fairly common method, some criticism has been raised. Case studies are said to lack stringency and incorrect conclusions are often drawn from the evidence. Another concern regarding case studies is that it is difficult, in a scientific way, to generalize results and the results cannot represent a whole population. Analytical generalization is about using an already existing theory and having this as a template when comparing the results from the chosen case study. From the criticism stated, it is difficult to perform a good case study and the qualities necessary to do a good case study are unknown or at least undefined (Yin, 2007).

It is usually public information when firms enter new markets and countries. However, the detailed information to understand the complex choices behind market entries was only provided through in-depth interviews. Also, the information needed could be regarded as sensitive information and is therefore not always publicly offered. This further strengthens the choice to do interviews since the level of trust between the two parties involved is higher when using this technique compared to anonymous questionnaires (Merriam, 1994). Web surveys and anonymous questionnaires could provide more extensive information to measure the relevance of the traditional entry models chosen in this thesis. However, to be able to develop a theoretical model qualitative information was needed and this was only provided through in-depth interviews.

The choice of interviewee for a qualitative case study depends on what kind of answers the interviewer is looking for. It should therefore be a key person in regards to the research question (Merriam, 1994). A face-to-face interview is the best way to get as much information as possible but at the same time, this type of interview technique is very time consuming. Telephone interviewing is favoured when time and money is limited for setting up face-to-face interviews (Gillham, 2000). Due to the fact that all of the companies did not have time to do face-to-face interviews, we have used a combination of face-to-face-, telephone- and mail interviews in this thesis. Even though face-to-face interviews are preferred, the telephone and mail interviews gave enough in-depth information to fulfil the purpose.

In qualitative interviews, the main purpose is to get certain information (Yin, 2007; Merriam, 1994). Interviews should be performed when the questions are open but regard sensitive facts, and when the gained information is seen as crucial (Gillham, 2000). There are different types of interviews; structured, semi-structured and unstructured. In structured interviews the questions and their order are decided beforehand. Semi structured interviews have certain questions written beforehand but it



is also possible to take on the situation as it develops in regards to new ideas and thoughts. When all questions are developed during the course of the interview it is referred as an unstructured interview (Merriam, 1994; Gillham, 2000). When performed in a correct way, the flexible semi-structured interview contributes with the highest level of information (Gillham, 2000).

In this thesis, the phone- and the face-to-face interviews were semi-structured interviews with beforehand written questions and some attendant questions to make sure that the interviewee and the interviewer understood each other completely. This also made the interview more relaxed for both parties. The motive behind the choice of a semi-structured interview was to get as much information as possible. The mail interviews in this thesis were structured. All interview questions were in Swedish, except definitions and explanations of theories and models, which were defined in English (Appendix). To make sure that qualitative data was not lost, a combination of notes and a recording device were used.

Questions are supposed to refer to behaviour and experiences, opinions, values, feelings, knowledge, and background (Merriam, 1994). Why-questions should be avoided during the interview and reconstructed into how-questions so that the interviewee feels more comfortable. This result in an open interview and the questions can concern both facts and opinions (Yin, 2007; Becker, 1998). The most usual method to register interview information is to use a recording device (Merriam, 1994). In our case study, the first questions were phrased as opening questions that were easier to respond to. Thereafter, they started to become more detailed to make the interviewee feel more comfortable with the subject at hand. Most time was devoted to the key questions regarding market entries to make sure that the interview resulted in qualitative answers strong enough to make a good analysis. The last part was to confirm the answers from the previous questions. This meant that they first described the process of going international and then the last questions focused on how their specific process was related to the chosen theoretical models. The interview questions were sent the day before so that the interviewee could get a grasp of how the interview was to be carried out. This also gave the interviewee a chance to think about the questions and answers before the actual interview. The benefits of sending the questions beforehand was that we were able to get more in-depth answers regarding our subject which were important because we had limited time for the phone- and the face-to-face interview. However, one downside from an objectivity perspective is that the interviewees might have been led to some answers because of the questions.



2.1.3.1 Case study of Company X

The case study of Company X was conducted through a face-to-face qualitative in-depth interview. The interviewee was a preeminent individual within the company and was chosen because this person was expected to have the deepest knowledge about the internationalization process of the company. The individual was contacted personally through e-mail. The only criterion for selecting the company was that they were an e-business born global company with all their operations online. In addition to the face-to-face interview, an e-mail interview was also conducted with another preeminent individual within the company located at one of their offices abroad. We came in contact with this individual with the help from the first interviewee. The interviews provided rich information needed to fulfil the purpose of this thesis. The face-to-face interview lasted approximately 55 minutes.

2.1.3.2 Case study of Company Y

The case study of Company Y was conducted through a telephone in-depth interview. The interviewee was the chief executive officer and one of the founders of the company, and was chosen because this person was expected to have the deepest knowledge about the internationalization process of the company. The individual was contacted personally through e-mail. The criterion for choosing Company Y was that they were an e-business born global company in the online industry. Due to the rich information provided by the interview, we could more easily fulfil the purpose of this thesis. The interview lasted approximately 35 minutes.

2.1.3.3 Case study of Company Z

The case study of Company Z was conducted through a mail interview. The interviewees were the communication division of the company and one of the co-founders. The co-founder was contacted personally through e-mail and was chosen because it was expected that the founder would have the deepest knowledge about the internationalization process of the company. The company was chosen because they were a born global EBC with all their operations online. From the interview we gained rich information.



2.2 Information Gathering

2.2.1 Primary Sources

Primary sources are material that is based on raw data (Booth, Colomb & Williams, 2004). Interviews are a primary source (Merriam, 1994) and in this thesis the case study consist of qualitative in-depth interviews with preeminent individuals within Company X, Y and Z. The main reason for these in-depth interviews was to gain information about the companies' entry strategies that was not available through secondary sources.

2.3 Analysis of Theoretical Framework and Empirical Findings

In this thesis, we went through the existing literature, research available regarding the concept of born globals and their internationalization process. Based on this information, the theoretical framework was chosen. To support the models used, a case study of three companies were made. When combining the theoretical framework with the empirical findings, the model was developed.

When analysing the collected empirical data, different patterns should be found. An understanding of the underlying reasons for these patterns should be reached, instead of making the data fit the beforehand ideas. It is important to structure the empirical data into categories to facilitate the analysis (Bryman & Bell, 2013). This was the method used when analysing the information from the interviews. The empirical data was written following the order of the interview questions and each company were an own category. All interviews were transcribed to make sure that no valuable information was left unanalysed. In the chapter empirical findings the companies were analysed separately with the theoretical framework in mind, and the findings from all companies were put together in the analysis section.

2.4 Credibility

The credibility of this thesis will be discussed in regards to reliability, validity and criticism of sources. To increase the credibility of this thesis, four interviews were conducted and thereafter analysed.



2.4.1 Reliability

Reliability is about being consistent in the research conducted and is often connected to quantitative research (Bryman & Bell, 2013). If the same research method is done by another external party at another time, the same results should be reached (Yin, 2007; Merriam, 1994). The purpose of reliability is therefore to minimize flaws and skewness in research (Yin, 2007).

In order for the reliability to be higher and for it to be applicable in this qualitative case study, the different steps throughout this thesis were presented closely. The fact that the companies in this thesis are anonymous makes it harder for another party to conduct the same research and reach the same results. Hence, the degree of reliability of this thesis can be criticized.

2.4.2 Validity

Validity, which is often associated with quantitative studies (Bryman & Bell, 2013), is about using multiple sources to secure the credibility of data and evidence found. This is important to consider when collecting data but also when the report is compiled (Yin, 2007; Merriam, 1994). Several interpretations of the same information and research are possible. Results are therefore valid until they are contradicted by new information (Merriam, 1994).

Since our results are only based on Company X, Y and Z, it is difficult to obtain any general conclusions. Companies are living organizations where change happen constantly. However, the steps described in the developed model should be seen in e-business born globals more or less.

2.4.3 Criticism of Sources and Objectivity

The concept of born global companies is not a recent one and therefore some of the sources cited in this thesis are not as updated as others. However, they are still relevant regarding the subject and are therefore taken into consideration. Within this subject, there are certain researchers and authors that are more prevalent than others, who also refer back and forth between each other, making criticism of their work less evident. The Wave strategy described in the theoretical framework is only referenced by the creator of this strategy due to the fact that he is the only author and researcher found regarding this strategy.



The case study conducted can also be criticised since the respondents are internal parties of the companies and are therefore not completely objective when describing the company. The information needed in this thesis can however not be obtained by an external party.

2.5 Limitations

As a result of limited access to companies, only one case study consisting of three companies and four interviews were made. Therefore, the fact that no generalizations can be drawn from the results presented in this thesis is another limitation.



3. Theoretical Framework

The theoretical framework in this thesis is divided into two parts where the first part will discuss the general concept of born global companies and the research conducted in this field. The second part will consist of the Uppsala Internationalization Process Model, the Waterfall-, Sprinkler- and Wave Strategy, and the Integration Responsiveness Framework.

As mentioned earlier, the following traditional entry models are the most appropriate when evaluating e-business companies which have all their operations online. They all describe different stages in a company's internationalization process and it is therefore important to understand their role separately before combining certain aspects together.

3.1 Born Globals

In recent years it has been shown that some companies do not follow the traditional ways of becoming international. Increased global integration with deregulations and privatizations has led to the sensation born global companies (McKinsey & Co., 1993; Oviatt & McDougall, 1994; Rennie, 1993). New types of businesses and strategies are challenging traditional perspectives. Factors such as more developed networks, a stronger focus towards standardized products, convergence in consumer desire and rapid streams of information among other changes have all paved the way for these new perspectives (Hashai & Almor, 2004).

Born globals are typically characterized as small and medium enterprises, which usually lack domestic operations and domestic markets. The process of internationalization is faster for these companies in contrary to original expansion models which suggest gradual steps of internationalization (Hollensen, 2011; Luostarinen & Gabrielsson, 2004). The majority of their revenues are gained in international markets rather than the domestic market (Korot & Tovstiga, 1999). The founder of the company, often an entrepreneur, plays a vital role in the internationalization process, and the success of the company is said to be dependent on to what extent his or her social- and business network is used (Wictor, 2006). The networks and the contacts the company have, and especially the manager, are said to determine which markets to enter (Coviello & Munro, 1997; Keeble et al., 1998; Sharma & Blomstermo, 2003; Bell et al., 2004).



There are numerous different definitions of born global companies (Jones, Coviello & Tang, 2011). However, the recurring theme is that a born global is a company which from day one has a global mindset and strives to gain competitive advantages in several markets (Oviatt & McDougall, 1994; Tanev, 2012; McKinsey & Co., 1993; Knight & Cavusgil, 1996; Gabrielsson & Manek Kirpalani, 2004; Madsen & Servais, 1997). The term was first brought up by Michael Rennie (1993) when he did research about companies' ability to expand to foreign countries, and how they organized their resources and capabilities between international markets (Jones et al., 2011). What determines if a company falls under the definition of a born global is often the market situation; which technology the company is offering and their specialized skills (Jones et al., 2011). Numerous born global companies are leading technology firms in their specific industries (Tanev, 2012; Cavusgil & Knight, 2009; Bell, 1995; Knight & Cavusgil, 1996; Gabrielsson & Manek Kirpalani, 2004), characterized by innovation and classified as knowledge-intensive (Almor, 2000; Bell, 1995; Bloodgood, Sapienza & Almeida, 1996; Dana, Eternad & Wright, 1999; Oviatt & McDougall, 1994, 1997; Rennie, 1993; Rugman & Wright, 1999; Gabrielsson & Manek Kirpalani, 2004). However, the early decisions made in the company are said to determine the outcome even more (Moen, 2002), making the entrepreneurial skills of the founder of the company very important (Gabrielsson & Pelkonen, 2008). These skills consist of knowledge gained from previous business experiences, developed throughout several years (Weerawardena, Sullivan Mort, Liesch & Knight, 2007).

Three factors in particular are contributing to the increased number of born global companies. Firstly, markets today are specialized, niche focused and deals with global sourcing through networks. Secondly, the development of intensive technology in regards to communication and production. Thirdly, highly skilled people such as the entrepreneurial founder. These factors are paving the way for the development of born global companies (Madsen & Servais, 1997). Born global companies from Sweden and other small and open economies usually have limited resources and therefore face major challenges to master the international market immediately (Luostarinen & Gabrielsson, 2004). As a result of the limited resources, these companies normally use hybrid structured distribution channels including relationships and networks (Madsen & Servais, 1997).

The development of the Internet has created new ways of conducting business and facilitated communication, allowing companies to advance their competitive advantages. Information about international markets and customers can simply be found, making it easier to find the most suitable entry strategy. Also, virtual channels such as websites are easing the process of conducting business



overseas (Jaw, Chang & Chen, 2006). Virtual offices generate the feeling of local adaption even if resources are still located in the home market, and can be seen as a new entry form (Moen, Gavlen & Endresen, 2004). As a result of the expansion of the Internet, goods are becoming digitized (Choi, Stahl & Whinston, 1997), and considering the special nature of born global companies, their products need to go through quick commercialization in the foreign markets before the technology is regarded as old fashioned (Moen, 1999). Digital goods are characterized as intangible products sold online through networks (Choi et al., 1997). E-business companies are entirely dependent on the accessibility and usage of the Internet (Dung Le & Rothlauf, 2008). These companies believe that the Internet is reducing obstacles to enter foreign markets and also mitigating transaction costs. As a result, uncertainties about international markets diminish (Hamill, 1997; Torre & Moxon, 2001; Zekos, 2005). Internet has changed the marketplace and made it easier for e-business companies to become born globals (Mahnke & Venzin, 2003).

Existing research regarding born global companies is mostly descriptive and has focused on empirical findings (Madsen & Servais, 1997; Sharma & Blomstermo, 2003). Hence, research regarding choice of model for entering new markets is not available (Jantunen et al., 2008). A theoretical framework including models to describe and analyse this phenomenon has not been fully created (Madsen & Servais, 1997) and there is therefore a need for more theory focused research (Sharma & Blomstermo, 2003).

3.2 Uppsala Internalization Process Model

The Uppsala model was first presented in the *Journal of International Business Studies* in 1977 (Johanson & Vahlne, 1977). The first version of the model was built upon bounded rationality and uncertainty. Assumptions that companies learn by doing and change as a result of trying to alter their stand in international markets were central for this version (Johanson & Vahlne, 2009).

According to Hood and Young (1979) the most appropriate way to choose what markets to enter and how to do it, was to evaluate the amount of cost and uncertainty, and analyse this in relation to the value of the companies' resources. However, it was found that Swedish firms usually used ad hoc exporting as a first step when entering the international market (Carlson, 1975; Forsgren & Kinch, 1970; Hörnell, Vahlne, & Wiedersheim-Paul, 1973; Johanson, 1966; Nellbeck, 1967). It was also found that companies first expand to foreign markets which had low mental distance. Countries



similar to the domestic market of the company were easier to understand in regards to their context. When these markets were managed, others with larger mental distance could be approached (Johanson & Wiedersheim- Paul, 1975; Vahlne & Wiedersheim-Paul, 1973).

The original version of the model suggests that increasing knowledge is vital when expanding to foreign markets (Johanson & Vahlne, 2009). To develop a business internationally was seen as a step-by-step process, making learning from previous experience very important (Wictor, 2012). Firms expand to foreign markets to increase knowledge, and the process of going international takes time (Wictor, 2012; Johanson, Blomstermo & Pahlberg, 2002). The type of knowledge created by experience can be of great help for future learning and makes the internationalization process possible (Johanson & Vahlne, 2009; Wictor, 2012). Knowledge from experiences is used to gain new knowledge (Johanson et al., 2002). However, criticism have been raised regarding the fact that this is not the most important knowledge and a number of studies have proven that market-specific knowledge is of greater essence (Petersen, Pedersen, Sharma, 2001; Barkema, Bell & Pennings, 1996; Erramilli, 1991; Luo & Peng, 1999). Also, Coviello and Munro (1995, 1997) found that network relationships affect the choice of which international market to enter.

According to the business network view, market-specific knowledge such as information about language and laws is less evident in mentally distant markets. This is a result of less developed business relationships and networks, and can lead to outsidership. This type of knowledge is created when two parties interact and share information about their different capabilities and resources (Johanson & Vahlne, 2009). Other research has shown that trust is vital when establishing relationships (Morgan & Hunt, 1994) and networks (Johanson & Mattsson, 1987). If market-specific knowledge is not available another party can be trusted to take care of the business in that country (Arenius, 2005).

It was debated if born globals are suitable for the original Uppsala model (Oviatt & McDougall, 1994, 2005; Knight & Cavusgil, 1996). The majority of the criticism raised against the original version of the model regards the fact that the role and activities of firms have changed. For example, Hedlund and Kverneland (1985) argued that firms might leapfrog and therefore skip some steps when establishing themselves. Several researchers also stated that firms seek internationalization from the start, and that the process takes less time nowadays (Oviatt & McDougall, 1994; Zahra, Ireland & Hitt, 2000). Madsen and Servais (1997) also highlighted that firms do not choose countries



based on mental distance anymore. Johanson and Vahlne (2009) argued that these facts are not contradicting the establishment process they originally presented. According to the first version of the model, firms pick close markets and then gradually continue to those with larger mental distance (Johanson & Vahlne, 2009). Johanson and Vahlne (2009) admit that mental distance is less significant today, and increased knowledge about new markets have made it possible to enter markets with larger mental distance very quickly.

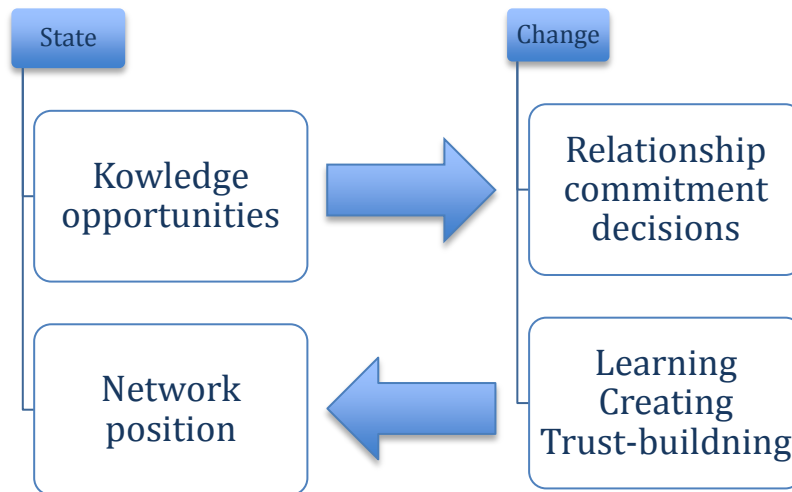
Since 1977, regulations have changed, creating a new business environment with different characteristics that were not apparent when the first version of the Uppsala model was established. In 2009, the Uppsala model was further developed to fit the environment of the new phenomenon born global companies. Aspects such as networks and relationships are characteristics of these companies. These qualities in combination with knowledge creation and trust-building were included in the updated model. The previous model was only suitable for companies with independent customers and suppliers, which is not the case today (Johanson & Vahlne, 2009).

The focus of the revised version is business networks and relationships which the firms are already included in, but also those in new markets. With greater mental distance come difficulties to create good relationships. Knowledge is created by exchange in relationships. Anyone being a part of a business network is referred to as an "insider". Difficulties of being an "outsider" are particularly apparent when entering new international markets, making it harder for the company to establish themselves in the new market (Johanson & Vahlne, 2009).

The revised model suggests that firms become international in order to intensify their networks, in contrast to the traditional aspect of conquering barriers (Johanson & Vahlne, 2003). Therefore, relationships are essential since they help to find and make use of opportunities in new markets. The process of entering new foreign markets happens within a network which consists of relationships with different amount of trust, commitment and knowledge. How firms expand internationally is therefore a result of their business relationships and networks (Johanson & Vahlne, 2009; Kubičková, 2013).



The Uppsala Internalization Process Model



3.1 An illustration of the revised Uppsala Internalization Process Model based on Johanson & Vahlne (2009).

3.3 Waterfall, Sprinkler and Wave Strategies

When firms enter the global market there are many decisions they need to consider, and the research has been extensive in this area. One key aspect that companies need to take into account is whether to launch in several countries simultaneously or enter one market at a time. The first approach is called the Sprinkler strategy and the latter the Waterfall strategy. The strategy chosen depends on factors such as the firm's qualifications and their future goals (Kalish, Mahajan & Muller, 1994; Ohmae, 1985; Davidson & Harrigan, 1977). The strategies can also be referred to as market concentration and market diversification (Ayal & Zif, 1979).

The Waterfall strategy focuses on one single market, often the lead market for the firm. Depending on the success in this single market, other markets are approached. This is a slow process that lets the company get familiar with the market and is seen as a more precautionary approach. The benefit of this approach is that the company receives feedback from this particular market and can therefore make adjustments before entering new ones (Bhalla, 2008; Lymbersky, 2010).





3.2 An illustration of the Waterfall Strategy based on Lymbersky (2010).

For small and medium sized enterprises the Waterfall strategy is normally the preferred one. Usually these companies do not have the investments that big multinational companies have, and the resources needed to enter several markets at the same time (Onkelinx & Sleuwaegen, 2010). According to Kalish et al. (1994) there are certain market conditions that are more suitable for the Waterfall strategy such as slow growth and low innovativeness. It is also beneficial if the product offered has a long product life cycle.

It is usually crucial to enter markets before other competing companies to gain market shares and increase the chance of being the leading firm and the preferred choice for customers. However, with the Waterfall strategy the company focuses only on one market at a time which increases the risk for competing firms to gain competitive advantages. When entering other markets it is possible that other companies have already established themselves in that specific segment thus making it harder to gain market shares (Onkelinx & Sleuwaegen, 2010). According to Ohmae (1985, 1987) and Riesenbeck & Freeling (1991), the Waterfall strategy is not suitable for today's global market and hence offers the Sprinkler strategy as a much better option for companies when entering new international markets.

As already mentioned, with the Sprinkler strategy firms can target several markets in different countries at the same time instead of only focusing on one market. With this strategy, companies can



increase their revenues by being available at different locations and thereby exploit economies of scale. It is often advantageous to be the first player in several markets both when it comes to accessing market shares and being one step ahead competitors. Entering several markets at the same time requires heavy investments, which usually are limited to certain multinational companies making this a strategy not preferred by small enterprises. Due to the major investments needed for this strategy, the risk is higher compared to the Waterfall strategy (Onkelinx & Sleuwaegen, 2010).



3.3 An illustration of the Sprinkler Strategy based on Lymbersky (2010).

The Sprinkler strategy is in many cases standardized to make the process of entering several markets at the same time easier. In comparison to the Waterfall strategy, companies that offer products with a shorter life cycle usually prefer the Sprinkler strategy. With a short product life cycle, time is at the essence hence entering one market at a time is not a suitable option. A possible benefit of entering several markets at the same time is that it is harder for new competitors to enter the chosen markets, and thus the company creates extensive competitive advantages. However, because the Sprinkler strategy is often standardized, choices and mistakes made in one market may possibly affect all entered markets (Lymbersky, 2010). The important choice to be the first firm within a market has also been proven from an empirical perspective. Being the first player within a market generated larger market shares and long-time survival for the companies (Mascarenhas, 1997).

The different amount of risk in both these strategies is a central question, which companies need to address. There is often a trade-off between higher revenues followed by the Sprinkler strategy and a lower risk associated with the Waterfall strategy (Onkelinx & Sleuwaegen, 2010). There are several market conditions that lay the foundation for either the Sprinkler or the Waterfall Strategy. The case might even be that the company starts off with one of the strategies and thereafter changes to the other (Kalish et al., 1994). The fact that companies are living organizations that needs to adapt to changes in the business environment but also competitive changes makes the choice of international



entry strategies very important. Hence, the choice of entering one market or several at the same time is influenced by several different factors (Douglas & Craig, 1992).

The Waterfall- and Sprinkler Strategy can be combined to one strategy referred to as the Wave strategy. The first part of the strategy focuses on few key markets that the company enters simultaneously and which share similar characteristics, and is referred to as the first wave. The idea behind the first wave is that the concept the company uses in their home market can be used in all the other similar markets they enter. When the first wave of market entries has been successful and generated sufficient cash flow, a second wave is introduced (Lymbersky, 2010).



3.4 An illustration of the Wave Strategy based on Lymbersky (2010).

The second wave is a combination of markets that differs from the company's home market, often when it comes to cultural characteristics. Due to the higher insecurity in these markets, the cash flows that were generated from the first wave, and the company's home market should be able to cover up any unsuccessful entries in the second wave. After the second wave, a third wave can be initiated. This wave is composed of markets that are very different from the company's home market. The same idea lies behind this third wave, the cash flows from the second wave is the financial support behind the entry of these distant markets (Lymbersky, 2010).

The main advantage with this strategy is that there is a learning process for the company. By entering market similar to their home market first and then move towards markets that are more unknown, the company can minimize risk but at the same time take advantage of economies of scale. One downside to the strategy can however be that the revenues originated from the home market need to be sufficient enough to finance the first wave (Lymbersky, 2010).



3.4 Integration Responsiveness Framework

In the global industry, the judgment and opinions of managers vary and these differences consist of pressure for global integration versus pressure for local adaptation (Rugman, 2002; Prahalad & Doz, 1987), and laid the foundation for the Integration Responsiveness Framework (Rugman, 2002).

The Integration Responsiveness Framework is considered to be one of the leading traditional foreign entry strategy models and has been used to discover the conflicting pressures mentioned above when firms go abroad (Bartlett & Ghoshal, 1989; Prahalad & Doz, 1987). This model is a 2x2 matrix, consisting of four strategies with different range of global integration and local adaptation (Peng & Meyer, 2011). Global integration is about collaboration between locations in several different countries to create an organization based on teamwork and cooperation (Rugman, 2002). Criteria such as significance of multinational customers, need for cost minimizing and a worldwide homogenous desire are aspects which increases the pressure for global integration (Prahalad & Doz, 1987). On the contrary, local adaptation is about sensitivity, to make strategic responses to differences created by market differentiation or the government (Rugman, 2002). The need for local responsiveness increases when entering markets with different customer preferences or specific requirements from the host government in order to protect national security (Prahalad & Doz, 1987). The two different aspects of pressure are analysed to see how they affect the behaviour of international companies (Bartlett & Ghoshal, 1989; Prahalad & Doz, 1987).



Integration Responsiveness Framework



3.4 An illustration of the Integration Responsiveness Framework based on Peng & Meyer (2011).

This model was developed from previous theories such as the differentiation and integration model by Lawrence and Lorsch (1967), the product life cycle theory by Vernon (1966), the Ethnocentric-, Polycentric- and Geocentric (EPG) model by Perlmutter (1969) and the Stopford and Wells model (1972), which all lacked the ability to take into account the complex environment of worldwide businesses. The saying "think global - act local" (Venaik, Midgley & Devinney, 2000) can be derived from this framework, and has created four types of strategies; the Home replication strategy, the Localization strategy, the Global standardization strategy and the Transnational strategy (Venaik et al., 2000).

The Home replication strategy, also called the International strategy, has the lowest integration and adaption of the four strategies and is often used when firms go international for the first time. The company is practically copying their expertise used in their domestic market regarding areas such as production and distribution, and applies it directly in the international context (Peng & Meyer, 2011; Lymbersky, 2010). Since most of the company's customers can be found in the home market, this business duplication process is seen as the best way to spread the skills and knowledge of the domestic firm, making it a strategy simple to use internationally. However, a critical aspect to consider is that the wants and needs of local consumers in the new market might differ from the



customers' preferences in the domestic market. This might result in dissatisfaction, thus making the Home replication strategy only a first step choice for most companies (Peng & Meyer, 2011).

The Localization strategy has, as the name indicates, more focus on each of the markets the company chooses to expand into, and is mostly used when differences have to be taken into account (Peng & Meyer, 2011; Lymbersky, 2010). In this setting, the need for global integration is low and subsidiaries work independent using customized campaigns (Lymbersky, 2010). This strategy, also known as the Multidomestic strategy, is a development of the Home replication strategy. It is usual that firms first replicate their business model as a first step when going abroad but then changes into a more adaptive approach to increase local responsiveness (Peng & Meyer, 2011). However, for companies to develop a certain model for every market they enter is very costly and the loss of economies of scale is evident since global standardization cannot be applicable (Peng & Meyer, 2011; Lymbersky, 2010). Different markets becoming too independent and network of headquarters and subsidiaries less integrated is a possible result of this strategy (Venaik et al., 2000). This decentralized approach makes united changes within the company difficult, time consuming and expensive to implement (Venaik et al., 2000; Lymbersky, 2010).

The Global standardization strategy is on the other side of the spectrum, lacking local adaption and using standardized goods and services to all markets and customers (Peng & Meyer, 2011; Lymbersky, 2010). The world is viewed as one market where customers have similar preferences (Lymbersky, 2010). This strategy suggests that core capabilities are not only found domestically, which indicates that important operations can be successful all over the world (Peng & Meyer, 2011). The headquarter conducts marketing, production and distribution to target the world market (Lymbersky, 2010). The centralized approach is a part of the Global standardization strategy, making extensive coordination vital since global integration is necessary (Venaik et al., 2000). Since the company is depending on economies of scale, cost minimizing is essential (Peng & Meyer, 2011; Lymbersky, 2010), making companies that use this strategy to produce their products in low cost markets (Lymbersky, 2010). The difference between the Home replication strategy and the Global standardization strategy is that companies which use the first one believes that the concept used in the domestic market works in all countries, while the latter have one strategy for the unified world market (Lymbersky, 2010). One possible drawback of the Global standardization strategy is that standardizing products and services is not always the most appropriate alternative since some markets demand specialized supply (Peng & Meyer, 2011).



The Transnational strategy is the most complex one being a combination of the Localization- and the Global standardization strategy. The focus in this strategy is to cut cost but at the same time adapt locally (Peng & Meyer, 2011; Lymbersky, 2010). The aim for companies is to be both flexible and efficient, and the headquarter does not use a fully centralized decision making process. Some activities such as research and development are centralized while others such as marketing and human resource management are not (Lymbersky, 2010). The two-way flow of innovations between the domestic market and foreign markets increases the entrepreneurial spirit in the subsidiaries to take advantage of their own capabilities and contribute with new improvements. This integrated system of knowledge sharing is said to be beneficial for the whole company. However, even if this strategy is seen as the ideal alternative when entering new markets, it is still very difficult to make this theoretical strategy work in real life contexts (Peng & Meyer, 2011). It is very costly to organize between subsidiaries (Lymbersky, 2010), and the extensive exchange of information that may occur might halt the decision making process within the entire organization (Peng & Meyer, 2011). According to Prahalad and Doz (1987) companies do tend to be in between the Global standardization strategy and the Localization strategy meaning that this strategy might be more apparent in a real life context than proposed by Peng & Meyer (2011).



4. Empirical Findings

The empirical findings from Company X will be presented, in combination with analysis in regards to the chosen theoretical models. Following Company X is Company Y and Z.

4.1 Company X

Company X is a company that is in the online entertainment business and one of the leading players in this industry. In the consolidated annual report (2013), the company reported an annual turnover of approximately two billion SEK. This company has been active on the international market for several years. The first interviewee will be referred to as Person A and the second interviewee will be referred to as Person B.

Person A points out that it is important to remember that theoretical models are not usually used in practise. Decisions are rational ones and not dependent on models. However, companies can usually see traits of certain models when looking at decisions from an historical perspective. This view is supported by Person B. It is mentioned that even though they were not aware of the definition of born global companies (Knight & Cavusgil, 1996), when having the concept described to them it was evident that they had seen themselves as a born global company from the beginning. Not having a physical product, Company X realized that they could offer their product to the whole world and that have been their aim from the very start. Person B adds that the company uses the world as their playing field and that they have to be flexible and evaluate opportunities equally, regardless of where they are geographically. Person A emphasised that even though a totally internet based service has the possibility to become global quickly, it is a very theoretical perception. Very few e-business companies have become global within an instant. In this industry, it is very important to consider that different countries and regions of the world have considerably different internet penetration.

Due to legal aspects, Sweden was a market that the company could not establish themselves in. However, after market research and a certain development in the legal area, the company started addressing Sweden as a market. This meant that the company did not see Sweden as their domestic market at the time. The fact that the company is based in Sweden, they still saw Sweden as the market they understood the best and where they could use the knowledge they had as a competitive advantage. The reasoning behind addressing Sweden can be connected to the Uppsala model in a way that the mental distance for the company is at its lowest point in Sweden compared to other



markets, mostly due to the fact that the owners are from Sweden (Johanson & Wiedersheim- Paul, 1975; Vahlne & Wiedersheim-Paul, 1973; Johanson & Vahlne, 2009).

After entering Sweden, the company looked for markets that were mentally close to Sweden and the obvious choice was Norway due to the fact the language and behaviour are similar in many ways. They followed the concept they had used in Sweden when entering Norway. Once again, the reasoning can be connected to the Uppsala model when considering mental distance (Johanson & Wiedersheim- Paul, 1975; Vahlne & Wiedersheim-Paul, 1973; Johanson & Vahlne, 2009). The choice of replicating the campaigns they had in Sweden with minor adjustments showed signs of the Home replication strategy as being one of the first steps of going international (Peng & Meyer, 2011; Lymbersky, 2010). The company did not receive the same response from the campaigns in this market as they did in Sweden. They therefore slowed down the process until actual results were apparent. Person A emphasised that this is something that they have learned; it takes more time than one initially believes and it is very hard to know from the beginning if you are doing everything right. They were first forced to establish awareness in this market. Person A summarized the delayed results as the ketchup effect. The entry into Norway symbolizes the step-by-step learning process described in the Uppsala model (Wictor, 2012) but also the Waterfall strategy by only entering one country at a time (Bhalla, 2008; Lymbersky, 2010). After Norway, the company targeted Denmark but even though the actual distance from Sweden is not that far, the Danish are not as mentally close to Sweden for the company to just replicate the concept used in Sweden, according to Person A.

The next step for the company was to look at a market more distant than Sweden and Norway. They quickly realized that they did not understand the market and therefore they made an agreement with a local partner. They recognized that the farther away, the less they know and hence more important to have a local partner to mitigate the company's risk. The idea of using local partners has been used in other distant markets and seems to be a successful approach for Company X. Person A mentioned that in those cases where the market penetration has not succeeded, it usually depends on the market not being mature enough and not because of the partners' incapability. It is also important that people have faith in transactions over the Internet and that they trust the company and the partners involved. Person B said that they judge local knowledge to be critical and in those markets where they lack this knowledge, they usually turn to partners. The partnerships within Company X are viewed as marriages; it is not easy and each partner has to feel that it is a win-win situation, and it needs constant nutrition to work. The revised version of the Uppsala model takes into account



networks, relationships, knowledge creation and trust-building as these factors are a vital part of born global companies (Johanson & Vahlne, 2009). The expansion into this market is an example of how traits from the Uppsala model can be seen in reality.

The previous countries that the company targeted could be seen as smaller countries. When they entered bigger European countries such as Germany and France, a different approach was needed. The risk was higher and the amount of investment needed much larger, and they could not afford to wait for the ketchup effect. Company X categorized these countries as their online markets. They were all categorized together because the company found that the information they knew about these markets was equally limited, hence the lack of information was the common factor. Having this online approach made it easier for the company to measure the result and increase the access within these big countries, and at the same time lower the risk. All the online markets were targeted at the same time, hence following a Sprinkler strategy approach (Kalish, Mahajan & Muller, 1994; Ohmae, 1985; Davidson & Harrigan, 1977). The important aspects of having relationships were not neglected. The company hired local representatives that worked at Company X instead of in their specific countries.

One aspect that Person A brought up is that political-, social- and legal aspects play an important role when entering new markets. Restrictions in commercial marketing due to both legal and social aspects were an obstacle faced by the company. Also, legal aspects, as already mentioned, hindered the company from entering Sweden in the beginning. For Company X and their industry, regulated markets are preferred. This means that when they look at new markets to enter, they favour markets that are facing regulations in the near future. Entering markets that are being regulated mitigate the company's risks, and becomes a part of their long term goals.

Person A said that even though the Internet has helped to create a global market, some sort of local adaption is still needed. An example of this is that some countries are more cash dominated while some use credit cards. This puts pressure on the company to develop payment solutions that are appropriate for each market. Person A mentioned that even though the supply of products that they have is fairly standardized, the payment methods are locally adapted. They also adapt their marketing to local markets. This combination of localized payment solutions and marketing but still having a standardized product supply can be viewed as the Transnational strategy (Peng & Meyer, 2011;



Lymbersky, 2010). Even though this strategy is very theoretical, Company X has managed to incorporate it into their organization.

When introduced to the chosen theoretical framework in this thesis Person A responded that Company X have used the Sprinkler strategy to gain a lot of market shares due to the fact that nothing in this industry is static. They have also realized that it is easier and cheaper to gain customers in the beginning of the process than in the end, hence making it more important to be one of the first players within a market. At the same time, Person A mentioned that resources among others limit the number of markets a company can enter. The European online markets were seen as in the same stage of development, which made the entry process easier and they were therefore targeted at the same time. In the beginning of the internationalization process for Company X, they entered one market at a time and used the revenues to enter new markets, similar to the Waterfall strategy. This was the case because they were restricted to enter several markets simultaneously. Today the choice of entering new markets is evaluated more from a strategic perspective rather than a financial one. However, the fact that the European online markets were grouped together based on similar characteristics, makes this reasoning closest to the Wave strategy rather than the Sprinkler or Waterfall Strategies (Lymbersky, 2010).

When presented to the Home replication strategy (Peng & Meyer, 2011) Person A gave an affirmative answer to the strategy being used by Company X. However, this strategy could only be of limited use when historically looking at the markets Company X targeted. The concept worked for some certain markets but when they entered bigger markets the pressure to locally adapt became too strong, making the Localization strategy (Peng & Meyer, 2011) the next step. However, Person B added that even though localization is key, the company needs to be smart utilizing the assets that they have and full localization could imply the loss of economies of scale. The aspect of local adapting to markets is necessary in this industry according to Person B, making the Global standardization strategy (Peng & Meyer, 2011) less applicable. The appropriate approach within the Integration Responsiveness Framework is the Transnational strategy (Peng & Meyer, 2011) when company X can use the benefits of global standardization products in combination with local adaption.

Person B said that Company X has followed the Uppsala model (Johanson & Vahlne, 1977, 2009) primarily by expanding to markets similar to the ones they already know and know how to serve in a



successful way. However, it is also added that they have targeted totally different markets out of the scope of the mentioned models.

The reason for factors of all theoretical models being visible in Company X depends on the different situations the company has faced. Both Person A and B mentioned that the company often use a case by case approach, meaning that different markets demand different approaches, making it harder to use only one model for all international markets.

4.2 Company Y

Company Y is a company that is in the online advertising business through applications, and is leading in their industry. The company had an annual turnover of approximately 130 million SEK in 2013, which represents a high increase compared to earlier years. This company started their internationalization process a few years ago.

Descriptions of the interviewee's previous experiences include working and living in different countries with emphasis on how mobile internet captured the interviewee's interest from the very start. These experiences are also shared with the co-founder of the company. The entrepreneurial world has always been intriguing and with the establishment of Company Y in the beginning of 2007, both founders found themselves with the right product at the right time. This intriguing view relates to the concept of born globals where it is shown that the entrepreneur play a vital role in the internationalization process, and hence also the success of the company (Wictor, 2006). Due to the founders' international background, the aim was from the beginning to create an international company rather than creating something limited to Sweden. The global mindset was there from the start, which strengthens the fact that Company Y is truly an e-business born global company. The interviewee emphasised that they make use of the knowledge and experience available in the company when entering new international markets.

With the development of iPhone and Android, and the media channels they offer, Company Y experienced a large increase in both turnover and expansion. Their competitive advantage is that they offer a unique product, which makes it easier for them to gain market shares in different markets around the world.



The company's first strategy was to enter countries closer to Sweden such as Norway and Finland due to their similarities with the company's domestic market. They did not see any major differences between the Nordic countries and therefore they did not require a large amount of resources, hence they could target Norway and Finland at the same time. This shows characteristics that fall under the Wave strategy (Lymbersky, 2010). With the domestic market being a success, Company Y could use the revenues from this market to enter the Nordics countries. By using the revenues from one market to enter another is a sign of the Waterfall strategy (Bhalla, 2008; Lymbersky, 2010). The responsiveness from the Nordic countries was vast and they therefore continued targeting bigger European countries such as the UK and France. The fact that they targeted one country at a time shows that the company followed the Waterfall strategy. In this case, the interviewee pointed out that the sizes of the European countries are more of an obstacle than the actual distance. The lag is apparent in some of the European markets. However, it is important that they are visible in these markets. For the company, it is all about endurance and going through different stages, which will hopefully make the company into the leader they want to be.

When entering markets, the company have used different approaches. For the Nordic countries, most of the operations were conducted from Sweden without having any representatives in the specific countries. As soon as the company saw results they hired local representatives and this approach worked very well. The company used a different approach when targeting Europe. They thought it would be easier to hire first and let the representatives run the operations. However, the results have been delayed. Due to this, the company has chosen to run everything from Sweden once again when entering new European markets, and this seems to be an approach that they will continue with. These approaches show signs of the Uppsala model where networks and relationships are vital parts (Johanson & Vahlne, 2009). The Uppsala model worked in the case of the Nordic countries when hiring local representatives. However, for the European countries, the Uppsala model seems to be less evident. But it is important to point out that even if the company does not have local representatives that run the company, they still have relationships and networks within the countries. Regardless if the company run their operations from Sweden or with help from local representatives, they realized the advantages that local representatives can offer and therefore tries to build relationships whenever possible and suitable, making the aspect of relationships of the Uppsala model integrated in their strategies.



Company Y mentioned that in the actual research process for potential markets to enter, political- and social aspects play a major role and may determine whether they enter a market or not.

When introduced to the chosen theoretical framework in this thesis the interviewee responded that Company Y has used the Global standardization strategy (Peng & Meyer, 2010) in the sense that they offer a standardized product to all their international markets. However, marketing are adjusted to the local markets which refers to the Localization strategy (Peng & Meyer, 2010). The fact that the company uses a mix of both these approaches implies that there are actually using the Transnational strategy (Peng & Meyer, 2010).

The interviewee mentioned that they use the Waterfall strategy in the sense that they wanted proof of success before entering another market and also used the revenues from one market to later enter another (Bhalla, 2008; Lymbersky, 2010). However, being the international company that they actually are, they have to take advantage of the windows of opportunities available making the Waterfall strategy less desired. When introduced to the Sprinkler strategy (Onkelinx & Sleuwaegen, 2010), the interviewee mentions that when they enter markets, they do it wholehearted meaning that every market receive the company's full attention. Instead of using the Sprinkler strategy, Company Y used the Waterfall strategy in several markets simultaneously. It is important for the company to see evidence of success before entering a new market. This rationale thinking leads to the Wave strategy being the most appropriate approach by the company, which is also supported by the interviewee.

The interviewee mentioned that the strategies the company have used historically have worked. However, the company will not look exactly the same in one year as it does today. Their industry is moving extremely quickly and all the strategies used might be adjusted in the future. It is important that they build an organization that is very flexible and that they are able to act when opportunities or problems occur. Obstacles are supposed to be seen as possibilities and nothing else.

4.3 Company Z

Company Z is a company that is in the online finance business and has a large market share within their industry. In 2012, the company had an annual turnover of approximately 1.2 billion SEK (Company Z, 2012). This company has come a long way in their internationalization process. The



interviewees consist of the communication department and one of the co-founders and their answers are combined because they answered them together.

The interviewee mentioned that they view themselves as a born global company. They recognize that even though the product has to be adapted locally, their business idea is global, and it has been from the start. From the day that the company was established, global intentions were integrated in the company by the founders. To describe this mindset, the interviewee said that the company is not satisfied by playing in Sweden's premier league, they want to play in Europe's premier league. This is a clear example of the typical characteristics of a born global company. They have a global mindset and aims to become international from the beginning. The fact that the company admits that their products needs to be locally adapted suggests that they follow the Localization strategy (Peng & Meyer, 2011). However, their aim is still to implement their global idea which would imply the Global standardization strategy. When these perspectives are put together, it is evident that the Transnational strategy (Peng & Meyer, 2011) is the most appropriate one.

The company started its internationalization process by expanding into several of the Nordic countries simultaneously. They continued this process to targeting two European countries that share similar characteristics. The approach of entering several markets at a time can be viewed as the Sprinkler strategy (Onkelinx & Sleuwaegen, 2010). On the other hand, the fact that the countries that they targeted at the same time are mentally close to each other indicates that the actual strategy used is the Wave strategy.

When asked which strategies used at the moment, the interviewee responded that they enter one market at a time and once again points out that they adapt locally in some ways. The strategies they use differ from country to country, often depending on the market being mature or not. Legal aspects and current competition are also factors that they consider. The approach of targeting one market at a time is according to the theoretical framework chosen in this thesis, a Waterfall strategy (Kalish, Mahajan & Muller, 1994; Ohmae, 1985; Davidson & Harrigan, 1977).

Company Z aims to grow organically with their partners. They find it easier to enter a new country where they have already established networks and relationships. The partners become a way for the company to expand in different markets. This shows signs how important it is for the company to be an "insider" as described in the Uppsala model (Johanson & Vahlne, 2009). The interviewee points



out that it is harder for them to enter a market where they have no connections, customers or partners at all. Company Z are dependent on their customers, relationships, partners and networks to grow. This is a clear sign of the Uppsala model in practise. Company Z initiates partnerships with customers and partners that are global with distribution in many countries. The reasoning behind this is that if a customer is satisfied with having Company Z as their financial provider, it is more likely that the customer will allow Company Z to provide financial solutions in other countries where the customer is active as well.

The interviewee stated that even though they have a rapid expansion, they are still thorough in which markets to enter. Even if they wish to enter several markets at a time, they point out that it is important that you take a step back and evaluate the situation, to see if the company really can handle simultaneous market entries.

When faced with the theoretical framework used in this thesis, the interviewee responded that with all the strategies included in the Integration Responsiveness Framework, the Transnational strategy (Peng & Meyer, 2011) was the most appropriate one. This because it is important for the company to locally adapt to different scenarios in different markets, even though their basic product is the same. The different scenarios include legal-, social- and political aspects. A complete global standardization strategy (Peng & Meyer, 2011) is not used within Company Z.

The Waterfall strategy (Bhalla, 2008; Lymbersky, 2010) is partly used in Company Z. They focus on one market at a time but the outcome of that market does not determine the long-term continued expansion strategy within the company. Generally, the company does not use the Sprinkler strategy (Onkelinx & Sleuwaegen, 2010), however, the Sprinkler strategy might be used depending on the size of the market. As mentioned above, the company has in their expansion history entered several markets at once. The interviewee said that the Wave strategy is to some extent also used in the company. Hence, Company Z has used the Waterfall- and the Wave Strategy when looking at the company from an expansion point of view.

In the beginning of the internationalization process, Company Z used the Uppsala model (Johanson & Vahlne, 1977, 2009) when entering the Nordic countries. They reasoned that the countries were close to Sweden and that it might be easier. However, looking back they wished that they had entered one of the European countries first due to the fact that the amount of work needed was equal,



but the potential in the European country was much larger. Certain political aspects were also in favour of the European country.



5. Analysis

For the combined model to be properly developed, aspects from the internationalization process for born globals, the theoretical framework and the empirical findings must all be weighted together. The model is based, to a large extent, on the existing entry models chosen in this thesis but modified to be adjusted for e-business born global companies, with information given by the interviews. It is important to remember that the models in the theoretical frameworks are only models and portray a simplified picture of reality. This is also the case for the proposed model in this thesis. Companies are living organizations meaning that they adjust faster to reality than theoretical models do. Therefore, it is likely that companies develop their own strategies that are appropriate for the daily operations that they conduct. The models available can provide guidelines for the companies when they develop their own successful strategies. This is also what we hope that this model will do.

There are several ways to enter a market and it is highly dependent on the company and the situation they are in. However, the developed model aims to create an understanding of how the internationalization process might look like for e-business born global companies. The companies used in the case study to support the proposed theoretical model are all leading firms in their specific industry. This hopefully implies that the results found from the interviews are more reliable than if firms who are market followers were analysed.

From the internationalization process and the concept of born global companies found in this thesis, it is evident that the entrepreneur, also often the founder, affects the choice of markets to enter. This is influenced by the networks and relationships, in combination with experiences which the founder but also the company have (Coviello & Munro, 1997; Keeble, Lawson, Smith, Moore & Wilkinson, 1998; Sharma & Blomstermo, 2003; Bell, Crick & Young, 2004; Wictor, 2006). It is also shown that born global companies enter several markets at the same time (Halldin, 2012, 2012). In addition, one important aspect faced by these companies is that they standardize their products because they are often niched focused (Rasmussen & Madsen, 2002).

The important role of networks and relationships of the founder and the company are supported by the interviews with Company X, Y and Z. The founder of Company X had a global mindset from the start and believed that they could export products to the whole world. This view was similar to the one that Company Y had. The founders had very much international experience prior to the



establishment of Company Y and the offers from the entrepreneurial- and global world have always been intriguing. The global mindset found in Company X could also be found in Company Y and Z. They wanted to create something international from the beginning. Company X view local knowledge as critical and therefore use local partners in distant markets to gain this type of knowledge. Company X expands to markets similar to the ones they know and have received information about. For Company Y, the knowledge and experience in the company determines which markets to enter.

For Company X, networks and relationships play important roles when they enter new markets. It is vital that the customers trust the company when making transactions over the Internet. Their partnerships are also viewed as marriages and should be a win-win situation for both parties. Company Y have had more successful relationships and networks in the Nordic countries, compared to when they entered Europe. However, the role of creating networks and maintaining relationships is still a big part of their company. Company Z grow with their global partners and make sure that they take advantage of every opportunity that the relationships with these partners can lead to. This might mean that they are more dependent on their partners than Company X and Y. Through this comparison between the three companies regarding networks, relationships and knowledge, it is evident that the Uppsala model provides information that is applicable for e-business born global companies. It is important for the companies to establish themselves as an “insider” rather than an “outsider” when it comes to their networks and relationships. Through the internationalization process and the concept of born globals it is shown that the Uppsala model can provide information regarding networks, relationships and the entrepreneur in born global companies’ expansion (Coviello & Munro, 1997; Keeble, Lawson, Smith, Moore & Wilkinson, 1998; Sharma & Blomstermo, 2003; Bell, Crick & Young, 2004; Wictor, 2006; Johanson & Vahlne, 2009). This provides evidence that the Uppsala model can be applicable for these companies, which also suggests that the revised version of the model fit born global companies. As mentioned above, this is also supported by the empirical findings. The relationships and networks are vital parts for the internationalization process for Company X, Y and Z, and for born globals in general, and these aspects from the Uppsala model will therefore be the a part of the developed theoretical model.

The research of born global companies implies that these companies use a Sprinkler strategy, meaning that they enter several markets simultaneously (Halldin, 2012, 2012). This is also supported by the interviews to some extent. Company X started to enter the mentally close country Norway and



therefore used the Waterfall strategy. This choice of entry is supported by the research regarding the Waterfall strategy which implies that the company can get familiar with the market (Bhalla, 2008; Lymbersky, 2010) and limit their investments and risk (Onkelinx & Sleuwaegen, 2010), which is often the situation that born global companies face in the beginning of their internationalization process (Madsen & Servais, 1997). This is also the strategy used by Company Z at the moment. Company X also used the Sprinkler strategy when they entered the European online markets to gain a lot of market shares in this non-static industry. It is a strategic choice to enter several markets simultaneously and the competitive advantages that a company can gain from this makes the strategy preferable if the company has the financial resources to implement it (Onkelinx & Sleuwaegen, 2010). In Company X's case, the financial factor was the reason why they could not enter several markets simultaneously in the beginning of the internationalization process. This is also one of the limitations of the Sprinkler Strategy; it requires heavy investments (Onkelinx & Sleuwaegen, 2010). For the European markets Company Y used the Waterfall strategy while Company X used the Sprinkler strategy. However, Company X grouped their European online markets together due to the lack of information, which is more of a Wave strategy rather than a Sprinkler strategy. Company Y also used the Wave strategy in the beginning of their internationalization process and Company Z have been more consistent with their use of the Wave strategy throughout their internationalization process.

Company X is the only company that specifically stated that they used the Sprinkler strategy. There are a lot of factors to consider when choosing strategy and it is therefore difficult to state why they are the only company to use this strategy. However, all companies have used the Waterfall- and the Wave Strategy. The Waterfall strategy usually means a lower risk and is therefore a good choice for small and medium enterprises in their internationalization process (Onkelinx & Sleuwaegen, 2010). Due to the fact that the Wave strategy is a combination of the Waterfall- and the Sprinkler strategy makes it preferable because the company can gain the advantages of both strategies. It is also important to reflect upon the fact that companies can use these different strategies to different degrees, making them more or less evident in their internationalization process. From this reasoning, it is impossible to point out one single strategy of these three that is most suitable for e-business born global companies based on the information provided by the case study. One possible reason for the different uses of Waterfall, Sprinkler and Wave Strategies might be that the companies are in different phases of the internationalization process, but also that they are in different industries and offering different products. Availability of financial resources can also be a reason for the different



choice of strategy. As mentioned, the internationalization process of born globals and the theoretical framework regarding the Waterfall- and Sprinkler Strategy prefers the Sprinkler Strategy (Halldin, 2012, 2012; Ohmae, 1985, 1987; Riesenbeck & Freeling, 1991). The empirical findings suggest that all strategies might be used more or less, which is inconsistent with the literature. This highlights the importance of having empirical findings to support the theoretical framework chosen. Which approach to use when entering new markets is therefore often determined case by case. Therefore, this part of the developed theoretical model regarding market entry and the Waterfall, Sprinkler and Wave Strategies is dependent on the situation and the company in question.

The internationalization process of born global companies suggests that these companies are most likely to standardize their products (Rasmussen & Madsen, 2002). The results from the interviews partly agree to this statement. All companies said that the need for local adaption is evident no matter which market they enter. However, they all make sure to mention that most part of their product supply is standardized. This is interpreted as a Transnational strategy being the most appropriate for these companies. Even though the literature regarding the Transnational strategy implies that this strategy, to a large extent, is not used in practise (Peng & Meyer, 2011), the empirical findings in this thesis indicates the opposite. The literature and the empirical findings are consistent in a way that they both mention a standardization regarding the company's products. However, there are certain aspects within a company such as marketing and payment methods that need to be locally adapted. Even though consumer patterns and behaviour have become more similar in the globalized world we live in, the fact is that we are still different in some aspects and therefore a Global standardization strategy is not the optimal choice. The reason why Company X is the only company who specifically stated that they used the Home replication strategy might be that when they started their internationalization process, the business climate was different than it is today. The other companies in the case study started their internationalization process later than Company X. In this area, the empirical findings provide an extension of the literature resulting in a Transnational strategy. This is an additional part of the developed theoretical model meaning that e-business born global companies should use a Transnational strategy when entering new markets.

One aspect that was brought up by all interviewees but is out of the scope of the theoretical framework in this thesis is the effect of political-, social- and legal factors. Aguilar (1967) developed the tool ETPS which stands for Economical, Technical, Political and Social and regards the importance for companies to scan their business environment. This tool has been further elaborated



and different versions exist such as PEST and STEP, but the idea still remains the same (Peng & Baptista Nunes, 2007). Is it acknowledged that these models provide vital information that companies need to consider when entering new markets. Because these factors were shown to be important in the empirical findings, but they are missing in the theoretical framework in this thesis, we have chosen to incorporate this into the new theoretical model. It is seen from the case study that when looking for new markets to enter, these factors can determine whether the company enters the market or not.

All theoretical models used in this thesis were chosen because they fit e-business born global companies but also because parts of them can be found in the internationalization process and follow the characteristics of born global companies. The internationalization process of born global companies suggests that these models can be used by born global companies and the empirical findings in this thesis suggest the same. However, the internationalization process of born globals and our empirical findings suggests different parts of the models that could be used by born global companies. The internationalization process implies that born global companies should use relationships and networks, in combination with simultaneous market entry, and standardization. Our empirical findings suggest that born global companies should use networks and relationships, in combination with a case by case evaluation whether to enter one market or several simultaneously, and standardization with local adaption. This implies that certain parts of these models can be applicable for e-business born global companies. The developed model in this thesis is based on our empirical findings in combination with the internationalization process.

Based on the empirical findings and the analysis, it is evident that none of the companies uses a single model of the ones selected in this thesis, rather characteristics of all models can be seen. As stated earlier, it is important to emphasise that the theoretical framework in this thesis consists of models and that we only propose a model. This can be related to the earlier section in this chapter where we mentioned that the use of models in practise is limited due to the fact that companies changes faster than theoretical models. It is important to reflect upon the fact that the Uppsala Internalization Process Model consists of much more than just networks and relationships. However, these factors have been the focus in this thesis because they were seen in the internationalization process of born global companies and we therefore felt that they were the most important ones. One aspect that was brought up in the original version of the Uppsala model was mental distance, but in the revised version this was not emphasised as much (Johanson & Vahlne, 2009), which is the reason



why we have not focused that much on this aspect when developing the model. The fact that there is not a single model used by these companies but aspects from different models are visible, implies that a combination of the chosen theoretical models is the most accurate approach when understanding the internationalization process of e-business born global companies. For a more detailed understanding, a description of the developed model is provided next.

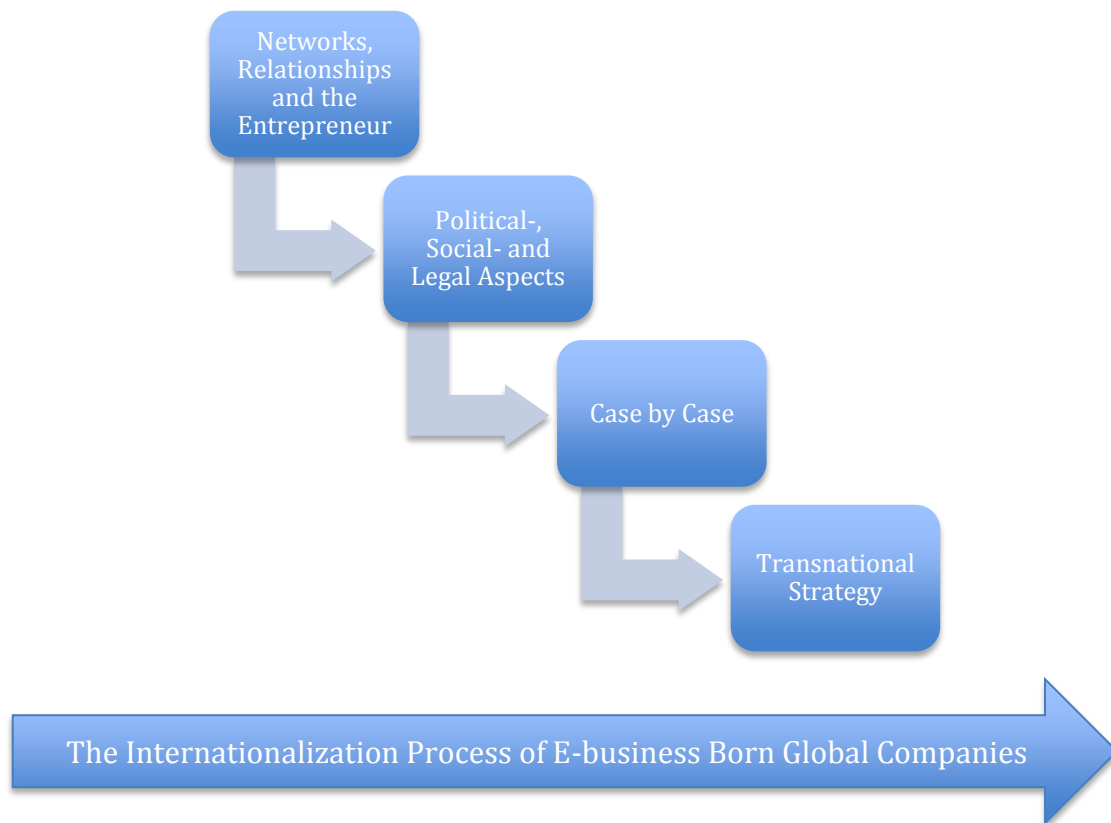


6. A Theoretical Model

The developed theoretical model is put together with aspects from all the theoretical parts in this thesis. These are; the concept of born globals and their internationalization process, the Uppsala Internalization Model (Johanson & Vahlne, 1977, 2009) the Waterfall-, Sprinkler- and Wave Strategy (Lyubersky, 2010), and the Integration Responsiveness Framework (Prahalad & Doz, 1987). It is important to understand that the Uppsala model consists of much more than relationships and networks but we have chosen to focus on these aspects. The parts of the developed model are derived from the theoretical framework and have been supported by the case study consisting of interviews with Company X, Y and Z. This model can be used as a basis for understanding e-business born globals' internationalization process. Following is the developed theoretical model and its including factors, based on the order that companies should consider them.

The first part of the model consists of networks, relationships and the importance of the entrepreneur, often the founder, and is based on the Uppsala model and the theoretical framework for born global companies. These factors determine which countries are interesting for the company to enter and are therefore the first step in the developed model. The second part consists of political-, legal- and social aspects. This part of the model is out of the scope of the theoretical framework in this thesis, but was brought up by all companies in the interviews as important factors and is therefore included in this model. The political-, social- and legal conditions usually determine if the company enters targeted markets or not, and is therefore seen as the next step in their internationalization process. The third part is the most complex part of this model because it is whether a company enters a single market or several markets simultaneously and refers to the Waterfall, Sprinkler and Wave Strategies. The result from the case study is not fully consistent with the literature regarding the internationalization process of born global. Due to this discrepancy between the literature and the case study it is evident that the decision whether to enter one market or several markets is determined case by case. The last part of the model derives from the Integration Responsiveness Framework with the Transnational strategy. The products offered by the companies are standardized as much as possible but local adaptations are always necessary. These parts put together created the developed theoretical model, consisting of different steps in the internationalization process, which can be applicable for e-business born global companies.





6.1 An illustration of the developed model (Authors' own).

When describing an e-business born global company's internationalization process, all steps in the developed theoretical model needs to be considered. If a company wants to start their internationalization process, often the founder of the company evaluates his relationships and networks and thereafter choses a number of markets that the company could eventually enter. Next, these countries are evaluated depending on political-, legal- and social factors. After this evaluation, some of the markets that were considered in the initial stage might not be an option anymore. This leaves the company with a number of markets that they can either enter one by one or simultaneously, based on the company's resources and preferences. Lastly, the company chooses the combined degree of standardization and local adaption that should be used when entering the selected markets. The developed model provides information how e-business born globals should relate to some certain steps in their internationalization process.

This developed model is based on certain factors that represent the real world and which are relevant for e-business born global companies. However, it is important, as already mentioned, that a model is only a simplified representation of the real world. Therefore, some aspects are more emphasised than others. For example, companies can enter different kinds of partnerships when targeting new



markets. But this aspect is not considered in this model, only the importance of relationships and partnerships is highlighted. One aspect that needs to be taken into consideration is that some born global companies might leapfrog some of the steps in the internationalization process (Hedlund & Kverneland, 1985). This can also be the case for this model. We believe that these steps are considered more or less by born global companies but the degree may vary between different companies. The aspects in this developed model are according to us important steps to consider when entering a market. This is based on the internationalization process of born global companies, the theoretical framework and the case study on Company X, Y and Z. However, whether this model is accepted by e-business born global companies depends on if these factors are considered the most important ones for the company in question. The previous research done regarding the internationalization process of born global companies is based on born global companies, which includes companies that are EBCs but also companies that are not totally reliant on the Internet. Our results are based on e-business born global companies and this might be a reason why there is a difference between the previous research and our findings. Another reason for the differences between our results and the literature regarding born globals can be that some of the references used are not as updated as our empirical findings. Also, as mentioned, there are other models that consider factors such as political-, legal- and social. However, the fact that these factors were brought up by the interviewees after the theoretical framework in this thesis was determined, is the reason why such a model was not included in the theoretical framework.



7. Conclusion

The purpose of this thesis was to develop a theoretical model for e-business born globals and their internationalization process. In order to do this, we evaluated the internationalization process of born global companies and based on traditional entry models developed the model.

The main findings in this thesis are that there are certain aspects within the chosen traditional entry models, such as networks, relationships, and the Transnational strategy, that can be applicable for e-business born global companies. When it comes to the previous research done regarding the internationalization process of born global companies, compared to the results from the case study in this thesis differences are evident. The main differences are that the research says that born global companies enter several markets simultaneously and uses a Global standardization strategy. From our case study, we found that the companies used a case by case decision if they entered one market or several simultaneously and that a Transnational strategy is the most appropriate one. The case study done provided information about the political-, social- and legal aspects, which were out of the scope of the chosen theoretical framework. Based on these differences and similarities, the new model was developed. All this put together connects to and fulfils the purpose of this thesis.

The results in this thesis have provided information that the chosen traditional entry models are, to some extent, still applicable for e-business born global companies. This implies that the proposed model hopefully can be used when considering and entering new markets. However, there are factors that need to be considered that are outside the proposed model. A single model cannot describe the complex behaviour behind the internationalization process of born globals. Companies might therefore use the model in combination with company specific aspects. A reason for the differences between our results and the previous research done can be that the previous research is based on born global companies, and not specifically on e-business born globals.

The main contribution that this thesis provides to the research field of born globals is a developed theoretical model based on parts of the internationalization process and concept of born globals, the Uppsala Internalization Process Model, the Waterfall-, Sprinkler- and Wave Strategy, and the Integration Responsiveness Framework. This model will continue to fill the gap between the concept of e-business born globals and traditional entry models. Current and upcoming e-business born globals can use this model to help them in their internationalization process. Therefore, the findings



in this thesis and the developed model have created a better understanding on how e-business born global companies' internationalization process works.

It is evident that the internationalization process goes faster for e-business born globals. This might explain the lack of research concerning their internationalization process. This thesis provides an explanation how the actual process of going international is for born global EBCs. Our suggestions are that future research should continue this process of mapping how born globals' internationalization process is constructed. This could be done by combining more theoretical and empirical research to get a broader understanding of born global companies. It would also be interesting to see research regarding e-business born global companies because their characteristics are not completely the same as those that born global companies have. The results in this thesis are based on three companies which suggest that future research should involve more companies. This could be done through a survey so that the research can be supported empirically to a greater extent. To see whether the proposed model can be accepted by the born global research field and other scholars, it needs to be further tested both theoretically and empirically.



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9. Appendix

Interview questions for Company X, Y and Z.

1. Please provide us with some general information about the company.
2. Describe the company's historical international expansion process.
3. Born globals are defined as organizations that within a few years from being founded entered several international markets and have a global mindset from day one (Knight, Cavusgil, 1996). We classify you as a born global company according to this definition, have you ever considered this?
4. Which strategies do you use when you enter one or several new markets?
5. How did you reason behind this choice of strategies?
6. Have your rapid expansion affected your choice of strategies?
If yes, in what way?
7. Are you familiar with any traditional entry models?
If yes,
 - a) Which ones?
 - b) How are they used? If you are familiar with the strategies but do not use them, motivate why.
8. The theoretical framework in our thesis is based on the following traditional entry models. Do you feel that these strategies are applicable for you as a born global company? Specify for every strategy.
 1. **The Integration Responsiveness Framework** consists of four strategies (Peng, Meyer, 2011).

The Home replication strategy: the company is more or less copying their expertise used in their domestic market regarding areas such as production and distribution, and applies it directly in the international context.

The Localization strategy: more focus on each of the countries the company chooses to expand to, and is used when differences have to be taken into account.

The Global standardisation strategy: companies lack local adaptation and use standardised products and services to all countries.

The Transnational strategy: a combination of the Localization and the Global standardisation strategies. The focus here is to cut cost and at the same time adapt locally.



2. **The Waterfall strategy:** The waterfall strategy focuses on one single market, often the lead market for the firm. Depending on the success in this single market, other markets are approached (Ohmae 1985, 1987, 1989).

The Sprinkler strategy: firms target several markets in different countries at the same time (Ohmae 1985, 1987, 1989).

3. **The Wave strategy:** a combination of the Sprinkler strategy and the Waterfall strategy, which combines markets with similar characteristics such as culture and enter them all at the same time (Lymbersky, 2008).
4. **The Uppsala model:** companies start to enter the markets that are mentally close to their home market and then continue to markets where the mental distance is bigger. The mental distance is characterized by differences in culture, language and level of education. Business networks and relationships play a major part in the model (Johanson, Vahlne, 1977, 2009).

