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BORN GLOBAL'S USE OF INNOVATIVE SOLUTIONS TO CREATE SUSTAINABLE COMPETITIVE ADVANTAGES AS IT EXPANDS AND GROWS IN DIFFERENT INTERNATIONAL MARKETS

by

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Abstract

The aim of this paper is to investigate born global firms' use of innovative solutions and their networks to create sustainable competitive advantages as they expand and grow in different international markets. Consequently, born globals' use of their own firm-specific advantages and their access to complementary resources and activities of their network partners are analyzed to aid our understanding of the provision of innovative solutions that lead to growth. We use a qualitative case study approach of five born global companies. A focus group interview with the CEOs in the companies is used to gain deep insight into innovation and internationalization processes that underlie the case companies' international growth. The study shows that the use of the entrepreneur-CEOs' personal networks and business networks have been assets that have accorded the firms' strong position in international markets. It can be concluded that the born global firm has strategies to tap on complementary assets of external network parties.

1. Introduction

Globalization and increased liberalization of markets have made it possible for many firms, large or Small and Medium –Sized Firms (SMEs), to be in many foreign markets, especially those in the global industries (Czinkota and Ronkainen, 2007; Doole and Lowe, 2008, 2004). Since trade barriers among markets have fallen dramatically, due to the effects of globalization, intense competition in many markets, and the spread of technological improvements in almost all sectors of any economy, many firms (small or large) seek to establish their presence in many foreign markets (Awuah, et. al., 2011; Doole and Lowe, 2008; Driffield and Love, 2007). Studies abound to shed light on why and how firms internationalize their business activities (Andersson, 2000; Moen, et al., 2004; Knight and Cavusgil, 1996; Johanson and Vahlne, 1990, 1977; Johanson and Wiedersheim-Paul, 1975). Although increased globalization, trade liberalization, and technological improvements do

enable many firms (e.g. “Mininationals” or “Born Globals”) to serve several markets (Doole and Lowe, 2008; Czinkota and Ronkainen, 2007), there has emerged an intense competition among firms in all countries (Peng et al., 2008; Czinkota and Ronkainen, 2007; Beamish and Lu, 2004). For many SMEs, a number of factors (e.g. lower trade barriers, increased competition, rapid technological developments, shrinking market opportunities in domestic market, firm-specific advantages, and international networks at the personal and business levels combine to drive their rapid entry into foreign markets (Andersson, 2011; Peng et al., 2008; Moen, et al., 2004). SMEs that have, from the very inception of their establishment, had the drive to internationalize their business activities are termed “Born Global Firms” (these rapid internationalizing new firms have been studied under different terms e.g. international new ventures (INVs), for reviews, see e.g. Rialp et al., 2005; Jones, Coviello, and Tang 2011);, in the subsequent sections the firms are addressed just as born globals (Andersson & Wictor, 2003; Rialp et al., 2005; Knight and Cavusgil, 1996; Madsen and Servias, 1997).

Previous studies about a firm’s internationalization have predominantly concentrated on big multinational firms, where their motives for internationalization, the pace and pattern of their internationalization have been widely studied (Qian and Delios, 2008; Johanson and Vahlne, 1990, 1977; Johanson and Wiedersheim-Paul, 1975; Cavusgil, 1984; Coviello, 2006). In recent times studies have emerged, which have found out that the pace and pattern of the internationalization of big multinational firms are not in line with the pace and pattern, through which born globals internationalize their business activities (Andersson, 2011; Andersson and Wictor, 2003; Moen, et al., 2004; Rialp, et. al., 2005; Knight and Cavusgil, 1996; Madsen and Servais, 1997).

However, extant literature is virtually silent on what it takes for a born global, a small international player with limited resources, to compete with big and resourceful multinational

enterprises in many international markets. By gaining and exploiting knowledge from international markets and tapping on the complementary resources and activities of their network partners (Awuah et al, 2011; Andersson and Victor, 2003), born globals are able to develop innovative offers that enable them to achieve profitability and growth (Zhara et al, 2009). Our contention is that born globals' ability to use innovative solutions to create sustainable competitive advantages as they aspire to expand and grow in international markets will be very crucial. Important in our use of the innovation concept is both the "newness" (e.g. new combination of resources and/or activities as argued by Schumpeter, 1934) and the acceptance and the affordability of the of "new" (Doyle and Stern, 2006). This means that, for a product, it is not the new technology alone, but also how to reach the customer, win the customer, and retain the customer that are of importance, when innovative solutions are considered.

The pace and pattern at which born globals internationalize their businesses, in the face of intense competition in almost all markets, in order to provide innovative solutions that enable them to achieve competitive advantages in the marketplace is under-researched. This has been an important reason for the study of the present phenomenon. As stressed by Doole and Lowe (2008), products and services offered by firms, these days, are becoming 'commodities' (i.e. 'me too' products/services), if firms are not able to differentiate the core product benefit or service by offering a bundle of benefits for target customers or users in a target market. For Porter (1985), the competitive advantage of a firm grows fundamentally out of the value the firm can create for its customers, irrespective of the markets in which a firm operates. Operating across borders, though offers opportunities, dealing with new set of macro-environmental factors (e.g. politics, laws, economics, cultures, and societies) and intense competition, will demand that a born global, for example, differentiates its products and services that will help it to meet similar needs and wants of its transnational customers, while

it adapts to meet different market-specific requirements and/or needs of customers (e.g. Doole and Lowe, 2008). And for Doyle and Stern (2006), a firm that is good at satisfying customer needs, better than its competitors can do, has the best opportunities to grow and expand. Hence, Born Globals and their growth and expansion narratives are worth studying.

In view of the above, the purpose of the present study and the research questions to address our purpose are stated below. The purpose of the present study is to investigate a born global's use of innovative solutions to create sustainable competitive advantages as it expands and grows in different international markets. Hence, we seek to answer the following research questions:

1. Why do born global firms enter foreign markets?
2. How do born global firms create innovative solutions that will help achieve growth and sustainable competitive advantages?
3. When and how do born global firms co-operate with local and international network actors to provide innovations that help the firms achieve growth aspirations?

The rest of the paper will be structured as follows.

In the next section, the existing literature on born globals and how they have been studied so far is reviewed. This will be followed by the theoretical framework. Thereafter, the methodology is discussed. Next, the empirical study is presented followed by the analysis, conclusions and the managerial implications.

2. Literature review

2.1 International entrepreneurship

International business and small business/entrepreneurship have been largely separate areas, both practically and academically (Jones et al., 2011; Oviat and McDougall, 2005).

International business literature has focused on the large multinational companies, while entrepreneurship/small business literature has addressed issues associated with the evolution of new companies and the management of small business in a domestic context. There was a lack of research that focused on firms that already from inception aimed to reach international markets. This gap in research has been the base for the new emerging field of international entrepreneurship that has grown rapidly during the last two decades (Jones et al., 2011). The definition of International Entrepreneurship has developed over time (Lumpkin and Dess, 1996, McDougall & Oviatt, 2000; Oviatt & McDougall, 2005). But, in this study, we adopt the following definition of international entrepreneurship:

International entrepreneurship is the discovery, enactment, evaluation and exploitation of opportunities – across national borders – to create goods and services. (Oviatt and McDougall, 2005, p. 540)

The above view on entrepreneurship does not only focus on start-ups but also on entrepreneurial behaviour later on in a firm's development. It also is built on a view that focuses on entrepreneur's ability to interpret the environment differently, which makes the entrepreneur a central actor to understand a firm's development, example being the firm's international expansion. We adopt the above definition as it is useful for our purpose to study born globals crossing national borders. Thus, in our study, an international entrepreneur can be described as the one that discovers, enacts, and evaluates and exploits opportunities, across national borders, to create goods and services (see also Oviatt and McDougall, 2005). In born global firms, the above characteristic of the founder, also seen as an entrepreneur, is very relevant to understand the extent to which the founder dominates the internationalization efforts of a born global firm (Andersson and Wictor, 2003; Madsen and Servais, 1997). An entrepreneur's role as a firm internationalizes its activities becomes crucial. Although research in this area has expanded heavily during the last decades (Rialp et al., 2005), there are still many unanswered questions, some of which are the research questions posed above.

2.2 Born Global research

A McKinsey study of Australia's high-value-added manufacturing showed that numerous small to medium-sized companies (SMEs) successfully competed - virtually from their inception - against large, established players in the global arena (Rennie, 1993). These firms did not slowly build their way into international trade (Knight and Cavusgil, 1996; Rennie, 1993), which appears to contradict earlier studies on firms' internationalisation (Johanson and Vahlne, 1977, 1990). On the contrary, they were born global. The Australian study coined the concept Born Global and has been followed by numerous studies on the same phenomenon. In their study of Australian companies, McKinsey and Company (Rennie, 1993) found the following characteristics of born globals: Management views the world as its marketplace from the firm's founding; unlike traditional companies, they do not see foreign markets as simple adjuncts to the domestic market. Born Globals begin exporting one or several products within two years of their establishment and tend to export at least a quarter of their total sales. They tend to be small manufacturers, with average annual sales usually not exceeding \$100 million.

Additionally, other researchers have found some typical characteristics of Born Globals. Madsen and Servais (1997) found the following factors characterising Born Global firms: The antecedent of a Born Global is one or several strong entrepreneur (s) with extensive international experience. When the company becomes older and has grown to new levels the management has to develop to meet the situations. Evers (2011b) found that the entrepreneur and the entrepreneurial team are very important so that the other factors rest on them. How entrepreneurs make use of the above characteristics, in addition to other factors that will facilitate their creation of innovative solutions, while operating in many markets, foreign or

domestic, still remains under-researched. Hence, our study will contribute to fill that gap in the literature.

There is growing empirical evidence showing that Born Globals are becoming more common and also becoming a more important phenomenon for the Global Economy (Rialp et al., 2005). The research on Born Globals has so far focused on describing the new phenomenon and compared the international behaviour of Born Globals with traditional internationalisation theories. The international behaviour of a born global firm has been compared with a number of theories such as monopolistic advantage theory, product cycle theory, internationalisation stage theory, oligopolistic reaction theory and internalisation theory (McDougall et al., 1994; Knight and Cavusgil, 1996; Johanson and Vahlne, 1997, 1990, 2009), all seeking to aid our understanding of why and how firms internationalize. Common with the discussion of all the theories was/is that none of them could alone explain the Born Global phenomenon. McDougall et al. (1994) have, therefore, proposed that entrepreneurship theory and the resource based view of the firm do help to better explain the born global phenomenon. However, our extensive literature review has enabled us to develop a conceptual model, which incorporates many of the insights from a number of some of the theories in the extant literature (see section 3).

Much of the literature treating the Born Global phenomenon has been connected with new industries and high-technology-based sectors (Crick and Jones, 2000). However, in later research, the phenomenon has also been found in other “old” and mature sectors, such as the arts and crafts business (McAuley, 1999) and the aquaculture industry (Evers, 2010, 2011a). Madsen and Servais (1997) connect this fact with the size of the home market. Born Global firms originating in countries with large home markets are mostly found in high technology

based sectors, while Born Globals in smaller countries are more often found in other sectors. The findings so far have shown that many factors influence the Born Global firm. Andersson and Wictor (2003) have summarized earlier research and used case studies to identify four broad categories that influence the manifestation of Born Global companies. These categories are Globalisation, Entrepreneurs, Networks and Industry. An entrepreneur's characteristics (e.g. possession of unique competencies, resources, the drive and the motivation to pursue some envisaged opportunities across different borders) may not be adequate to achieve his/her goals in any market. The globalisation of markets suggests that many firms are now able to serve several foreign markets from their home or from within some host countries (Czinkota and Ronkainen, 2007).

Notwithstanding the vast amount of studies currently emerging on born globals, empirical studies to shed light on the strategies a born global develops and implements in order to provide innovative solutions that will enable the firm achieve a sustainable competitive advantage as the firm grows and expands in different markets is very scanty. Hence, the present study complements the existing literature on that issue.

3. Theoretical Framework

In Figure 1, it is contended that a born global firm, like many other firms (large and small), taps on the increased opportunities inherent in our globalized markets (i.e. increased exchange and interdependencies among many markets, fewer trade barriers in different markets, advanced and relatively less expensive technologies) to establish its presence in many markets (Andersson, 2011; Awuah et al., 2011; Doole and Lowe, 2008; Pettinger, 2007). Analogously, any firm in our globalized world faces intense competition in almost all markets (Peng et al., 2008; Czinkota and Ronkainen, 2007; Lu, 2004). As discussed elsewhere, most firms, including born globals also, are driven by a number of factors (e.g. effects of globalization

such as lower trade barriers, increased competition, rapid technological developments, small domestic market, and firm-specific advantages) to establish their presence in many markets (Andersson, 2011; Peng et al., 2008; Moen, et al., 2004).

The link between entrepreneurship and the born global phenomenon has been established in the literature (Jones et al., 2011; Oviatt and McDougall, 2005; Andersson and Wictor, 2003). As discussed in the literature, specific actors such as firms, organizations, and private individuals, who possess specific resources and perform heterogeneous activities, do establish exchange relationships among them in order to be able to gain access to complementary resources, which they may lack themselves (Awuah, et al., 2011; Tzokas and Saren, 2004; Håkansson and Snehota, 1995). This is because the activities of an actor, for the most part, will depend on the outcome of those of certain other actors in the network. This implies that, for example, a born global's value creation activities, while operating in international markets, will affect and be affected by specific actors with whom it interacts in a network context. An important feature of actors in interaction, within specific networks of exchange relationships, is that the actors complement each other through the uses of their respective resources and activities (Gummesson, 2002; Håkansson and Snehota, 1995; Håkansson, 1982).

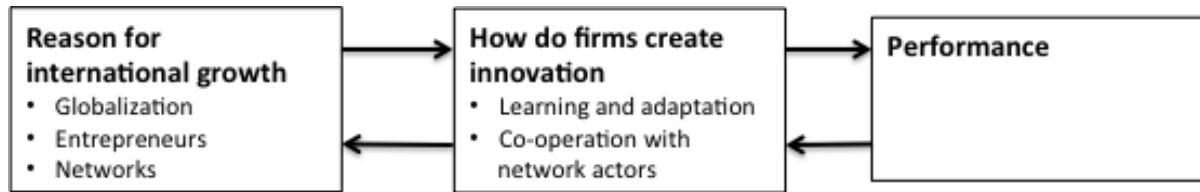


Figure 1: Factors affecting a born global's performance as it operates in different markets

The interplay between the three factors, namely, globalization, entrepreneurship, and networks (Andersson and Wictor, 2003), has much influence in the innovative solutions, which a firm will design, produce and deliver to final users or customers. As maintained by Anderson and Narus (2004), creating value for the customer is done, for the most part, by sharing knowledge and experiences with others in the marketplace. Born globals, like many SMEs, are said to be good in internationalizing their businesses by providing innovative solutions to customers (Andersson and Wictor, 2003; Knight and Cavusgil, 1996). As we stated earlier on, for a product, it is not the new technology alone, but also how to reach the customer, win the customer, and retain the customer that are of importance, when innovative solutions are considered. Thus, for a firm, innovation is not only new products, but also new ways to organize, to market and to supply goods and services to customers anywhere in the world (Doyle and Stern, 2006). A challenge for the manager or entrepreneur, in the born global firm, is to get his or her firm or in co-operation with network partners to manage innovation in a global world.

It is suggested in Figure 1, therefore, that the interdependent relationships between most firms enable the interacting firms to engage in mutual learning and adaptation, especially when they face changing situations in our dynamic and integrated markets. For Zahra, et al., (2009), since consumer and competitive behaviours are deeply rooted in national cultures, SMEs, including born globals, which possess such social knowledge, can leverage it in promoting innovation. Mutual learning and adaptation by actors in interaction will not only facilitate the development of innovative solutions, it will also enhance a firm's internationalization into unknown markets (Awuah, et al., 2011; Tzokas and Saren, 2004; Andersson et al., 2002). This suggests that, for the most part, implementing 'go alone' strategies, as the firm internationalizes its activities to grow and/or to expand (one way of measuring a firm's performance) in different markets, will not work for the most part.

Finally, the firm's performance, as the Figure 1 depicts, can manifest itself in any of the indicators below: Growth, expansion, customer satisfaction, profitability, No firm, as asserted by, Håkansson and Snehota (1989) is self-sufficient. No matter whatever resources (skills, knowledge, and tangible goods) the firm may possess at any particular point in time and in any market, all its efforts to create value for its customers would not pay off, if it has/had no access to the resources and activities of other actors, which complement the firm's own (Awuah, 2008; Håkansson and Snehota, 1995). Therefore, the arrows going in both directions in Figure 1 depict a process, which starts with initial factors influencing the subsequent factors, but the subsequent factors, in turn, also influence the preceding ones. Thus, whatever the performance measure is (e.g. growth, expansion, profitability, and customer satisfaction), whatever is learned, would help the firm review, for example, its innovative solutions, its perception of globalization, its entrepreneurial tactics and also the relative importance of its

network of exchange relationships. The above theoretical framework serves as our analytical tool for the interpretation of our empirical data.

4. Methodology

A qualitative approach has been adopted to enable us to investigate, in depth, an under-researched area (Ghauri and Gronhaug, 2010; Gummesson, 2003; Bryman, 1989; and Yin, 1989) “a born global’s use of innovative solutions to create sustainable competitive advantages as it expands and grows in different international markets”.

In all, the study was conducted with five companies (see Table 1, the basic characteristics of the companies). Studying multiple case companies, each of them from a different industry, offers evidence, which is considered more compelling and robust, to borrow Yin’s terminology (Yin, 1989, p. 29). The case sampling strategy we used followed the literal replication technique and theoretical replication logic, as Yin (2003) recommends. The key factor underpinning the selection of the five cases was conceptual relevance rather than representative grounds, so we used theoretical sampling (Miles and Huberman 1994). Theoretical sampling occurs when cases chosen are likely to replicate or extend the emergent theory (Eisenhardt 1989). We selected the cases in line with the following definition of Born Global: "Business organisations that from inception seek to derive significant competitive advantage from the use of resources and the sale of outputs in multiple countries". Oviatt and McDougall (1994). To be able to collect data the firms should also have a manager entrepreneur who, in large, steers the internationalization processes of the firm.

When we contacted the case companies they all agreed to participate in the present study, for they expressed the wish and the interest to co-produce knowledge with academicians. Following the principles of data collection that Eisenhardt (1989) and Yin (2003) established,

we used multiple sources of evidence to gather the data. We conducted a review of annual reports, other secondary documentation, and the websites of the case firms. We combined secondary data research and initial field interviews with the CEOs in the case firms; here, each respondent was interviewed by the use of telephone to establish some basic facts about the companies' internationalization processes and growth aspirations. However, to get a deeper insight into the innovation and growth processes within the firms, we decided to also include focus group interviews. The secondary data and interviews were the base to get a good descriptive view of the firms' development. Information on which products the firms offer, in which markets they are present, and when they entered different markets were obtained. However to get a deeper insight into why and how they were able to create innovative solutions to grow internationally we have chosen to use a focus group interview. After some initial meetings at the university setting, all participants were invited to one of the companies, Axelent, where we agreed to hold focused group interviews with the case companies. This focused group interview took place at Axelent's factory premises on November 24, 2011. All five companies, including our host company, Axelent, were present, each of them represented by the CEO of their respective companies. Three of our academic researchers were also present, serving as moderators.

The number of the participants of the focused group interview was, consistent with the recommendation given in the literature, not less than five and not more than 10 (Ghauri and Gronhaug, 2010). Conducting a focused group interview with a group of people on a common theme, here, "born global firms' use of innovative solutions and their networks to create sustainable competitive advantages as they expand and grow in different international markets", was consistent with what the literature recommends (Ghauri and Gronhaug, 2010, p. 134) We started the day with a lunch meal, at a restaurant, after which time we started the focused group interview at the factory premises of Axelent at one o'clock in the afternoon.

Every CEO of the case companies had about an hour and twenty minutes to narrate about their growth and expansion activities as they operate in the marketplace (foreign and domestic), emphasizing the innovative solutions, which they bring along to different markets. Here, the interviews were conducted in such a way that we employed loosely structured interview guide, which enabled the respondents to help address the three questions posed in this study. As each CEO narrated about his company's growth and expansion activities, all other participants (here the academic researchers and the various CEOs) had the opportunity to throw questions, asking for some clarifications or some examples to substantiate issues raised by the 'narrating' respondent. Every CEO's (i.e. respondent) narratives were tape-recorded. The entire focused interview, which was started at one o'clock, ended at seven in the evening.

The focused interviews were transcribed and copies thereof distributed to all participants that were present. The aim of giving copies to all that were involved in the focused group interview was to ensure that we get feedbacks regarding whether or not we have misunderstood or misquoted the interviewees. After getting the feedback from each respondent, we contacted each of the respondents by the telephone for some more clarifications; this complementary contacts for information for the study lasted, on the average, 15 minutes. All this speaks for the validity and the reliability of the study (Bryman, 1989; Yin, 2002).

5. Empirical presentation

The basic characteristics of the case companies can be found in Table 1

Table 1: Basic characteristics of the firms studied

Company	Year founded	Mode of foreign market entry	Products	Export sales as percentage of total sales	Number of employees
Axelent	1990	Distributors , agents and sales offices in about 50 countries (e.g. US, Germany, Europe)	Mesh wall systems for machine builders, warehouse designers and building contractors	77%	131
Absolent	1993	Distributors in US, South America, Europe, Asia. Subsidiaries in US and China	Provider of premium air cleaning equipment and solutions for industrial mist, smoke, etc.	70%	35
Camp Scandinavia	1997	Distributors and sales offices in US and Scandinavia	Medical equipment; Prosthesis	80%	160
Bufab	1977	Sales offices in US, Eastern part of Asia, North Africa	Trading and production of small parts; fasteners	85%	750
Keback	1985	Distributors and sales offices in Europe (e.g. Lithuania, Germany, Hungary, Poland). Sourcing products from China	Promotion of various products (items for presents, e.g. ties, hats, umbrellas)	50%	28

5.1 Reasons why the case firms enter foreign markets

A common pattern among the case firms was the entrepreneur's global mindset and intent for long-term growth. The entrepreneurs had international experience and saw international growth as natural strategy. Another common pattern was that the entrepreneurs were owner managers. This meant that they had the freedom to invest in long-term ventures and was not hindered by demands of short term profits. Market reasons also were an important factor, determining which markets the firms entered. The US was in focus as the most interesting sales market and China was targeted because of the supply opportunities.

Camp Scandinavian entered the U.S market because of the largest potential to grow and expand in such a vast market. By entering the U.S market, Camp Scandinavian established its own subsidiary as the appropriate mode of entry. The establishment of the subsidiary was successful because, according to the CEO of Camp Scandinavia, the company chose a right person, in whom they could trust, to work with in the U.S. For Axelent, a firm needs a big market in order for it to get large volume of orders. According to the CEO of Axelent, almost all firms are dependent on larger volumes of orders in order to be profitable. Axelent has physical presence in 50 countries, mostly working with agents and distributors. For Bufab, the firm's presence in many markets (foreign and domestic) has to do with the need to have large volumes of order. In the case of Absolent, presence in foreign markets is very crucial; over 70% of its revenue come from its export to foreign markets, where working with foreign distributors is of prime importance. The CEO in Axelent has also been working in the US for several years. In the US and China Absolent has opened its own sales subsidiary. According to the CEO of Keback, all their products sold in the domestic and in the foreign markets are through their retailers, while they outsource almost all the production of their products to suppliers in China. The firm is represented in countries such as Lithuania, Tjech Republic,

Poland, Germany, and Hungary. For Keback, the Swedish market is very small so expanding to other countries is a necessity.

5.2 How do born global firms create innovative solutions that will help achieve growth and sustainable competitive advantages, Or creating innovative solutions that will help achieve growth and sustainable competitive advantages?

Camp Scandinavia, for example, has had the business objective to increase its turnover from \$50 to \$100 million. This has to be achieved by increasing in export volume to various markets. Other strategies for achieving that objective are to invest in own product development and also finding 'right partners' (in- house or external partners) to help in that effort, which for the most part, has been successful. Product development was started in 1997 and Camp Scandinavia has developed a series of unique patented products. ToeOff was the first product and is still the most important product for the company. Toeoff enables people with dropfoot to walk easier and better. Product development is organized in different ways; a need can be identified in the market and Camp Scandinavia, sometimes together with consultants develops a product. Another way is that external inventor contact the company and presents an idea or prototype. It is long way from having a prototype to have a profitable product on the market. Here Camp Scandinavia's international network, reputation and brand are of importance. In recent years the company has started product development in a subsidiary in China.

"Many say it is not possible to have product development in China.. I say that is not true. Due to cost reason it is profitable to have production in China and part of the product development needs to be close to production to be effective", said the CEO of Camp Scandinavia.

The decision to invest in own production and sell the products in own sales subsidiaries and via distributors have been also a successful strategy. In the U.S, for example, the firm increased its revenue from \$4 million in 2006 to \$13.5 million in 2011. But, at times, some new products can be unsuccessful. For instance, an attempt to produce new 60 products in a year failed, the problem being no sales and also having used wrong persons in the assignment in question. The trend today is to produce more in Sweden because of the threat of designs being copied. “We have a strategy to outsource if possible, but if our products cannot be secure we have to manufacture in Sweden and accept the situation” according to the CEO.

Axelent has about 20000 customers spread out in 50 countries. An important strategy is to have a small niche, which the firm can serve very well. Axelent gives the customer a computer program (for free) that can calculate which and how much of Axelent products are needed to follow EU regulations..Another strategy is quick response to orders, enquiries, and deliveries. The niche strategy has resulted in the firm having a high sustainable profitability over time. As the CEO asserts, Axelent always has a large over capacity of products and a large warehouse to store the products, plus over capacity of even own personnel. All this helps the firm to meet its objective to answer or respond quickly to orders and other demands. The firm has a warehouse in the U.S to serve that market, a warehouse in Sweden to serve the whole of Europe, and a warehouse in Australia; it is building a warehouse now in Japan. The above strategies have led to Axelent’s taking over of many customers from their competitors. In Germany, for example, Axelent wins about 25 new customers every month. The firm’s innovative solutions has to do with offering a bundle of benefits, examples being, quality products, after sales services, quick delivery, safe and reliable processes.

For Bufab, what has been an important strategy is to strive to have a high profit margin and be strong in price, compared with their competitors. Here, the firm tries to emphasize that they have the low price but good quality for their products; they are in many markets in the world and delivers products efficiently. Producing at a high volume and having computer programme to facilitate production, distribution and delivery processes have all enhanced the firm's ability to sell at low prices to gain higher profitability. A strong product, Bumax screw, is a product area, which has a great world potential, currently bringing in about 100 million kronor annually to the firm's total annual revenue, the total annual revenue of the firm being two billion Swedish kronor. The firm aims to expand with this product, simply known as a world product, into many markets.

As the CEO of Absolent, expressed it, the firm entered into a matured market in 1993 so the only possibility for the firm to earn money was not to compete on price, but, instead to be better than their competitors. With this objective, the strategy has been, all the time, to strive after to have high growth and high profitability. Often the firm is the most expensive in the marketplace, but, seen from the lifecycle costs' point of view for the customers, the firm is not the most expensive one. Of importance is for the firm to have a clear focus, where the firm exploits the synergy between products. For example, if a customer is sold product A, the firm tries to find what else the customer might need and tries to supply product B as well to the customer, taking both A and B in a common product assortment. The firm has built its export, principally, on the use of foreign distributors who account for about 70% of the firm's total turnover. The firm, however, is also considering investing in own sales subsidiary in foreign markets; right now, the firm has its own sales subsidiary in China.

Keback has a year's turnover of 60 million Kronor, with product areas such as huts, ties, umbrella, and headwear. For Keback, the Swedish or other markets close by cannot serve their purpose when it comes to outsourcing the production of their products. All Keback's products are produced by external suppliers in China. The firm imports the products from China to Europe, where they are sold through retailers to final customers. Although importing will attract, for example, freight costs and the like, the firm's strategy to source its products from China (with low costs of production), applying effective logistic measures, brings their costs down. All this makes Keback's products relatively cheap when the products get to the various markets in Europe. For the CEO, outsourcing the firm's entire assortment of products to suppliers in China is very necessary because it guarantees their survival in the marketplace.

5.3 When and how do the case firms co-operate with local and international network actors to provide innovations that help the firms achieve growth aspirations? Or Case firms' cooperation with local and international networks actors to provide innovations that help the firms achieve growth aspirations

Camp Scandinavia underscores the relative importance of own personnel. With the 'right personnel' working for the firm, the CEO maintains that their firm is performing well in markets such as the U.S., Ireland, and England. For example, with good and hardworking "chefs" in the Ireland's market and in the U.S market, the firm is said to be making good money. The firm has highly motivated personnel, for the personnel believe that their firm is one of the successful firms in the U.S. On top of that, the leadership of the firm contributes very much to the trustful and hardworking atmosphere in the firm; the CEO can take turns to go to even the workers in the job floor to chat with them about almost everything. Besides, own personnel, Camp Scandinavia works with independent actors such as consultants, inventors (the firm's main products are developed in co-operation with such actors), distributors, and suppliers. Working with a very trustful distributor in Germany, who happens to be the CEO's good friend, in Germany (a very big and important market for the firm), the

firm has no need to open its own sales subsidiary. “Sometimes we go to the marketplace and try to find out if there is a need, which we can solve. Through this process, we work together with some consultants to design and develop some products that can meet the identified need in the marketplace”, said the CEO. The firm has also invested in acquisition strategy (using the firm’s own and those of the acquired firm’s networks), which has been very successful. The firm’s production factories in Belgium and Ireland respectively were acquired from existing companies. In China, the firm has its own production plant and develops and produces some products there.

According to the CEO of Axelent, the good story, which is created about the company’s niche market, with its quality, quick delivery and after-sales services has been a joint successful combined effort from the firm’s network partners, namely, customers, suppliers, and own personnel. Only local outsourcing is used, for example for surface treatments. One manufacturing machinery company is used to ensure that the firm can secure the most important equipment. To secure core production, the CEO says: “We also own the company that delivers our core production equipment”. Together with partners such as those given above, the firm is able to live up to its promises, quick delivery, services, and being flexible when it comes to meeting customer needs. Working with own personnel, that are highly motivated, flexible, and skillful contributes greatly to the firm’s ability to live up to its promises. According to the CEO, the personnel are good in marketing, product development and engineering). Working with network partners such as robot manufacturers, warehouse designers (those who will need Axelent’s protective products around robots and machines), agents (those distributing the firms products in various markets), and own personnel (to provide needed services for the installed robots and machines) needs be carefully managed and coordinated. Here, the firm has invested, in cooperation with a small IT- Firm in Helsingborg (in Sweden), in a software programme, called “snapper-works”, which aids the

firm's quick logistical delivery solutions all over the world. The firm has also used acquisition strategies in expanding its business. For the CEO, the firm's innovative performance has much to do with the relative quick delivery of solutions to customers' needs, using own capabilities and those of their network partners.

Bufab, according to the CEO is aspired to be a global firm, although he sees the motive to be quite challenging. Acquisition of other companies has been an effective way to expand into other markets. Bringing own unique products into other markets has also been an effective strategy underlying the firm's expansion. One such own products is the "Bumax, 'rust free' screw, which can be used by several big companies (e.g. Airbus, Boeing, and Building Companies). Bufab acquired a company that had this particular product, but has developed it further after the acquisition, making Bumax screw a very strong product in 'rust free'. For the CEO, the offer of a unique product has to be complemented with the need to have the "right personnel, technicians, logistician, marketers and so on. The CEO cites their firm's presence in the Indian market as an example of the need to have the "right personnel", since their performance in that market has been just on the armature level as the result of that problem. Therefore, the need to recruit the "right personnel" in any foreign market is a priority for the firm. Bufab works with a number of suppliers. Together with its suppliers, Bufab has to manage quality and the reliable and quick delivery of its products to different markets. "We are the biggest supplier of a number of articles to most large firms in Sweden", says the CEO. According to the CEO, out of the firm's annual turnover of about 2 billion Swedish Kronor, 400 million Swedish Kronor come from its operations in Sweden. The business of the firm outside Sweden exceeds that of Sweden and most of the business expansion has been carried on through the acquisition of other firms.

According to the CEO of Absolent, their firm can be said to be operating in a matured market. Hence, the firm needs to be focused, with clear guidelines along which the firm conducts its

business. The firm's business mission has been to be the best in the marketplace. The personnel, for example, need to see the "being the best" to be translated into focusing on growth and profitability in any market, in which the firm operates. Instead of aiming at several businesses at a time, Absolent will focus on a few, but with synergy effects between the focused businesses. For example, the CEO means that selling product A to a customer, the firm will search for the need to also supply additional product, say product B, which the customer might need as well. This creates the synergy effect among the businesses tailored to a customer need. The firm's major business area is about cleaning the air that has been polluted by oil. Here, personnel of the firm play very important role in the goal achievement of the firm; their skills, knowledge, and the upgrading thereof are very crucial for Absolent. Here, a clear personnel policy should manifest in, for example, competence development, giving incentives, and making them 'feel good' or comfortable at the workplace (e.g. by having parties often).

Absolent also has the strategy to outsource some of its activities to independent actors (e.g. system suppliers, where two are in Sweden, one in Latvia, and one in Mexico). These main systems suppliers are expected to have own product development, which is integrated into those of Absolent's own product development. Here, product development plan, which spells what the firm has to do so as to be above the competition, should be their focus. Absolent demands, therefore, that their system suppliers, own personnel and distributors (70% of their export are taken care of by distributors) will need to coordinate and integrate efforts to help the firm live up to the claim that Absolent is the best in the marketplace. Looking at the firm's total offers, Absolent seems to be the most expensive in the marketplace. But, looking at the 'life cycle cost for the customer' (i.e. products, product use, and after sales services), the customer gains by doing business with Absolent. Organic growth has been the primary expansion strategy of the firm.

Keback, according to the CEO, outsources all its production to suppliers in China. The firm buys tons of assorted products (e.g. Caps, reflex products, knitted groves, and helmets). Outsourcing tons of products to different producers in Kina, Keback has a number of other partners (such as logistic firms, airlines, warehousing companies, and retailers). In all, the firm has four separate businesses, which need be managed, together with the above partners, so that Keback's products are brought to the final consumer at the right place and in the right time. One example of the complexity to manage the four businesses and/or to meet customer needs has to do with the way retailers sometimes put in their orders or make enquiries. "You have retailers who deal with about 700 articles. They ring Keback without any precise description of their needs but want you to give them a quick answer to their orders or questions. This has been a challenge, which the firm has got to deal with. Hence, Keback, in order to be better prepared to answer retailers about orders or questions, have recruited specialist personnel with different competencies to handle the four businesses", says the CEO. This means that Keback has to constantly update the skills and knowledge of its personnel in order to be able to function efficiently.

Keback has its major warehouse and office, as well as the design of the various products for customers in Kina. The firm does visit its suppliers very often to oversee the quality of the products, which they buy from the latter. When the products are bought from the suppliers, Keback has about 28 alternative logistic means to bring the goods to the retailers or to the final consumers. The quality of the goods, the reliable delivery (logistic becomes crucial for Keback) and the assorted products are all obtained, with the help of the firm's partners in China, at affordable prices. "In spite of the fact that our products come with freight charges, they are cheap. Hence, the only chance for us to survive in the marketplace is for us to work this way", says the CEO. An important strategy for Keback is to make sure that the personnel are motivated and feel comfortable to work in the firm. It is also important for Keback and its

business partners to be able to do business together as simply as possible. For Keback, organic growth has been the major strategy in expanding to different markets. The firm has branches in Latvia, Czech Republic, Poland, and Hungary.

6. Discussion

Consistence with the literature, SMEs and/or born globals are driven by a number of factors (e.g. effects of globalization such as lower trade barriers, increased competition, rapid technological developments, small domestic market, entrepreneurial drive, and firm-specific advantages) to establish their presence in many markets (Andersson, 2011; Peng et al., 2008; Moen, et al., 2004). All the case companies stressed factors, such as those above, especially access to large markets in order to get large sales volumes; this is something they all contend will guarantee them growth and profitability. Hence, as Table 1 reveals, all the companies have established presence in larger markets, which are psychically distant from the home market. As shown in some studies (Johanson and Vahlne, 1977, 1990, 2009), firms are proned to enter markets that are psychically close to their own domestic markets. On the contrary, our present study and other research show that psychic distance has limited relevance to born global firms when choosing markets (Evers and O'German, 2011).

Having presence in markets where a firm can get access to low cost of supply (Driffield and Love, 2007; Cavusgil, 1984) has also been demonstrated by some of the case companies, especially Keback. Entering the various markets, each of the companies has collaborated with varied actors such as agents, distributors and own sales force (see Table 1).

The link between entrepreneurship and the born global phenomenon has been established in the literature (Jones at al., 2011; Oviatt and McDougall, 2005; Andersson and Wictor, 2003). These firms have been found to select foreign markets through international knowledge and networks of the founder (Andersson and Wictor 2003). In the present study the CEOs, all

being entrepreneurs, have been very instrumental in helping to establish their respective firms' in foreign markets. All of the respondents stress the importance of having the "right" type of people to work with, both internally and externally; Bufab stresses this point as the results of its experience in India. Andersson (2004) claims that personal interests and networks are most important in firms' early internationalization stages while more strategic considerations, such as market potential, is of greater importance in the firms later stages (Dunning, 2000). A similar pattern is found in our empirical findings. However, also in later stages, personal networks and trust between individuals are important factors. The interplay between the three factors, namely, globalization, entrepreneurship, and networks (Zahra et al., 2009; Anderson and Wictor, 2003) has much influence in the innovative solutions, which a firm will design, produce and deliver to final users or customers in any market. For Anderson and Narus (2004), creating value for the customer is done, for the most part, by sharing knowledge and experiences with others in the marketplace. Born globals are said to be good in internationalizing their businesses by providing innovative solutions to customers (Andersson and Wictor, 2003; Knight and Cavusgil, 1996). The common pattern in all the case companies is that they all are using internal and external networks, which demand that they have to be open for changes and learning to improve their competitive situation. Different actors in the network influence the learning processes of the firm (Awuah et al., 2011; Tzokas and Saren, 2004) and determine the innovations needed for creating and sustaining international competitive advantage.

Important in the firm is top management dynamic capabilities and ability to adapt and cooperate with stakeholders outside the focal firm to create value (Evers, Andersson and Hannibal, 2012). The studied firms all have goals and vision, but not rigid plans that make it possible to catch opportunities when they appear. An international exposure gives the SME and opportunity to access knowledge from other international setting (Zahra et al., 2009). The

access to multiple international markets promotes innovation by lowering the risks while increasing the potential returns. An interesting finding is that the local environment is of great importance also for all the globally active firms in this study. For example, Axelent has a close local network of suppliers that make it possible for them to focus on their core competencies regarding production, but also to expand their offer with logistic and service components. In some cases Axelent has acquired the main suppliers of equipment to secure their core manufacturing.

Another interesting pattern is that the firms are aiming to find both cost reduction and value creating innovation. They are also working with brand building activities which have helped the companies to create offers for customers and still have premium price level. With the exception of Bufab that has lower prices but offer high volume of products with good quality, none of the firms have low price and cost as their main strategy. But, they all report of achieving high profits and growth from their respective strategies.

Teams in the companies are important. According to Evers (2011b), the entrepreneur and entrepreneurial team is so important that other factors rest on them. According to Müllern and Elofsson (2006), the vision is the base for charismatic leadership. To motivate employees it is important to change their views of their work and of how goals can be fulfilled in order to make the work meaningful. The charismatic leader has to strengthen an employee's self-esteem and intrinsic value to achieve this level of motivation (Wictor, 2012). In all the cases, especially in Camp Scandinavia, there are evidences regarding how the CEOs interact with all employees in all markets, bringing about 'shared meaning' of what their companies' visions, values and goals are. They do this by creating the right atmosphere that promotes motivation, teamwork, and sharing in the successes of their companies.

The common pattern among the case companies is that they work together with other partners to overcome liabilities of smallness and foreignness on international markets. This is consistent with findings in other studies (Nachum, 2003; Zaheer, 1995). In a global competitive world one of the most important managerial decision is to decide what should the own firm do themselves and what should other actors do. The present study demonstrates how well each of the case companies outsources some activities to external partners and coordinates own activities with those of the external partners so as to collectively produce and deliver innovative solutions on the marketplace.

The case companies have built different 'value-creating networks' which is in accordance with what Busbin et al. (2008) found in their study of the value chain, focusing on the evolution of sustainable competitive advantages with outsourcing. Different networks could then be seen as value-creating networks (Anderson and Narus, 2004; Tzokas and Saren, 2004) because they add value to the company's value chain. This is good for suppliers and the outsourcing parts in the value chain. Keback, as revealed in the case story, has no unique product, but its ability to support partners (customers, suppliers, and other third parties) with efficient services and logistics has earned the company a very strong competitive position in the marketplace. All the case companies have demonstrated that it is good to build value-creating networks together with your customers and other valuable partners. This is in line with Awuah's (2008, p. 45) analysis of the importance of seeing a firm's customer orientation practice from a wider perspective. Thus, Awuah shows that "close, regular and extensive interaction and exchanges with customers and third parties have enabled each of the firms in his study to win and retain important customers over the years" (p. 45). The case companies in the present study have all demonstrated where and when to outsource certain activities to some actors and when to work together with others in creating innovative solutions (e.g.

developing and producing new products), which when left to one actor can be impossible to achieve.

7. Conclusions

The purpose of the present study is to investigate a born global's use of innovative solutions to create sustainable competitive advantages as it expands and grows in different international markets. The study has revealed that the entrepreneur CEOs have had growth aspiration for their companies right from inception. This has been the starting point for their firms' international expansion. The motive to have access to big markets has made all the case companies establish presence in psychically distant markets, a behavior most earlier studies would not predict (Johanson and Vahlne, 1977; 1990). The effective use of the entrepreneur-CEOs' personal networks and business networks have been assets that have accorded each of the firms' strong position in foreign markets; the study reveals that all the firms do the bulk of their businesses outside Sweden, the home market.

An important part in the firms' strategy to tap on the complementary assets of external parties is to be open for alternative solutions and to learn from own experiences and those of others, with whom the firm interacts (Evers, Andersson, Hannibal, 2012; Zahra et al., 2009; Tzokas and Saren, 2004). All the cases in this study have demonstrated the extent to which own experiences and those of their network partners have enabled each of the companies to provide innovative solutions. As the study shows, each of the firms does co-operate with some valuable partners to provide unique products (e.g. Camp Scandinavia and Absolent) or provide unique services or support (e.g. Axelent and Kebab) that are perceived to be good. Axelent, for example, is winning and retaining 25 new customers almost every month. These innovative solutions have contributed immensely to each of the companies' presence in several markets, where they are growing and operating profitably.

8. Practical implications

When firms are getting more experienced in international business, they become more committed to internationalization (Johanson and Vahlne, 1977) and place greater emphasis on growth and product innovation (Zahra et al., 2009). A challenge for the manager in a born global firm is to manage innovation in a global world. Managers need to understand and interpret information in international environments to be able to take decision regarding innovation.

Competition has forced many companies to focus on activities where they are competitive and work together with other players. Especially Born Globals do not have resources to carry out all activities themselves. Born Globals need to co-operate with others to be able to innovative and create competitive solutions. Entrepreneurs and managers need to explore new business models, including both local and global resources (Camuffo and Grandetti, 2011), To be competitive a fruitful relationship between the Born Globals and other actors is crucial to be able to get access to resources which can create innovative solutions

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