The determinants on SMEs pace of foreign expansion

Work-in-progress

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Track 5. International Corporate Strategies

Introduction

1.1 Background

The purpose of studying the pace of internationalisation are that there may be a performance advantage in rapid internationalisation, the earlier that a firm internationalise, the faster it seems to grow, it is therefore important to explain why some internationalise faster than others (Oviatt & McDougall, 2005).

The purpose of this study is thus to describe the process of internationalization of small and medium-sized enterprises (SMEs) and to explore the reasons for the differences in the pace of internationalization of firms, why are some firms born global? Furthermore, the study of several cases are intended to allow for better understanding or improved ability to theorize about the concept of internationalization of SMEs. Empirical evidence, from many countries, supports the notion that firms often internationalize by benefiting from what they learn by experience, i.e. their market knowledge increases gradually and uncertainty and risk is reduced over time for each new country. However, in 1988 Johanson & Mattson pointed out that some firms follow other internationalization patterns. They argued that the degree of internationalization of markets (e.g. the frequency, intensity and integration of relationships across borders in the particular industry market) has an impact on the internationalization process of the individual firm. In highly internationalized markets, firms may *leapfrog* some of the stages in the learning process. More recently, many authors (e.g. Oviatt & McDougall, 1994; Knight & Cavusgil, 1996; Madsen, Rasmussen & Servais, 2000), have found empirical evidence of yet another type. Some exporters are *born* global. These are firms that aim at international markets or even the global market from their inception. They do not seem to follow any kind of staged learning process leading to internationalization, i.e. their behaviour is beyond *leapfrogging*.

The objective of this paper is to explain the varying paces of internationalisation of firms. The research question is: which factors influence the pace for SMEs to increase their resource commitment to a foreign market and which factors influence the pace for entering new country markets?

No model of the forces influencing the speed of internationalisation exists (Wright & Ricks, 1994). A born global firm is one that is international and entrepreneurial in its business dealings. The first born global study was conducted by Rennie (1993) who identified a “new breed" of Australian firms which were "born global". According to this study born globals tended to be small (e.g. average sales $16 million) and relatively young (e.g. average age of 14 years), they had begun exporting on average, two years after their establishment and generated three quarters of their total sales from exports. The companies were found in all industries, but they all applied new technologies to developing unique products or a new way of doing business and, according to Junkkari (2000), as a result were strikingly competitive against established large players.

Born global firms or international new ventures (INVs) are firms that are international and entrepreneurial in their business dealings. Oviatt & McDougall (1994) found that many of the firms they studied were not truly global and thus decided to call these new fast internationalising SMEs for INVs instead of BG or global start-ups. It is a problem with different definitions for comparing research results, this was also pointed out by Gabrielsson & Kirpilani (2004).

This new type of firm has thus many names: (Oviatt & McDougall b), 2005:2-8)
International New Ventures (Oviatt & McDougall, 1994)
Global start-ups (McDougall & Oviatt, 1991, Oviatt & McDougall, 1995; Jones & Wadhwani, 2006)
Born Globals (Rennie, 1993; Knight & Cavusgil, 1996, 2004; Madsen, Rasmussen & Servais, 2000;Madsen & Servais, 1997)
Born International (Oviatt, McDougall, Simon & Shrader, 1994; Majkgård & Sharma, 1999)
5. Meta-national upstarts (Doz et al 2001)
6. Micro-multinationals (Grimes, 2004)
7. Instant Internationals (Dana, 2001)
8. High-technology start-ups (Alahuhta, 1990; Jolly et al, 1991)

Fast internationalising SMEs are defined as 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 & McDougall, 2005:538). The importance of the field has been signalled by the appearance of special issues and forums on international entrepreneurship in various journals.

A dynamic theory of the process of firm internationalisation relevant to the economic conditions of the 1990s is lacking (Dunning, 1993 in Oviatt & McDougall, 1999:1). Thus, our ability to explain accelerated internationalisation is limited, especially for emerging businesses. Internationalisation is defined as a process, over time, in which a firm develops increasing involvement in operations outside the firm's home country (Welch & Luostarinen, 1988:2). The most widely recognised theory concerning the dynamics of internationalisation and one that has been relevant for young and small firms in the past, is the Uppsala model (Johanson & Vahlne, 1977/90) (Oviatt & McDougall, 1999).

The Uppsala model reads very much as a theory of constraints. It drew heavily on the behavioural theory of the firm (Cyert & March, 1964) and on the theory of the growth of the firm (Penrose, 1959). The model is believed to have assumed away individual strategic choice (Autio, 2005:12). The key contribution by Oviatt & McDougall (1994) is seen as their direct challenge to the risk-averse, constrained posture described by the Uppsala model. It is claimed that international new ventures are possible, because entrepreneurs are able and willing to make strategic choices, as well as to accept the risks associated with an aggressive international expansion (Autio, 2005).

Competitive advantage has in recent years shifted away from firms with large size and long experience toward firms with unique knowledge and swift response capabilities (Oviatt & McDougall, 1995). Technological and competitive forces have made slowly staged efforts risky for an increasing number of firms (e.g. in global industries).

1.2 Entrepreneurship

Academic thought on entrepreneurship can be traced back to the early economic literature that defined the entrepreneur as an arbitrageur (Cantillon, 1931). An entrepreneur was later described as coordinators in production and distribution, as well as modern leaders and managers (Say, 1971), innovators and creative destructors (Schumpeter, 1934), alert discoverers of profit opportunities (Kirzner, 1973;79). According to the Kirznerian perspective the entrepreneur engages in arbitrage (speculating) and according to Schumpeter in innovation (Styles & Seymour, 2006). Despite the lack of a single agreed definition, opportunity, human action, learning, and creativity and innovation, emerged as central constructs (of entrepreneurship) (Styles & Seymour, 2006).

Entrepreneurship is seen as a rich and complex phenomenon; “we should not expect, or even desire, that it be pinned down by a single, universal definition” (Wickham, 2006:5). Kilby (1971) noted that the entrepreneur had a lot in common with the “Heffalump”, a character in A.A. Milne’s Winnie-the-Pooh, described as: “a rather large and important animal. He has been hunted by many individuals using various trapping devices, but no one so far has succeeded in capturing him. All who claim to have caught sight of him report that he is enormous, but disagree on his particulars”. The main focus in this study with regard to the meaning of the word entrepreneurship is the founding of a new business (Gartner, 1985). Still, many well-known entrepreneurs have revitalized an existing organisation rather than building a new one from scratch. However, entrepreneurial behaviour in large, established companies, often referred to as “corporate entrepreneurship” is not included here. Entrepreneurial behaviour may occur at the individual, group, or organizational levels (McDougall & Oviatt, 2000), the focus here being on the individual level

It is clear that entrepreneurship and internationalisation are complementary fields with complementary theoretical interests and empirical developments (Jones & Coviello, 2005). Entrepreneurship need not be defined by the enterprise, an entrepreneur may license and idea or a concept to another firm (Shane, 2003). Major contributions to entrepreneurship literature are Schumpeter (1934), who viewed entrepreneurship as creating market disequilibrium from its original equilibrium position by generating innovations as disruptive. He classified innovations into 5 types; introduction of new product, introduction of new method of production, opening of new markets, introduction of new materials or sources of supply and developing new organisation structures. Then there is Kirzner (1979) who emphasises the significance of the role of learning in driving the market process. A wider definition is Timmons’ (1994:7) “entrepreneurship is the process of creating or seizing an opportunity and pursuing it regardless of the resources currently controlled”.

“Only truly internationally entrepreneurial firms are those that are “born global”” (Fletcher, 2004:289). Kuemmerle (2002) also stated that; “a growing number of entrepreneurs start ventures by simultaneously establishing operations in several countries in order to increase the likelyhood of venture success” (p.99). According to McDougall & Ovitatt (2000) international business researchers are broadening their traditional focus on large multinational companies to also include entrepreneurial firms in their research agendas. This is due to the accelerated internationalization that is being observed in even the smallest and newest organizations; “The use of efficient worldwide communications technology and transportation, the decrease in governments’ protectionist policies, and the resulting decrease in the number of geographically protected market niches has made it possible, if not necessary, for many of today’s entrepreneurial firms to view their operating domains as international” (McDougall & Oviatt, 2000:902).

Traditionally, approaches to research on entrepreneurship neglect the relational nature of the process. Instead they treat entrepreneurs either as atomized decisionmakers, operating as autonomous entities, or as prisoners of their cultural environment, predisposed to entrepreneurship. The embedded nature of social behaviour refers to the way in which action is constrained or facilitated because of its social context. Entrepreneurship can be described as “…embedded in a social context, channelled and facilitated or constrained and inhibited by people’s positions in social networks,” (Aldrich & Zimmer, 1986:262). The same state that entrepreneurs must establish connections to resources and niches in an opportunity structure, and it is also believed they at some point are affected by relations with socializing agents who motivated them. Stevenson (1984) noted that entrepreneurs are driven by opportunity-seeking behaviour, not by a simple desire to “invest” resources. By contrast, managers are believed to be driven by a concern to invest the resources they manage, treating resources as an end in themselves, rather than as a means to an end the way entrepreneurs do.

1.3 International Business

Internationalization can be described as the process of adapting exchange transaction modality to international markets (Calof & Beamish, 1995). Root (1987) defined entry mode as an institutional arrangement for organizing and conducting international business transactions, such as contractual transfer, joint ventures and wholly-owned operations. The existing literature does not seem to have reached to an agreement on which conceptual framework and constructs should be used to explain a firm’s foreign market entry.

Traditionally international business researchers focused on large multinational enterprises (MNEs) (Gabrielson et al, 2006) and following from this, much of the focus has been on how and when to carry out foreign direct investments (FDIs). Entrepreneurship researchers focused primarily on venture creation and the management of SMEs within a domestic context. In recent years however, the demarcation segregating international business and entrepreneurship has begun to erode (Gabrielson et al, 2006). The literature has reached the point of specifying that “international entrepreneurship is a combination of innovative, proactive, and risk-seeking behaviour that crosses national boundaries and is intended to create value in organizations", (McDougall & Oviatt, 2000:903).

Styles & Seymour claim there are 3 main theoretical streams of international research (2006):
1. Economic (brought together by Dunning's paradigm)
Dunning's eclectic paradigm (1979, 1980, 1987, 1988) endeavours to predict foreign direct investments (FDIs) by firms. Despite the significance of theories such as the International Product Life Cycle theory (Vernon, 1966; Onkvisit & Shaw, 1983; Toyne & Walters, 1993), the Markets Imperfection Theory (Hymer, 1976), Strategic Behavior Theory (Knickerbocker, 1973; Graham, 1978; Casson, 1987), the Resource Based Theory (Penrose, 1959; Cantwell, 1995; Prahalad & Hamel, 1990; Madhok, 1997; and Andersen, 1997) and the transaction cost (TC) theory (Williamson, 1981; 1985), Dunning (1995) states that they were singly incomplete and could not adequately explain either the choice of FDI over exporting and licensing or the choice of where to locate the FDI. As an alternative Dunning (1980;1988) proposed an eclectic theory of international production. The eclectic paradigm is, according to Benito (1995), by far the most popular general theory on internationalization. Benito (1995) believes Dunning's paradigm is more of a multi-level framework than a theory. He states that the eclectic paradigm is a synthesis of the perspectives of market power (e.g. industrial organization), internalization (e.g. transaction cost) and location (e.g. international trade theory). Dunning (1980;1988) suggests that the following factors will influence a firm's choice of entry mode; ownership advantages (e.g. firm specific assets and skills), locational advantages (e.g. reflect attractiveness of specific country; market potential & investment risk), and internalization advantages (e.g. costs of choosing a hierarchical mode of operation over an external mode; transaction costs).

2. Uppsala School (Johanson & Vahlne, 1977, 90)
The main purpose of Johanson & Vahlne's (1977, 1990) model was to explain why the internationalisation process tended to unfold in an incremental and gradual fashion in Swedish firms in the mid-70s. To explain the observed incremental pattern they developed the stage-change model of internationalisation.

Lindqvist (1991) describes internationalisation as the process of learning about foreign activities. Researchers began to systematically examine the internationalization process of firms at the end of the 1960s. These studies focused on *attitudes* and *behavior* of firms in the process of going international (Li & Cavusgil, 1995). Empirical studies in this area concentrated on testing whether internationalization was an incremental and gradual process. The results are non-conclusive. Karafakioglu (1986) found that the majority of the firms he studied experienced a sequential and gradual process starting as uncommitted exporters and increasing their commitment as firms' size and export volume grew. On the other hand, Diamantopolous' (1988) and Millington & Bayliss' (1990) failed to support the incremental view of the process of internationalization. However, all researchers agreed that there were different stages in the internationalization process. These conflicting findings may suggest two different processes at work, sequential and random. In the former, firms go through different stages in sequential order. In the latter, firms leapfrog certain stages.

Stage theory of internationalization contends that a firm's international operations will gradually increase as it gains knowledge and experience in the international arena. The main point is thus, the more international experience a firm has the more able it will be to expand internationally. An underlying assumption of all these models is that firms are well established in the domestic market before venturing abroad (Bell, McNaughton & Young, 2001). Johanson & Vahlne's internationalization model, *The Uppsala Internationalization Model* (U-model), rests on the resource-based theory (Andersen, 1997). The basic assumption of Johanson & Vahlne's model (1977/90) is that performing activities creates internal assets such as skills and (experiential) knowledge. Johanson & Vahlne's classification of market knowledge is based on Penrose's definition (1959:53): "One type, objective knowledge, can be taught, the other, experience or experiential knowledge, can only be learnt through personal experience….". The establishment chain, as Andersen (1997) calls Johanson & Vahlne's approach, has some points of resemblance with the eclectic framework, concerning the emphasis on firms' knowledge. The main difference between the perspectives, is that the establishment chain describes the entry mode decision as a time-dependent process, i.e. the explanation of a particular state (e.g. entry mode) is based on some prior state or a sequence of some prior states. In contrast, the eclectic framework attempts to predict a firm's entry mode based on current values of a set of independent and moderating factors. The process theories assume that the firm will gradually increase its commitment from sporadic export to direct investment. On the question on which market to select, the process theories suggest firms would enter new markets according to their psychic distance. Psychic distance being defined as factors preventing or disturbing the flow of information between the firm and the market, including factors such as differences in language, culture, political systems, level of education, or level of industrial development (Johanson & Vahlne, 1977). A learning experience in one culturally distant country produces a knowledge base for further expansion within the same cultural sphere. Thus, firms are believed to start internationalization by entering those markets they can most easily understand. There they will see opportunities, and there the perceived market uncertainty is low. The arguments for the gradual pattern are discussed in length in the article of Johanson & Vahlne (1977). Andersen (1993) states that the other authors explicitly or implicitly build on Johanson & Vahlne's contribution.

The critique of the transaction cost theory (TCT) and the IPT is quite similar in that they both focus on the firms' internal development and do not take into consideration the importance of external assets, e.g. important relationships. They are both seen as losing their explanatory power as the firm and the environment gets more internationalized. In sum, both the transaction cost approach and the internationalization process model leave out characteristics of the firm and the market, which seem especially important in the case of "global competition" and co-operation in industrial systems. Another weakness of the IP perspective, is that it is not considering mode changes involving decreasing foreign commitment. The IP perspective's focus on knowledge and learning as a presupposition for internationalization is however, very important.

When it comes to the internationalization process theory which describes internationalization in terms of cognitive learning and competency development which increases, through experience, over time, this seems very valid indeed with regard to the BG phenomena, only the process is moving a lot faster than assumed in the IP-perspective. But again, the internationalization is traditionally measured at firm level. The process of learning is still believed to take time, but the focus in this study is on the individual level. This means that the process of learning and building experience may have been going on (and most probable have) for quite some time at an individual level, before the BG firm has been established. There are evidence that founder(s) of BGs in many (most) cases have extensive experience from previous employment maybe from large multinationals, i.e. we still assume a gradual development at the *individual* level. However, the process of learning and building experience may still be a bit faster than traditionally assumed, due to today's advanced information and communication technology which give better access to information than earlier.

3. Network perspectives (Johanson & Mattson, 1988; Turnbull & Valla, 1986)

"The sequential model….stresses only the early stages of internationalization….this model should be supplemented with research on new patterns of internationalization of the 1980s and 1990s…" (Melin, 1992:111). Pedersen & Petersen (1998) also suggest that the inclusion of other internal and external factors provide a more complete explanation of the pace by which a firm commits resources to foreign markets. In the special case of born globals, network theory may thus have some explanatory power. Johanson & Mattson (1988) pointed out that internationalization processes of firms will be much faster in internationalized conditions. Both in the case of a *late starter* and an *international among others* (Johanson & Mattson, 1988:298) even a purely domestic firm has a number of indirect relations with foreign networks. Hence, market investments in the domestic market are assets, which can be utilized when going abroad. In that case it is not necessary to go from a nearby market to more distant markets, and the step abroad can be rather large in the beginning.

What has been regarded as one of the fundamental principles of organizational design is that organizations react to uncertainty in their environment by removing transactions from the market and placing them in more hierarchical contexts (Williamson, 1975; Ouchi, 1980). More recent research has started to question the generality of this principle by showing that when market uncertainty increases, individual companies tend to interact more, rather than less, with other organizations. For instance, Ellis (2000) found that decision-makers in practice respond to the inherent risks associated with foreign market entry (FME) by placing more not less, reliance on their social ties as a means of economizing on these higher search costs. The main effect of market uncertainty is thus, not the absorption of the source of uncertainty within corporate boundaries, but increased reliance on external partners who are known and trusted as reliable (Baker, 1992). Contrary to assumptions of the normative literature, international markets are not anonymous and the process of internationalization can be legitimately described in terms of establishing relationships in foreign markets (Johanson & Vahlne, 1990).

1.4 International Entrepreneurship

Traditionally international business (IB) researchers focused on large multinational enterprises (MNEs) and entrepreneurship researchers focused primarily on venture creation and the management of small- and medium-sized enterprises (SMEs) within the domestic context. In recent years, the demarcation segregating IB and entrepreneurship has begun to erode (Gabrielsson et al, 2006). Wright and Ricks (1994) highlighted international entrepreneurship (IE) as a newly emerging research arena and they define internationalisation speed as:

- time between discovery of an opportunity and first foreign entry
- speed with which country scope is increased (market selection/spreading)
- speed of international commitment (mode/export share).

IE first appeared in a short article by Morrow (1988), who highlighted recent technological advances and cultural awareness that appeared to open previously untapped foreign markets to new ventures (Oviatt & McDougall, 2005). The emergence of international entrepreneurship (IE) as a distinct field of research is thus relatively recent, an important milestone was Oviatt & McDougall's (1994) awardwinning article that questioned whether research in IB was sufficient to understand the internationalization process of entrepreneurial firms. This article is seen as providing a theoretical base for studying international new venturesThey address the gap by examining how and why entrepreneurial processes of opportunity discovery, evaluation and exploitation vary across nations. Oviatt & McDougall (1994) mounted a challenge to received internationalization process theories and established a new and exciting research theme, that of international entrepreneurship. The greatest value of their contribution lies within the creative tension that they generated in the field of international business studies by mounting a direct challenge to the established Process Theory of Internationalization, and by highlighting the increasing prevalence of international new ventures. The contrast between emphasising firm-level vs indidividual-level knowledge naturally reflects the different empirical scopes of the two perspectives. It has inspired the creation of a new journal dedicated to international entrepreneurship. They open a way towards building a more comprehensive theory of new firm internationalisation.

It is clear that entrepreneurship and internationalisation are complementary fields with complementary theoretical interests and empirical developments (Jones & Coviello, 2005 in Styles & Seymour, 2006). Coviello (2006) focuses on networks' impact on international new venture: "..network theory and analysis are fundamental to international entrepreneurship research" (p.2). Hite & Hesterly (2001) argue that in the emergent stage of the firm, networks will be cohesive and composed primarily of socially embedded ties. As the firm moves into growth stage, the network changes to encompass a balance of embedded and arm's-length economic ties that are more intentionally managed to explore growth. The network will shift from being "identity based" (path-dependent) to more calculative (intentionally managed) over time. There are conflicting findings whether ties are intentionally managed from the start. Social ties are seen as important in initial stages of the firm evolution, and less influential over time. Once INVs start-up process is complete, organisational needs are believed to become more complex and necessitate non-social relationships (Coviello, 2006).

An important difference between theories of multinational enterprise and a theory of international ventures seems to be the unit of analysis. Theories of international entrepreneurship argue that some firms start out internationally because of certain entrepreneur-specific capabilities (vs. firm specific) (Bloodgood & Sapienza, 1995; Knight & Cavusgil, 1996; McDougall & Oviatt, 1996). When the entrepreneur creates the enterprise, there are no routines in place, but the entrepreneur has a vision and a network of contacts that he or she is going to build up further. Thus, the study of international ventures has to be concerned with individual learning by the entrepreneur as well as with organizational learning of the emerging entrepreneurial firm. From Fletcher's (2004) study of two case firms' international development, it is possible to argue that the language of strategy and structure, which is often prescribed by many models of international business to enable firms to survive in competitive global markets (Levitt, 1983; Bartlett & Ghoshal, 1989; Ohmae, 1989), is somewhat limited for explaining small business internationalization. Close consideration of small business practice highlights the importance of multifaceted frameworks of analysis which go beyond the structural, strategic and behavioural and which take account of the often chaotic, opportunistic and incremental process through which entrepreneurs build international relationships and transactions (Buckley, 1991; Andersen, 1993; Calof & Beamish, 1995; Bell & Young, 1996; Jones, 1999). "..means that when evaluating the international activity of small firms, there is a closer relationship to entrepreneurship than there is to international strategy and structure that has tended to dominate small business research" (Fletcher, 2004:294). For born global firms the realization of entrepreneurial activities cannot be separated from the international business context and market in which they are being created. International entrepreneurship is a tightly integrated process whereby entrepreneurs envision and realize the emergence of their business as an international entity. For these firms, internationalization is not an extension of what has already occurred or "has been" in the home market. For small firms that internationalize some years after start-up, on the other hand, the international arena is seen as another "site" in which entrepreneurial activities are tried out or practiced. Internationalization is seen as an extension of what has already occurred in the domestic market and in this sense is also local or regional. As a result of Fletcher's (2004) analysis, it is argued that in staged or gradual internationalization, international entrepreneurship is characterized by the extension and broadening of entrepreneurial capabilities that have already been developed at home.

2. Determinants on the pace of foreign expansion

2.1 Conceptual framework

A conceptual framework is proposed where four main factors are posited as having an impact upon the firm's pace of internationalization. These factors are; (1) the experience and background of the firm's founders or other key employees, (2) the same person's network, (3) the globality of the industry in which a firm does its business, and (4) different product characteristics.

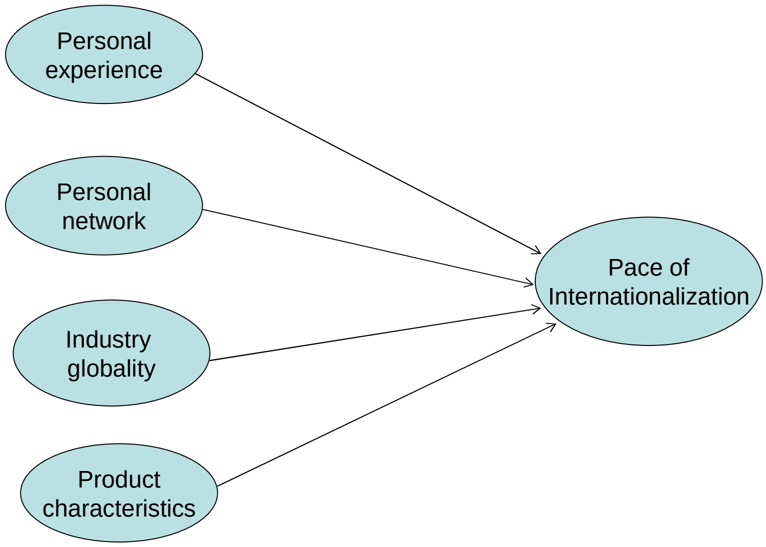

Figure 1: Conceptual Framework

Boundaries between domestic and international markets are becoming less relevant as businesses increase their activities abroad. A global industry is, in this thesis, conceptualized as follows: "an industry in which a firm's competitive position in one country is significantly affected by its position in other countries or vice versa" (Makhija, Kim & Williamson, 1997:680). In this regard, the global industry "is not merely a collection of domestic industries, but a series of linked domestic industries in which rivals compete against each other on a truly worldwide basis" (Porter, 1986:18).

In order to find an explanation as to why some SMEs still follow a more step-by-step approach, while others choose a faster and more erratic approach that leapfrogs over many stages, Madsen, Rasmussen & Servais (2000) argue that globalization may enable firms to more freely choose their own model for becoming international. International sales both become easier *and* more difficult, in the sense that international markets have become more accessible for most firms, but the level of competition and the demand for international competence have increased. There is both a “positive” pressure, from the increased level of globalization, in the form of an increase in the accessibility to markets, and a “negative” pressure from tougher competition, since it has become a necessity for a host of new companies to be present in many markets. Both of these pressures work to increase the pace of internationalization. The positive pressure *lures* the company to new territory, while the negative pressure *forces* the company to find new markets. These pressures may work differently depending upon the size of the home market. According to Bloodgood, Sapienza & Almeida (1996), new European firms are more likely to consider internationalizing some of their activities when their enterprise is initiated compared with new US firms. One reason is the fact that a new US firm, operating in a 500-mile radius around its base, may do so without crossing borders, a European firm, with the same operating radius around its base, may have to deal with five or six other countries. Luostarinen & Gabrielsson (2001) state that global firms from large countries globalize because of the demand-based pull forces in global markets, but global firms from small and open economies globalize because they are pushed. Small domestic markets and the fear of expected future competition, from global firms in large countries, puts a lot of pressure on these firms, pushing them to find new markets. According to Hamel & Prahalad (1985), companies that safely nestle in their home beds will increasingly experience a resource disadvantage. “They will be unable to marshal (the) forces required for a defense of the home market” (p. 146). Closely related to level of globalization are the characteristics of the product a firm offers. It is assumed that the product strategy of globalizing high technology SMEs is based from the start on an innovative, global product, which has been developed in response to a detected global industry shift (Alahuhta, 1990). It is also assumed that the product strategies of the high technology companies will be constantly updated through the introduction of new versions of the original, physical product and through additions to the product scope in the form of new physical goods and related value-added services. However, as pointed out by Alahuhta (1990), this will be done keeping within the companies’ narrow business focus. Increasing global competition, together with increasing speed in the development of new technologies, has led to shorter product life cycles and higher innovation intensity. The shortening of the product life cycle creates a need for large R&D costs. The shorter the PLC, the shorter the time in which returns on investment in product development can be earned. Thus, especially companies with small domestic markets need global volumes over which these costs can be divided. Short PLCs also call for higher innovativeness in order to launch new versions or products to compensate for the decline of original ones. The characteristics of the product the firm is exporting are thus likely to influence the firm's pace of internationalization.

To achieve the benefits of globalization, the managers of worldwide business need to recognize when industry conditions provide the opportunity to use global strategy levers; global market participation, global products and services, global location of activities, global marketing and global competitive moves (Yip, 1992:31). Zahra (1999) states that in such a dynamic and competitive environment (e.g. as a global economy is), entrepreneurial leadership will take central stage. It is assumed that the ability to recognize such opportunities is increased with top management or key employees' foreign experience level. Ellis' (2000) findings supported the hypothesis that knowledge of foreign market opportunities is commonly acquired via existing interpersonal links rather than collected systematically via market research. The focus here is on personal relationships of the founder(s) and other key personnel to individuals or organizations that they state have been of importance for the firm's road to internationalization. The founder(s) of socalled born globals and/or key employees are assumed to have established such (important) relationships *before* start-up of the firm. Traditionally, a *firm's* relations and the development of the *firm* through certain stages (e.g. both relationship- and internationalization stages) have been studied. It is assumed that key employees' *personal* development and networking prior to the start-up of these small fast internationalizing firms, influence the firm's road to internationalization in a positive way.

2. 2 Methodological approach

Taking the explorative nature of the study, the complexity of the outcome variable and the need for processural data into consideration, a comparative case study approach was chosen to study the pace of internationalization of twelve case firms.

The analysis is based on a combination of primary and secondary data sources. The collection of primary data consists primarily of semi-structured interviews of the founder or another key employee that have been in the company from the start. The secondary data sources consists of external information sources such as newspaper articles and the Brønnøysund register, as well as internal documents such as newsletters, annual reports, customer lists and a number of other important documents.

The approach in this study was both to compare the different cases to see if any patterns replicated themselves across the cases, and to look at each case's history to get a picture of the dynamics in the internationalization processes.

3. The cases described and analyzed

3.1 The case companies chosen

The case companies were selected from a pool of respondents to a survey that was carried out in the autumn of 2001. The population of that survey was defined as being SMEs in Norway, founded after 1990 (and registered in Kompass Norge AS – a leading Norwegian Industry Directory). SMEs are defined as being firms with less than one hundred employees. The reason for choosing recently established firms is to ensure that the details surrounding the founding of the firm are not lost to history. The focus on SMEs is due to the fact that several studies have found that most of the rapidly internationalizing firms have far less than 100 employees (see e.g. Knight, Madsen & Servais, 2004). In addition, Solberg (1988) found successful exporters to be significantly smaller than unsuccessful exporters. This finding led him to suggest that smaller units are better able to create the right atmosphere for successful exporting, necessitating a closeness to the market and an open-minded organization, not always present in large corporations with rigid bureaucratic decision-making procedures.

Finally, firms that were stand-alone entities were preferred. This preference was due to the expectation that sub-units of larger firms have greater access to resources, i.e. capital, human resources and information (Harveston, 2000). Despite this, three of the cases chosen were not independent, partly because the dichotomy between dependence and independence is not always that simple to determine, and because it might be useful to have some cases that are not independent for reasons of comparison. A relatively wide population was chosen at the outset, in order to enable a continuum to be drawn with firms that have a gradual pace of internationalization, at one extreme and true born global firms, at the other. It is according to Churchill (1991) cases that display contrast or an extreme situation that are most useful. This is because it is easier to find differences or determine what distinguishes two extreme cases than to compare and find differences between two average or normal cases.

3.2 How the case firms moved on the two dimensions

The firms studied were chosen with the expectation that differences would be found in the pace to internationalize. Finding differences would enable placing these firms in different global categories (see fig. 2). According to several studies (Knight, 1997; Knight & Cavusgil, 1996; Harveston, 2000, Madsen, Rasmussen & Servais, 2000; Junkkari, 2000), BGs are defined as SMEs with an export rate of more than 25% within three years of their founding. The author finds this definition to be too broad for the 12 firms in this study. We can imagine, for instance, a Norwegian SME that exports 30% of its products to Sweden and Denmark within three years of its founding. The author would not categorize such a firm as one that was born global. In other words, one needs to incorporate the type of market (and how many) an SME must be present in before deciding to label it a BG firm. In addition, most of the very international SMEs usually have a far higher percentage of foreign sales than 25% (e.g. Luostarinen & Gabrielsson, 2001). In this study, a born global firm is defined as an SME that exports a minimum of 50% of its products within 3 years of its founding. However, to be defined as a "true born global" (TBG), the SME has to be present in more than one continent simultaneously. To exemplify, a Norwegian SME that exports 80% of its products to European countries would not be termed a TBG. The upper left corner categorizes BG firms when considering the market dimension. The lower right corner categorizes BG firms when considering the export dimension. Note that all case firms in this study would be termed born globals according to earlier definitions used (see above), the strength of this study is thus the nuanced picture that is given of the different types of globals that exist. The definition used here is more precise when it comes to categorizing a firm as a truly born global firm.

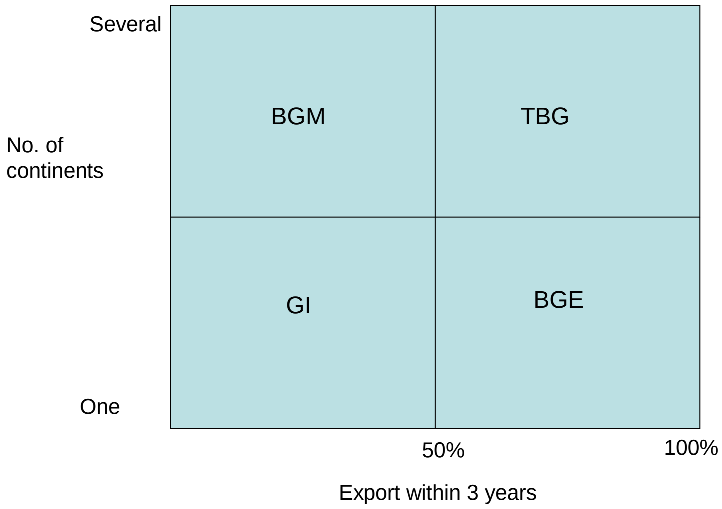

Figure 2: Classification of global SMEs

TBG = True Born Global

BGM = Born Global on Market dimension

BGE = Born Global on Export dimension

GI = Gradual International

The world was divided into seven parts with increasing psychic distance from the home market (in this case Norway); Scandinavia, Western Europe, Eastern Europe, North America and Australia, Latin America, Asia and the remaining parts of the world (Africa and Arab countries). This division is in accordance with Junkkari (2000:160), who classifies areas from hot (business transactions are close-by, in terms of distance) to cold (far away).

The firms had to be selected as to satisfy the framework conditions and it was also desirable to find cases that fit each of the four types of "globals". The cases are presented below in alphabetical order. In the analysis we will take a closer look at how each case fit within the framework. It turned out the majority of the case firms used low-commitment foreign operation modes when venturing abroad. This research finding is in line with *the resource-based argument*. Pedersen and Petersen (1998) have argued that high-commitment modes (e.g. subsidiaries) require set-up costs which may represent a capital investment beyond the financial ability of a small, newly established company. Madsen, Rasmussen & Servais (2000) also found that born global firms make extensive use of low-commitment modes.

Since the entry modes of the firms studied here are found not to vary much in terms of resources committed to the market, the focus will be on the market selection dimension and export rate in the further discussion of the firms' pace of internationalization.

ColorMatic AS was established in 1997 and started exporting in 2000. Export rate after three years was 90%, today it is 95%. They are present in Scandinavia, Western-Europe, North America, Australia and Asia.

Dolphin Interconnect Solutions AS was established in 1991 and started exporting in 1992. Export rate after three years was 90% the same as today. They are present in North-America, South-America, and Europe.

Fras AS was established in 1996 and started exporting in 1998 (90). Current export rate is 80%, after three years it was 20%. They are present on ships all over the world.

ICAS AS was established in 1989 and started exporting in 1992. Current export rate is 45%, after four years it was 30%. They are present in Europe and sporadically in South-Africa (2001) and Australia (2000).

Incatel AS was established in 1993/94 and started exporting 1996. Current export rate is 80%, after three years it was 50%. They are present in Europe.

IRTech AS was established in 1995 and started exporting the same year. Export rate after three years was 100%, the same as today. They are present in Europe, North America, Australia, and Asia.

Kay Lindegaard Incinerators was established in 1999 and started exporting the same year. Export rate after three years was 50%, same as today. They are present all over the world.

NOR-REG AS was established in 2000 and started exporting in 2001. Export rate after three years was 75%, same as today. They are present in Western Europe and Japan.

Norsk Display AS was established in 1993/1994 and started exporting in 1994. Current export rate is 60%, after three years it was 65%. They are present in Western Europe and North America.

Opera Software ASA was established in 1995 and started exporting the same year. Export rate after three years was 99%, same as today. They are present all over the world.

Optoflow AS was established in 1993 and started exporting in 1997. Current export rate is 90% and after three years it was 85%. They are present in Scandinavia, Western Europe, North America/Australia, Asia and Africa/Arabia.

Superject AS was established in 1990/1991 and started exporting in 1991. Current export rate is 80%, after three years it was 70%. They are present in Europe (mainly Western part).

	No of empl.	Sales	Founded (export)	Internat.sales (after3yrs)	Profit NOK	Type of FOM	No. of mrkt areas
ColorMatic	3	5.26	1997(00)	95% (90%)	- 2.41	Distrib.	4-5
Dolphin	10	47.44	1991(92)	90% (90%)	- 19.52	Agents	3-4
Fras	4	8.65	1996(98)	80% (20%)	-0.01	Follow cust. out	worldwide
ICAS	61	33.79	1989(93)	50% (10%)	2.26	Agents	2-3
Incatel	65	76.23	1993/4(97)	80% (50%)	10.16	Direct exp.	2-3
IRTech	2.5	6.01	1995(95)	100% (100%)	0.80	Agents	4-5
Kay L	2	4.67	1999(99)	50% (50%)	0.02	Agent production	worldwide
NOR-REG	20	107.18	2000(01)	75% (75%)	3.69	Subsidiaries	2
NDisplay	3	2.28	1993/4(94)	60% (65%)	-0.41	Direct exp.	2-3
Opera	110	51.10	1995(95)	99% (99%)	-14.85	Direct export	worldwide
Optoflow	10	1.23	1993(97)	90% (85%)	-4.26	Agents	4-5
Superject	4	4.96	1990(91)	80% (70%)	0.57	Distributors	2

• All the numbers from the interviewees were verified with transcripts from the “Brønnøysund register” except for NOR-REG Machine AS where only the financial statements of the parent company was found. All numbers in mill NOK from 2002.

Table 1 Summary – key figures and internationalization dimensions

Just four out of twelve cases started their international activity in a Scandinavian country (e.g. ICAS, Incatel, NOR-REG Machine and Superject). The other eight cases started their internationalization mostly to central European countries, but one (e.g. Dolphin) started also by going to the US and one (e.g. Opera) by going globally from the start. Currently the cases are present in from five markets (e.g. ICAS) to worldwide (e.g. Fras, KLI and Opera), but most are present in fewer than ten countries. It seems they are aiming more for the right market or niche markets than as many markets as possible. They are mostly present in European countries or the US, but in addition to the three cases present worldwide (e.g. Fras, KLI and Opera) two cases are also present in more exotic places e.g. IRTech in South Korea, Japan, China and Taiwan and Optoflow in Jordan, Japan and Singapore.

Based on the description of the firms’ degree of internationalization, it is found that two firms qualify to be classified as gradual internationals (e.g. ICAS and Incatel). Two firms qualify to be classified as born global on the market dimension (e.g. KLI and Fras). Four firms qualify to be classified as born global on the export dimension (e.g. Dolphin, NOR-REG Machine, Norsk Display and Superject) and finally four firms were found to qualify to be classified as true born globals (e.g. ColorMatic, IRTech, Opera and Optoflow).

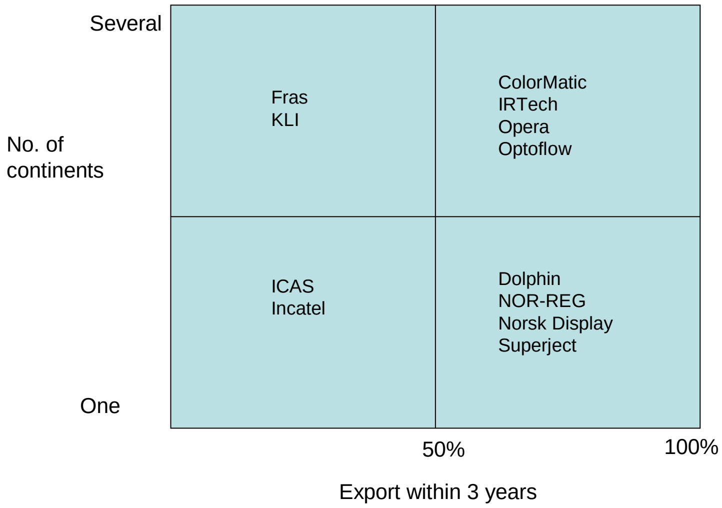

Figure 3: Different categories of "globals"

4. Discussion

4.1 The two "extreme cases"

ICAS is the least global case and Opera the most global case on both dimensions (e.g. export share and number of markets). Why is that so? What are the differences between these two firms that might explain their different paces of internationalization? Both ICAS and Opera produce consumer goods, but Opera also has large industrial firms as customers. In addition, Opera also has a large and powerful supporter in Telenor, where the founders previously worked. Telenor supplied Opera with locations and consultants when Opera started up. ICAS had no large company to support its establishment. The products of these two firms are also very different. Opera's software has unique features and is very specialized, differentiating it from other similar products. Opera's software has a very short product life cycle, demanding constant updates. ICAS' smoke detectors are neither unique nor specialized and they have a long product life cycle. Opera's product is also special because it can be distributed over the internet. It makes no difference where the customers are located, as long as they have access to the internet. This obviously simplifies the process of internationalization. Finally, the founder of ICAS describes the industry’s level of globality as being low, because products must meet different standards from country to country, while in Opera’s case, the industry’s level of globalization is described as being very high, with no barriers whatsoever and a demand pattern that is described as being a global one. Both founders describe their competition as being very strong, but while Opera has its competitors from a few and very large American companies, such as Microsoft, ICAS’ founder state that its competition is from many small and large companies, especially from China. Another factor that might have influenced the extremely different pace of internationalization may be the characteristics of the founders. Opera’s founder is 35 years old and he has extensive experience living and working abroad, and the relations to actors in the market are described as close, while ICAS’ founder is 57 years old and he has neither lived nor worked abroad, although he has some experience working for international firms and he will not point at any relation of particular importance to the firm’s development.

From the discussion above we get that the strategy to become a successful fast internationalizing SME (e.g. born global) when originating from a small economy, is to offer unique and specialized products or services to well-defined niches and making use of low-commitment foreign operation modes which enable the firms to be present in many international markets even when having limited resources. The main challenges for such firms are to convince customers of the superiority of the products or services (e.g. “would never change back to the old methods”) and also to protect themselves from larger actors in the market copying their products. Being a very small actor which most Norwegian firms are on a world scale, also means they sometimes have to work hard to prove they are here to stay (especially a problem when supplying a customer’s mission critical process, e.g. Fras, Incatel and IRTech).

	ColorMatic	Dolphin	Fras	ICAS	Incatel	IRTech
Experience	Some	Some	Experienced	Some	Very	Very
Relational	Not	Varying	Very	Varying	Very	Very
Globality	Low	Very High	Very high	Low	Medium	Very high
Product	S,U,longPLC	S,U,medPLC	S,U,longPLC	Long PLC	S,U,longPLC	S,U,longPLC
Pace of Int.	Very fast	Fast	Fast	Slow	Medium	Very fast

	KLI	NORREG	NorskDisplay	Opera	Optoflow	Superject
Experience	Some	Very	None	Very	Experienced	Experienced
Relational	Varying	Not	Varying	Very	Varying	Varying
Globality	Medium	Medium	Medium	Very high	High	Very high
Product	S,long PLC	S,U,longPLC	U,longPLC	S,U.vshortPLC	S,U,longPLC	U, longPLC
Pace of Int.	Fast	Medium	Medium	Very fast	Very fast	Medium

Table 2 Key findings

In order to compactly view the similarities and differences between case firms, the data material, consisting of detailed answers from each interviewee, has been reduced, and each variable has been given relative values on a continuum, which are summarized above. The *experience* continuum has values that vary from *some* experience at the low end, to *experienced*, in the middle, to *very* experienced, at the high end. The network variable has been termed "relational". The term indicates whether the founder or another key employee has a network of importance or not, and reflects his/her relational approach. This variable is a continuum from *not* relational, at the low end, through *varying*, when the firm occasionally uses a relational approach, suggesting placement in the middle of this continuum, to *very* relational, at the high end. An industry's global characteristics are found to vary between low, medium, high and very high, based on the founder's perceptions of the industry in which he/she does business. When characterizing the product, S means that the product is specialized, U means that the product is unique, and the product life cycle is either described as being long, medium or short. The dependent variable, the pace of internationalization, varies on a continuum between slow, medium, fast and very fast. The relative values are assigned based upon the number of countries entered and the export rate measured three years after founding.

4.2 Difference between traditional SMEs and Born Globals

Autio (2005) claimed many of the original assumptions of PTI were not (seen as) valid anymore since many of the conditions had changed since the mid-1970s:

the flow of information from foreign markets had been enhanced, reducing the psychic distance and promoting greater international integration between markets

the cost of international travel and communication had been reduced – enhancing firm's ability coordinate cross-border activities
international managerial experience had become more widely available, enabling firms to quickly acquire such knowledge
firms had become increasingly skilled at employing alternative governance mechanisms, enabling them to exploit their resources across national borders

Organizational learning for traditional SME happens through dealings with foreign market operations of its own. For the BGs organisational learning occurs via their capability to learn from network partners. Risks are different for BGs than for other SMEs – both experience exporting risks, but BG's also face the risk of introducing new products (Gabrielsson et al, 2006:16). The traditional view are much in line with the Kirznerian (1979); opportunities are created in foreign markets without the active involvement of the firm itself (most of the value-creating elements are generated in firm's home base, the international dimension of the firm's activities is concerned mainly with the international diffusion of its offering) (Autio, 2005).

In Oviatt & McDougall' article (1994), the value creation logic of the firm is different (Schumpeterian (1934) supply-push approach to value-creation). The firm operates in an internationally dispersed resource-base. The value-creation of the firm is based on cross-border combination of valuable resources *thus the firm needs to internationalise to make value-creation possible* (not in order to disseminate its outputs). The competitive advantage of the firm being based on cross-border resource combinations, international new ventures emerge as fundamentally different from domestic ventures (Autio, 2005). Internationalisation is no longer treated merely as an outcome, but rather as a *condition* for value creation (Autio, 2005)

With regard to the dynamic capability effect of early internationalisation (Gabrielsson et al 2006) it is argued that early internationalisation may help root a more innovative and dynamic strategic posture on the new venture, and it may also make firm better equipped to take advantage of domestic and international growth opportunities. Early internationalisation may not only be an opportunity, but also a necessity to ensure chances for growth (because opportunity windows are short in dynamic sectors). In other words, that the firm start out internationalising early, may strongly affect future international growth. Autio et al also (2000) reported a positive relationship between organisational youth at the time of internationalisation and subsequent international growth. They attributed it to the "*learning advantage of newness*", which may enable young internationalisers to embrace an international identity more rapidly and completely than would be possible for older internationalisers.

5. Conclusion

5.1 Main Findings

The most important finding is that firms fitting the traditional definition of born globals might be seen as a much more heterogenous group of firms than previously assumed. Based on the findings in this study, we find that it might be useful to divide the born globals into more specific categories (e.g. born globals on export dimension, born globals on market dimension and true born globals). There is found to be certain similarities on firms within each category on the four variables studied (e.g. experience, network, industry globality and product characteristic) and differences on these variables between the firms in the different categories. This will be elaborated on below.

Most of the founders who were interviewed in this study have some international experience, either from working and/or studying abroad or from working in an international firm in Norway. The founders of the firms with the slowest pace of internationalization, ICAS and Incatel, have *some* and *very much* experience, respectively. This finding may be somewhat surprising. One of the founders is also described as being very relational, meaning that he recognizes the importance of networks for the development of the firm. The explanation for the slow pace might be found in the two other factors. The global characteristics of the industry are described as being relatively *low*, for both industries, and the product characteristics are both described as having long PLCs, and in ICAS' case, the product is a standard one, and easy to sell, even in the home market. In contrast, the product of the true born global firm IRTech, is so specialized and designed for such a narrow niche that potential customers in the home market do not even exist. The products of all the most global cases (e.g. Dolphin, IRTech, Opera and Optoflow) are described as being very specialized and very unique. This indicates that technological excellence helps rapidly globalizing firms to develop products that appeal to niche markets around the world. One might predict that international new ventures should be more prevalent in sectors characterised by high degrees of international integration, according to Autio (2005) this hypothesis remains to be verified empirically.

With regard to the relational variable, it seems that all firms have networks or at least a few relations of importance, but there is some variation regarding the degree to which founders are willing to acknowledge their importance. Our findings support the idea that founders should not be described as being either relational or not. The founders of Dolphin, KLI, Norsk Display, Optoflow and Superject all vary with regard to whether or not they should be classified as being relational. While some, like the founder of Norsk Display, sees the lack of close relations to key actors in the industry as a weakness and wish to improve this area of their performance, others, like the founders of Dolphin and Optoflow, are not very relational toward typical actors in the industry, i.e. customers and suppliers, but they both have very important relations to different research institutions which they consider vital for the success of their firms. In other words, they are very selective regarding the parties with whom they build relationships. The kind of relations they build may also depend upon the kind of product the firm is offering. Both ColorMatic's and Optoflow's sale is described as "one-shot". That is, they do not consider there being a basis for building relationships since there is very little or no repurchase of their products. This study thus, gives a more nuanced insight to the different types of relations that exist among the different parties in the market arena and how these different types of relations may influence a firm's process of internationalization.

When it comes to the globalization variable, almost all firms with a very rapid pace of internationalization, on both dimensions, (e.g. ColorMatic, IRTech, Opera and Optoflow) described the industry as having *very high* or *high* global characteristics. The exception is ColorMatic. ColorMatic has a parent company and this relationship may make it easier for the firm to access resources, i.e. capital and human resources. This configuration might explain the firm's rapid pace of internationalization despite the *low* global characteristics of the industry. It can be concluded that firms originating from peripheral and small countries may not be at such a disadvantage in the current globalizing environment. Globalization drivers such as improved communication and transportation technology vastly increase these firms' ability to sell and market their products in foreign markets. Previously there has been a positive correlation between trade and proximity, but today distance is in many cases not seen as an obstacle to internationalization.

With regard to the dependent variable studied here, the pace of internationalization, it was found that one dimension, the entry mode dimension, was not as valuable for distinguishing among the different case companies and for classifying them into different categories of ”globals”. The reason for this was the little variance found in the types of entry modes used by the case companies in particular with regard to the resources committed to the foreign market. Most of the case companies made extensive use of relatively low-commitment and thus low resource demanding modes such as OEM-agreements, agents, distributors and direct export, not only at the very early stage of internationalization, but it was often the preferred mode even at later stages. As a consequence this dimension of a firm’s degree of internationalization was not considered important for classification and the two dimensions; market selection or market spreading and export share was used for this purpose. As most studies on internationalization and the increased involvement of firms in international markets has focused on the choice of entry modes or foreign operation modes used by the internationalising firm, this study thus departs from this tradition.

5.2 Implications

The findings reveal that a change in policy is warranted by an arm of the Norwegian government. It was claimed by several of the interviewees that the Norwegian Industrial and Regional Development Fund (SND) or Innovation Norway as it is called since 1 January, 2004, requires all new firms to have a foothold in the home market before granting them financial support for export. This view is in line with traditional theories on internationalization. Such a requirement unnecessarily complicates matters for most of the firms affected by this ruling. The home market in Norway is too small or non-existent for many industries and there is no economic basis for establishing a large number of firms if they are primarily required to base their incomes on home sales. The markets for many newly established firms are seen as being international and, in many cases, the market is a global one. This reality should be made known to those in the Norwegian government who are responsible for creating the guidelines for fund allocation to SMEs in Norway.

In a study of the factors influencing entrepreneurship in Norway (Røste & Schanke, 2006) it was found that personal characteristics and competences are of utmost importance to succeed, but experience and access to resources were also found to be of importance. The same also found that the founders were not dependent upon public incentives to succeed, although to what degree a potential founder has access to resources may indirectly be influenced by public policies and initiatives made to encourage increased entrepreneurship activity. According to Mr Bakke and Mr Snedal in Innovation Norway there is no established policy stating that a firm should be well established in the home market to get financial support and Mr Bakke even stated that "we are familiar with several firms being born global" (April, 2006). However, as our discussion proceeds it turns out they are a bit sceptical to globalisation at the point of start-up, as they believe internationalisation will be very resource demanding and Mr Bakke also explicitly states that the firms applying for funding will be evaluated on what they have achieved at home first and foremost and thus, it seems the comments from the founders may reflect the reality.

Access to capital is seen as a major barrier for new ventures in Norway. It is according to Spilling & Steinsli (2003) widely recognised that unavailability of risk capital, particularly in the early stages of development, may represent a barrier to development. The same argue further that there are weak traditions in this field in Norway, and that the Norwegian venture capital market is immature. This is in keeping with Mr Vedeld (telephone interview, April 2006) who stated that "Norwegian investors jumps in at the first stage, but then they are happy to sell…". He further elaborated that "it is as expensive to sell a product as to develop it", and he believes the Norwegian business community do not understand this. That is the reason for good Norwegian high-tech products are developed and reach venture stage, but then it is often sold to foreign owners so they can take it further and commercialize it. This founder's view is in keeping with Spilling & Steinsli (2003) who state that there has not been a clear focus on commercialization and how research institutions and intermediate institutions may be designed in order to improve these processes.

5.3 Future research

The focus in this case study on the establishment- and internationalisation process of a firm, from the individual perspective and also that the process is described pre-start-up is in line with Autio's (2005) argument: Given the emphasis on the enabling effect of individual-level (pre-firm) internationalisation experience for early and rapid internationalisation, a more detailed examination of this issue appears necessary (p.11).

One might examine INVs or BGs that have evolved through to the later stages, using multiple case studies in different context. When moving beyond early stage INV analysis, Coviello (2006) suggests it would be appropriate to compare the networks of different types of international firms by applying e.g. Johanson & Mattson's (1988) categorization early starter, lonely international and so on, or compare with domestic new ventures.

Another important aspect is to form research teams composed of entrepreneurship and IB scholars (few, if any publish together today) (Oviatt & McDougall, 2005) .

There remains a gap between actual firm behaviour and the major theories of internationalisation (Styles & Seymour, 2006:133). As with entrepreneurship, there does not seem to be an agreement as to what the field of IE should encompass.

Because of its nature, entrepreneurial phenomena needs to be studied simultaneously at the micro (individual, firm) and macro (industry, region, economy) levels because of the interaction between the two (Jones & Wadhwani, 2006) ". ..moment is ripe for reintroducing the study of historical dynamics underpinning entrepreneurial processes", (Jones & Wadhwani, 2006:15). The study of entrepreneurship is fundamentally about the process of economic change (McGrath, 2003).

Further studies should be made to investigate a larger sample of the rapidly globalizing firms, with focus on their market selection strategies. We need to know what factors influence their choice of markets. This knowledge will deepen our understanding of those firms that rapidly undergo internationalization.

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