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## Table of contents

List of Figures .....	2
Introduction .....	3
Motivation .....	3
Methodology .....	5
Theoretical part .....	6
Uppsala Model: .....	6
Upper echelons theory: .....	16
Resource-based view: .....	25
Knowledge-based view: .....	36
Organizational routines and dynamic capabilities: .....	43
Empirical part.....	50
Introduction of the case study .....	50
Entrepreneurs' prior international experience contributes to the acceleration of process of internationalization of born globals. ....	53
An entrepreneur's connection to formal and informal business networks can boost the internationalization of born globals. ....	60
Managerial intention and mission set by entrepreneurs play a role and can support the internationalization of born globals. ....	69
Entrepreneurs have a substantial contribution to the development of organizational routines which influence the internationalization process. ....	79
Discussion .....	87
Conclusion .....	87
Limitations and future research.....	89
Bibliography.....	91
Books: .....	91
Scientific journals: .....	91
Online media: .....	94
Videos: .....	99
Appendix.....	100
Abstract .....	100

## List of Figures

Figure 1: The original Uppsala model (Johanson & Vahlne, 1977, p. 26).....	9
Figure 2: The revised Uppsala model (Johanson & Vahlne, 2009, p. 1424).....	13
Figure 3: Upper echelons theory (Hambrick & Mason, 1984, p. 198).....	21
Figure 4: The relationship between traditional 'SWOT' analysis, the resource-based model, and models of industry attractiveness (Barney & Clark, 2007, p. 50) .....	32
Figure 5: The relationship between resource heterogeneity and immobility, value, rareness, imperfect imitability and substitutability, and sustained competitive advantage (Barney, 1991, p. 112).....	34
Figure 6: The increasing number of Prezi's customers (Toth, 2015).....	50
Figure 7: Household access to the Internet in the USA in 2009 and 2010 (Statista, 2018) .....	71
Figure 8: Household access to the Internet in Hungary (Statista, 2018a) .....	72
Figure 9: Household access to Internet in the European Union (Statista, 2018b).....	72
Figure 10: Hungarian debt to GDP ratio (TradingEconomics, 2018) .....	74

## Introduction

### Motivation

This thesis seeks to explore the entrepreneurial contribution to the internationalization of born globals through the example of the Hungarian web-based presentation software company Prezi. In case of born globals or international new ventures – the two terms are more or less simultaneously used in the literature - , entrepreneurial contribution is of great significance since small firms are shaped considerably by their founders who are involved in fast all the issues and decisions. This is not different concerning their internationalization which is clearly facilitated by the extension of Internet. This is touched upon in the section 'Limitations'.

International business studies have come a long way to understand the structure, operation and drivers of the behaviour of the multinational companies. Obviously, the simplest decision is to stay in the home country where the environment is completely known and the level of uncertainty is said to be relatively low due to the common culture, customs and well-known social ties. In spite of this reasoning, which is accepted and acknowledged as facts by the majority of the experts, multinational companies and international firms have not played a bigger role before than they do nowadays. The amount of foreign direct investments has been continuously rising for decades, the tendency is clear and absolutely positive. This is illustrated greatly by the fact that the foreign direct investment inflows in the world economy has almost doubled itself between 2003 and 2010 from 633 billion of dollars to 1244 billion of dollars (Forsgren, 2013, p. 5). Although political instability, legal uncertainty and the deterioration of the relationship between the trading partners such as Donald Trump's politics on tariffs against Europe and China could have a negative impact on the development of these numbers, it is more than dubious whether the process can be still reversed or not. For instance, there are investors who have already realized that the system of globalization is being questioned right now but the same investors have already begun to look for ways to ensure themselves further access to international markets (Laudicina, 2018).

Moreover, there are some regions in the world where internationalization has just started to begin and it is not at all the end of a long-term phenomenon which is described to belong to the past. One of these regions is Hungary which is situated in Central Europe bordered by Croatia to the southwest, Slovenia to the west, Austria to the northwest, Slovakia to the north, Ukraine to the northeast, Romania to the east and Serbia to the south. It is a small country whose economy is open and its economic performance is widely contingent on the international business climate and the development of the world economy. As a consequence, it has been really hard to find a company recently which is engaged internationally and can be considered as an economic actor at the biggest level. As a matter of fact, this can be explained by several factors which are not touched by this master thesis upon but I've been always interested in this issue and wanted to

explore what it makes to go international from a small country. Consequently, on one hand, it was a great motivation for me to jump into this topic to see how a firm from such a small country can succeed internationally at an ultra-competitive environment.

On the other hand, it is so common to see a strong character leading these big multinational companies. These leaders dispose of such a charisma that they are often viewed as the whole company which is clearly an exaggeration taking into account the size and the extension of these international corporations. For instance, Steve Jobs was synonymous with Apple founded by him and although his personality is interpreted and rated controversially, his contribution to the development and rise of the company to being the number one in its market is undeniable. As for the present, Elon Musk, who is – among others – the CEO of Tesla, can be considered as a leader who considerably impacts on his company's performance even though the function of a multinational company is a lot more complex than as if one single person would make all the decisions. Still, these leaders achieve to have a great influence and transform their vision in practice with more or less success (Andersson, 2011).

In this sense, Prezi is an even better illustration for entrepreneurial contribution and beyond the smallness of the home country, this is the second pillar of my motivations to deal with this topic. As it is showed throughout my thesis, Prezi decided to stick to its start-up structure which means that all the founders keep having an important influence on the company's performance. Albeit some professional directors have joined them since the foundation, complete structural changes have not been taken. Accordingly, the founders still keep playing an important role in the company's life.

Accordingly, the thesis tries to answer the following research question:

***How do entrepreneurs contribute to the internationalization of born globals in light of the traditional theories?***

Consequently, after presenting the chosen research design, an extensive theoretical part is introduced which involves the profound investigation of five theories: the Uppsala model, the upper echelons theory, the resource-based view, the knowledge-based view and the organizational capabilities view. These theories are assumed to be relevant for finding an answer for the research question and are strictly connected to this research field. Moreover, the selection of these theories also provides the opportunity to analyze Prezi's internationalization in light of the traditional theories.

This empirical chapter is followed by the empirical part which is divided into four elements based on the propositions of the research design. These propositions serve to focus on the relevant aspects of the study and help the exhaustive examination of entrepreneurial contribution from

four points of view: entrepreneur's prior international experience, entrepreneurs's formal and informal connection, their mission and vision and their role in the establishment of organizational capabilities.

Last but not least, the results of the thesis and future research areas are discussed. Moreover, limitations of the study is touched upon as well.

## Methodology

As far as the research methodology of my thesis is concerned, a qualitative research design has been chosen to investigate the topic. It is an exploratory research which applies a single-case study analysis in order to offer external validity but does not target to secure internal validity (Yin, 2003). The unit of the analysis is the already mentioned Hungarian company Prezi which operates in the Internet industry by selling presentation softwares.

The propositions and the research questions are clearly related to each other since the former ones are predictions made about answering that question (Radovic & Avolio, 2017). They can be found in the empirical part and are analyzed in light of the secondary research and traditional theories. Accordingly, its objective is not to establish causal relationships but to study the internationalization of born globals from the point of view of entrepreneurs and different perspectives (Andersson, 2011).

The selected research design is qualitative in nature because it allows for a deeper examination of the phenomenon being studied. What is more, a more accurate investigation of the phenomenon can be achieved through understanding the interpretations of that phenomenon from those experiencing it (Mulloth et al., 2016, p. 757). As a consequence, the empirical part is based on a secondary research by examining numerous interviews conducted with the founders and other members of the organization of Prezi being in a leading position.

## Theoretical part

### Uppsala Model:

The Uppsala Model – also known as international process model - based on empirical observations was considered to be a great novelty in the 1970s. At that time, the perspective of costs was highly prioritized in the established economics and the international business literature of that time used to view internationalization as finding a fit between a market with low costs and the firm's own resources. According to this idea, decisions on investments were made after taking into account the costs of the specific entry modes, analyzing the risks given from market characteristics and the own resources, respectively (Johanson & Vahlne, 2009). As it follows from this definition, investment was believed to be the result of a strategy for optimum allocation of resources to different countries (Johanson & Vahlne, 1977). It was like one single decision which depends only on the external factors in the market and the endowment of the company referring to its economic power.

Obviously, reality is much more complex than that and the complete decision-making process was not covered up by the existing theories and this gap was more or less filled in by the Uppsala model. As we later see, it was later updated by the authors themselves which means that neither that original Uppsala model was perfect, but it was able to depict reality a bit better than the previous theories. Analyzing foreign markets and taking into account your own strengths and the potential risks in that market can be considered as a precondition for internationalization, but they are not enough to explain the international process. That is the core idea of the Uppsala model which I view fundamental to the understanding of the phenomenon of born globals. Without knowing how to internationalize gradually, the rapid internationalization of born globals taking place right after their inception cannot be understood properly.

As for the empirical research, two case studies served as the base for the results. The first case study included the internationalization process of the second largest Swedish pharmaceutical firm, Pharmacia, meanwhile the second one consists of four Swedish engineering firms. The aim of the study was to examine the establishment chain which gives fundamental clues on the internationalization process itself by describing the order of the development of operations of the firm in the given countries (Johanson & Vahlne, 1977). It was researched which pattern the chosen firms followed during their internationalization process. The stages are as follows: no regular export, independent representative (agent), sales subsidiary or production in that specific foreign market. Although the results are not statistically representative, a gradual internationalization pattern was discovered among Swedish firms where the psychic distance played a huge role in determining the direction of international expansion. Differences were found in that exact order, but no firm started production in a country without having sold in that country via an agency or a sales subsidiary before (Johanson & Vahlne, 1977). This way, liability of foreignness could be



compensated. As a matter of fact, firms lack knowledge on business environment in a foreign country and there is a need to make up that deficiency by gaining experience. Last but not least, the study found out that the larger the psychic distance the larger is the liability of foreignness (Johanson & Vahlne, 2009). As for psychic distance, it is one of the underlying concept of this model and it is tend to be labelled as the aggregate of factors that make it complicated to comprehend foreign environments (Johanson & Vahlne, 2009). In other words, it is the amount of difference in language, culture and political systems (Chetty & Blankenburg-Holm, 2000).

One of the biggest changes with respect to other theories is that internationalization is viewed as a process. It is not a single act of comparing foreign markets with each other but it is also a process where the actors face different problems and opportunities during their international operations. Clearly, there had been already other theories which analyzed internationalization as a process, for example the product life cycle theory from Vernon. However, the main focus was not put on the process itself. In case of the product life cycle theory, it only served to highlight the changing intensity of demand of a product. In contrast to this idea, the Uppsala model emphasizes the importance of the experience saying that each and every stage of this process has an influence on the upcoming events or decisions. As a consequence, it is a dynamic model where interaction between the different elements plays a huge role.

The internationalization model set up by Johanson and Vahlne (1977) contains two types of elements: they are called 'change aspects' and 'state aspects'. State aspects cover market knowledge and commitment, meanwhile change aspects include decisions about resource allocation and the result of these decisions which is the performance of the current activities in that given market. The dynamic character of the model tries to make up for the weaknesses of modeling because models often depict reality superficial and exclude variables to be able to focus on their main objectives. However, state and change aspects have a direct influence on each other. A firm's current market knowledge and commitment directly affects its decisions and ongoing activities and vice versa. New experiences shape current activities which make an impact on the firm's knowledge about its market and commitment. The more experience you have, the more profound knowledge there is at your disposal and it obviously matters when it comes to make a decision with respect to internationalization.

In the following, it is important to describe the aspects in detail. As for the state aspects, market commitment covers the amount of resources committed and the degree of commitment. The amount of resources stands for the magnitude of the investment (Johanson & Vahlne, 1977). That shows for instance how much money is spent on a certain operation and the more money is invested the riskier a project can be because there is much to lose for a company in case of a flawed strategy. The degree of commitment is a bit more complex and can be defined like the

difficulty of finding an alternative use for the resources and transferring them to it (Johanson & Vahlne, 1977). If an asset is country-specific or its output is highly dependant on the input of individuals, it cannot be copied and transferred to other markets. The degree of integration also counts. If the performance of a department, which is crucial to the long-term success of the company, is mainly the function of a tight cooperation with other units in a given market, it is a huge challenge to transmit this unit to a new market. Moreover, it is not only about the question whether these resources can be moved to another market and can be exploited there from the point of view of operability, it is also debatable whether this can be implemented profitably there.

Going beyond market commitment, market knowledge also carries a lot of weight with respect to the internationalization of a firm. Firstly, commitment decisions are based on several kinds of knowledge. Secondly, evaluation of alternatives is based again on knowledge about the environment and current activities (Johanson & Vahlne, 1977).

According to the model, there are two types of knowledge. The first one is objective which can be learned indirectly, easily transmitted and can be described explicitly. The second type of knowledge is called the „experiential one” which can be only picked up through personal experiences (Penrose, 1966). The difficulty of taking a country-specific asset or an asset integrated fully into the company’s structure, follows from the concept of experiential knowledge. This can be only acquired in that given market and can be only learned through personal experience. Therefore, the problem is twofold. A company entering a foreign market must have special knowledge about that environment in order to succeed there. However, according to the model, this kind of knowledge can be only learned through experiences. Experiential knowledge is especially important in the marketing of complex and software-intensive products (Johanson & Vahlne, 1977). What is the reason for its major role? Because firstly, these products are knowledge-intensive. Secondly, the entrepreneurs collect experiences non-stop which have a huge influence on their way of thinking and ultimately on their decisions. The role of entrepreneurs is discussed detailed in the empirical part of my master thesis but their connection to experiential knowledge can be already seen through the details above.

Figure 1. The Basic Mechanism of Internationalization—State and Change Aspects.

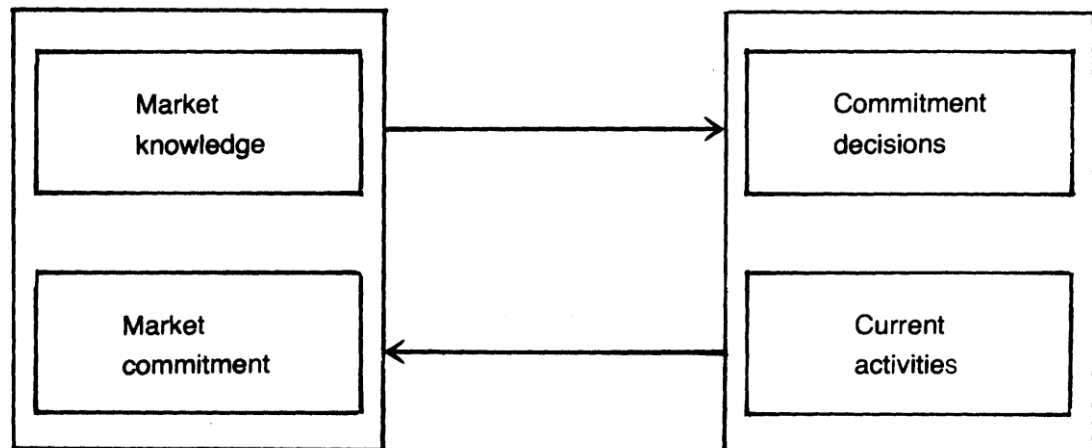


Figure 1: The original Uppsala model (Johanson & Vahlne, 1977, p. 26)

As far as change aspects are concerned, they can be called as the other side of the model and include current business activities and current decisions to commit resources. As mentioned earlier, they have an impact on state variables but are influenced by them as well. It is one of the cornerstones of the Uppsala model because decisions are either made proactively based on experience or they can be considered as a reaction to some exogenous factors. Either way, it stems from knowledge and as a consequence, current knowledge has an impact on the upcoming decision. However, lessons learned from a decision will be accumulated as a new piece of information to the existing database and know-how of the company which sheds light on the fact that decisions also contribute to the building of firm knowledge on the market.

In connection with current business activities, they are thought to be the prime source of experience (Johanson & Vahlne, 1977). According to the model, there are two types of experiences that are prerequisites for knowledge development: firm experience and market experience. Since information might be encoded in different languages, it may need a specific ability to be able to interpret them. In other words, it is not the same to interpret information coming from inside the company or from the market. As a result, persons must dispose of the capability to read both types of information. When entering a market, persons, which belong already to the company, have presumably no experience in that foreign market. However, new personnel might be familiar with that market's characteristic but may be not aware of the firm's culture and language to decode information and to interpret past experiences stemming from inside the company. Therefore, current activities in a foreign market could contribute to the accumulation of information on that market and since decisions on further expansion in a given

region require country- or region-specific information, collecting such experiences has a huge impact on the internationalization process.

The second change aspect is decisions to commit resources to foreign operations which depend on what decisions alternatives are raised and how they are chosen (Johanson & Vahlne, 1977). As already mentioned above, decisions can be made in reaction to problems or proactively to opportunities. This shows the importance of experience which help decision makers recognize these problems or opportunities. Therefore, firm and market experience are necessary as well. However, these experiences can be acquired through activities in which the firm has been ever engaged or is actually engaged. The model says that each commitment decision can have an economic and uncertainty effect. The first one is associated primarily with increases in the scale of operations on the market meanwhile uncertainty effect concerns the decision-makers' perceived lack of ability to estimate the present and future market factors (Johanson & Vahlne, 1977). As a consequence, the underlying assumptions of this model are uncertainty and bounded rationality (Johanson & Vahlne, 2009).

Since that empirical study and the creation of the Uppsala model in 1977, a lot has happened in the business world and in this field of research as well. Among others, the importance of business networks in the internationalization of firms has been confirmed (Johanson & Vahlne, 2009). Liability of foreignness still plays a role but liability of outsidership determines the range of possibilities the firm could discover and exploit. The former one has rather an impact on the difficulty of entering a business network because a foreign company with a higher psychic distance to that given foreign market might not know the culture and business routines which are inevitable to get access to the relationships within that network. As a result, in contrast to the old model in which current activities were considered to be the primary source of experiential knowledge leading to a higher level of internationalization, the revised model states that business network has a central role in the accumulation of that knowledge by offering access to the knowledge base of firms within a given network (Johanson & Vahlne, 2009).

Prior to going through the revised Uppsala model in details, business networks must be defined. As for social capital theory, it views social capital as „the sum of the actual and potential resources embedded within, available through, and derived from the network of relationships possessed by an individual or social unit” (Nahapiet & Ghoshal, 1998, p. 243). However, it can be defined in a bit different way as well. According to social exchange theory, business network is a set of two or more associated relationships in which every exchange relation takes place between companies that are contemplated as collective actors. Governments, competitors, distributors, suppliers or customers might belong to this group (Chetty & Blankenburg-Holm, 2000). Since they are seen as a group of firms with similar interests, goals and thinking, it is assumed that many decisions –

including the ones about internationalization – are made considering other actors in that business network. Thus, it implies that business might be done in a network setting in which various companies are connected to each other through direct or indirect business relationships (Chetty & Blankenburg-Holm, 2000).

Accordingly, a relationship could manifest in a direct or an indirect way. It is of great importance because it has some implications on the way these relationships are managed. For instance, if a tight cooperation is based only on an informal relation, the cooperative firms tend to possess distinct strategies, different routines and procedures. It is also a question of perspective. If it is analyzed from the point of view of social exchange theory, an informal relation suggests that strategies or decisions regarding networks are mainly made and implemented by individuals. They are the ones who can give a huge boost or may slow down the internationalization's process. On the other hand, when companies dispose of a formal linkage, they tend to have common strategic goals that are formally written down and the development of a business network takes place also in a formal way. In this case, decisions, its execution and control are expected to be put through at the company level. Nevertheless, individual relationships might have an influence in case of formal link-ups as well but its effect is more restricted since companies have formal responsibilities with regard to the way how a common strategy is implemented or how a network is elaborated.

Business networks might be also seen from the point of view of internationalization, however. In light of internationalization, Johanson and Mattsson (1988) view business networks as the relationships a company has with its customers, distributors, suppliers, competitors and government. Their argument revolves around the assumption that the number and the strength of the relationships between different members of the business network increases as companies make advancements and get more and more engaged in operations on an international level (Chetty & Blankenburg-Holm, 2000). International expansion is full of risks since the company is not able to have a sound and extensive knowledge on all the details. The environment is not completely transparent for new firms and there is a high level of uncertainty. Thus, companies are under the necessity of collecting as much information as possible to reduce uncertainty and one way of doing that is to create alliances with other companies who have already gained enough experience about that market or region. This action can take place mainly in three ways. Firstly, establishing a relationship with economic actors in countries, in which the company is still new, might be a first step. Secondly, getting more engaged in networks, in which the firms have already gained a foothold, may be a second step. Thirdly, deepening its presence in foreign networks of different countries and integrating them into one system could be a last step (Johanson & Mattsson, 1988).

As far as network theory is concerned, internationalization refers to the mutual activities between economic actors contributing to the establishment of a long-term relationship in which both parties could get access to each others' resources and markets (Johanson & Mattsson, 1988). Accordingly, parties see collaboration as a win-win situation. Not only can they advance in the internationalization process by being also able to rely on the help of their partners, they can also realize business opportunities through them. Furthermore, Johanson & Mattsson (1988) also categorizes firms into four groups: the Early Starter, the Lonely International, the Late Starter and the International Among Others. Companies are grouped based on their international experience and on the grade of internationalization of their environment.

The first category, 'the Early Starter' has little international experience and its suppliers and competitors do not have considerable international presence neither. Since it is embedded mainly in operations within the national border and firms have only experience on local operations, there is not sufficient knowledge available for him on internationalization which makes it to enter the market through agents. (Chetty & Blankenburg-Holm, 2000). By the way, getting into a market through an agent is another way of acquiring a position in a business network in which uncertainty and risks could be reduced by gaining access to resources of other firms in the network.

The second category, 'the Lonely International' is about a company which has strong international relationships but its domestic market is not so developed in this sense. The former one implies capabilities that are fundamental for a successful internationalization. As a result of its environment being focused on the domestic market, this firm is the only one which can serve as a bridge between the domestic and international market (Chetty & Blankenburg-Holm, 2000).

The third category, 'the Late Starter' does business in a market which is already connected to the international market at a considerable degree. As a consequence, competitiveness is really high and the newly founded firms might find it burdensome to succeed on an international level. On the other hand, various suppliers, competitors or buyers are engaged in international operations in a market like this and they could create a vast amount of international opportunities for the company (Chetty & Blankenburg-Holm, 2000).

The fourth category, 'the International Among Others' operates in an environment where the majority of companies focus on international transactions. Consequently, they have already acquired knowledge regarding internationalization and disposes of a business network that can enable them to have access to further external resources as well (Chetty & Blankenburg-Holm, 2000). Like 'the Lonely International', their role in internationalization of newly founded or domestic firms could be interpreted as one for reducing uncertainty, providing access to resources and creating – directly or indirectly – opportunities for them.

As we know from earlier research, born globals or international new ventures internationalize rapidly after their foundation partly due to the founders' previous international experiences, the relevance of the categorization above and the role of industry is easy to capture. Therefore, not only relationships are already formed but knowledge is also in place in case of born globals (Johanson & Vahlne, 2009). These two factors contribute to the internationalization process and depend mainly on the entrepreneurs.

Back to the difference between the original and revised Uppsala model, knowledge used to be acquired through the firm's own activities. However, business networks consist of different webs of relationship where managers could create a close cooperation. In this sense, internationalization is a multilateral network development process in which firms aim to find a space for themselves in a network in order to avoid being an outsider (Johanson & Vahlne, 2009). Accordingly, state and change aspects were modified compared to the original model from 1977.

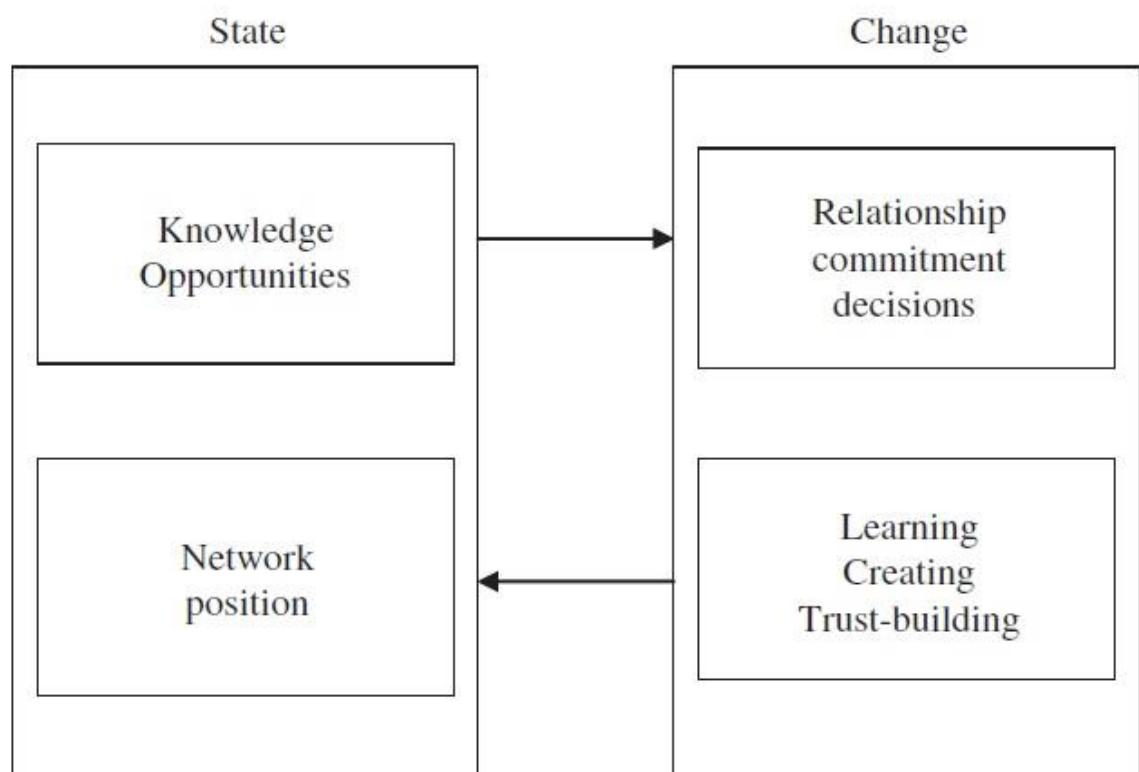


Figure 2: The revised Uppsala model (Johanson & Vahlne, 2009, p. 1424)

As for state aspects, the term 'market knowledge' was converted into knowledge opportunities because the significance of opportunity development is now singled out as one of the central elements of the internationalization process. According to the authors, opportunity development was included in its original model as well but it was neglected and its true importance did not come to the surface. Opportunity development contains usually two stages: opportunity

recognition and exploitation. It is more or less accepted that prior knowledge has an impact on opportunity recognition. In the model from 1977, current activities through experiential learning contributed to the recognition of opportunities and to the accumulation of knowledge and although this form of knowledge development is still valid, another way of opportunity development takes place in business networks. In those networks, firms have privileged access to information about their relationship partners and their business network regarding strategies, needs or capabilities.

On the other hand, the role of networks is discussed by other theories. For instance, Kirzner (1973) thinks that entrepreneurs must be alert and prepared for opportunity at any time. Therefore, it is not about searching for an opportunity because firms do not have access to external resources but opportunity recognition is a consequence of ongoing business activities. Similarly to this idea, Denrell et al. (2003) are also of the opinion that opportunity development takes place by chance where managers or entrepreneurs need to have an open mind and need to be prepared for the unexpected. Based on this idea, opportunity development is considered to be the result of a serendipitous strategy.

Back to the revised model, the ability to pursue a mutual project with another one is contingent on its network position which is the second state aspect replacing market commitment from the old model (Johanson & Vahlne, 2009). The underlying reason behind this change is that internationalization is now put through within a network. As already emphasized, activities within a network could help the internationalization process by establishing business relationships that can raise various possibilities of further expansion. Therefore, long-term relationships with suppliers or buyers could pay off not only in monetary terms but it can bring other business opportunities to the firm in the future.

Moreover, market commitment was changed to network position also for the reason because networks are borderless in today's globalization and the distinction between entry and expansion in the foreign market is less relevant (Johanson & Vahlne, 2009). When the firm embarks on an opportunity in a foreign country, it can be either interpreted as an entry into a new market or as an expansion of the firm's current business network. The fact that international trade has been becoming more and more borderless supports the idea that overcoming barriers at the borders of different markets are not as important as it used to be earlier. According to the WTO's statistics, 284 regional trade agreements were in force as of 25 January 2018 which confirms the devaluation of national borders from the point of view of internationalization and strengthens the importance of business networks in an international level.

As far as change aspects in the revised model are concerned, the original label of current activities was changed to 'learning, creating and trust-building' to make the outcome of current activities more explicit (Johanson & Vahlne, 2009). It is fundamental to note that current activities keep



playing a huge role in the process of internationalization because they serve as the base for establishing a potential relationship within a business network. The term 'mutual project' was already used in my thesis which wants to refer exactly to current activities. In the following, elements of this term are analyzed.

With reference to learning, the importance of experiential learning has been already mentioned. The reviewed model distinguishes two types of knowledge: general market knowledge and business market knowledge. The former one is transferable and the lack of it implies liability of foreignness. As for business market knowledge, it is related to a firm's business environment with which the company tries to do business. Lack of business market knowledge constitutes liability of outsidership (Johanson & Vahlne, 2009). Back to general market knowledge, it might include information on laws or regulations which can be transferred between organizations. The transferability of this type of knowledge is of great importance because that is the point where the different types of knowledge can overlap. Since business market knowledge is the result of a reciprocal relationship where both parties work together for a common goal, they make their heterogeneous resources accessible for each other in order to improve the level of their performances. As they do so, general market knowledge can be exchanged between the parties beyond relationship-specific knowledge. In the revised model, the term 'learning' is at a higher level of abstraction and is considered to be more than just experiential learning (Johanson & Vahlne, 2009).

The revised model explicitly involves trust and commitment building as a change aspect since companies are no more seen as independent actors in the market. Instead, they are viewed as member of a business network where interaction is indispensable for being able to strengthen your position in that network and to go on with expansion. In the business network model and the revised Uppsala model, affective dimensions of relationships are vital in strengthening the firm's position in a network. Moreover, trust is an important ingredient for successful learning and the development of new knowledge (Nahapiet & Ghoshal, 1998). Trust might lead finally to commitment which is a basic requirement for long-term cooperation in a business network because trust implies an ability to predict another's behavior (Johanson & Vahlne, 2009). The main requirement for long-term cooperation is reliability. Not only makes trust that possible but it also reduces costs and risks in contrast to market solutions. In that case, the contracted partner is not fully known, neither its real interests nor its expertise are univocal. Firms do take some risks in order to succeed but they are in general risk averse because risk is to be minimized. From this point of view, trust building might contribute to a more effective cooperation with other firms in a given business network which ultimately has a positive effect on the relationship commitment decisions and on its position in the business network. What is more, trust persuades people to share information, especially in the early phases of a relationship but might be nevertheless

fundamental in the later stages to create and exploit opportunities (Johanson & Vahlne, 2009). As being in a business network requires clearly long-term thinking, trust might also contribute to recognize and explore opportunities as well as to accumulate knowledge together. Furthermore, trust is a fundamental element of commitment as well (Morgan & Hunt, 1994). Therefore, it is safe to say that trust might have an effect on all the aspects of the model. Nevertheless, it must be emphasized that firms do not always rely only on trust and companies, which have a great confidence in each other. They might not agree with everything the other one does. As a consequence, trust is a prerequisite for cooperation and being a member in a business network but it does not imply that trustworthy firms always follow the same path since other interests play also a role.

Finally, commitment decisions were a bit transformed by adding to it the word 'relationship' in order to clarify that commitment refers to relationships or to networks of relationships (Johanson & Vahlne, 2009). In contrast to market commitment where amount of resources committed and degree of commitment are the key factors of this concept, internationalization is highly contingent on the relationships to other firms in the business network, independently on national borders.

### Upper echelons theory:

Between the original Uppsala model in 1977 and the revised one in 2009, a lot happened either in the international business environment or in the field of research which made the authors refine their first concept. Consequently, entrepreneurial experience, which was not considered by the original notion, has been included in the revised one saying that gaining experience takes place not only at the firm level but individually as well. Furthermore, not only are experiences collected during the operation of the given company relevant, but experiences or knowledge acquired prior to the foundation of the company might be of great importance as well. However, experience is only one aspect of the various ones through which founders, entrepreneurs or top managers could have a considerable influence on organizational outcome and firm performance.

One of the most commonly cited and widely accepted model since its publication back in 1984 is the so-called upper echelons theory which attributes a central role to top executives in shaping major organizational outcomes (Carpenter et al., 2004). Since that, upper echelons theory has been used as a theoretical construct and as a methodology as well. As for the first one, it predicts that organizations are basically shaped by its top executives. As for the latter one, it is applied in various research design as a measurement proxy for underlying cognitive values and behaviours (Carpenter et al., 2004).

As far as its evolution is concerned, organizational theorists from all over the world have been addressing mainly the same question: why do organizations act as they actually do? (Hambrick & Mason, 1984). During the years, many angles were taken into account starting from macro-

economic factors to industrial characteristics. One the two extreme points of research directions, organizations are assumed to operate by casualties which are not foreseeable. Consequently, top executives or decision makers do not play a substantial role regarding the effectiveness of the company since that is derived from unexpected events and external factors. On the other hand, upper echelons theory considers top executives as a vital piece of the organization which has a huge effect on what the firm does or how the firm reacts to different situations.

Upper echelons theory disposes of two main elements that are related to each other. Firstly, it says that executives make decisions based on their personalized interpretations about the strategic situations they actually stand in front of. Secondly, these individual interpretations are contingent on the executives' experiences, personalities and values. Put differently, organizational outcomes – strategic choices and performance levels – are shaped by managerial background characteristics (Hambrick & Mason, 1984).

The whole concept is built on the premise of bounded rationality (Hambrick, 2007). In their original paper, Hambrick and Mason (1984) made a remark on the theorists of the Carnegie School who justified that complex decisions cannot be made completely in an objective manner which stands in sharp contrast to the mainstream premise of economic optimization. According to this term, everything regarding the operation of a company can be converted into revenues and costs and it is the managers' task to maximize the value of the firm by increasing profit as much as possible. However, this model does not consider uncertainty which makes situations more complex. Moreover, in reality, there is an infinite number of solutions disposable for every manager but recognizing and evaluating each of them seems to be quite impossible due to the scarcity of resources and lack of time. Thus, bounded rationality is believed to have a huge influence on the decision-making process of companies and it usually limits the extent to which decisions can be made in accordance with the principles of economic optimization (Hambrick & Mason, 1984). That is the point where behavioural factors start to play a role since even if bounded rationality applies, a resolution must be made concerning the company's strategic choices. If a decision cannot be objective, it implies that it must be derived from top executives' mind which is clearly affected by behavioral factors.

Consequently, each decision, which is the consequence of an uncertain situation, mirrors the idiosyncracies of decision makers (Hambrick & Mason, 1984). Idiosyncrasy can be interpreted as the cognitive base upon which the decision maker's mind works. Obviously, each decision maker is different and possesses an unique personality which are hugely influenced by values and principles. Furthermore, top executives tend to have a certain level of knowledge which also determine strategic choices. Hambrick and Mason (1984) named three fundamental types of knowledge. Firstly, knowledge or assumptions about future events play an important part.

Secondly, knowledge about alternatives in relation to a preferred outcome has an effect on the final decision as well. Thirdly, knowledge about the consequences attached to alternatives are clearly taken into account when firms need to pick a way to follow. All these assumptions or ideas in the decision makers' mind function as a filter that determines how they perceive the outside world. Put differently, in case of a decision with behavioral components, exactly the same thing may be interpreted and perceived in a different way by two decision makers based on their experiences, cognitive base, values and principles. Thus, entrepreneurs or top executives can make the difference regarding firm performance.

In the original model and lot of research designs, these idiosyncracies are measured by demographic characteristics due to the black box problem (Hambrick, 2007). The so-called black box problem refers to the unknown processes that take place in our mind before an input is converted into an output. These psychological and social procedures are the cornerstones of entrepreneurial behaviour. Therefore, the thorough knowledge of these processes must be a prerequisite to get to know completely the way of thinking of top executives. However, the majority of researchers have chosen observable managerial characteristics such as educational background, age, financial position, tenure in the organization or socioeconomic roots over psychological measures to measure behavioral factors (Hambrick & Mason, 1984). There are more reasons behind this decision but two of them stand out sharply. Firstly, these psychological constructs are in many cases unobservable (Hambrick, 2007). Secondly, even if they can be observed somehow, it is not so probable that top executives dealing with strategic issues of their companies would show any willingness to participate in psychological assessments. Moreover, as obtaining psychometric data is a complex procedure, it would require the executives to take part in several psychological batteries which seems to be even more unrealistic (Hambrick & Mason, 1984).

In order to have a real understanding about this notion, the definition of strategic choices must be cleared since it is the element which is being influenced by top executives' values, experiences and principles. Strategic choice is a fairly extensive term which covers choices made formally and informally, indecision as well as major administrative choices such as reward systems (Hambrick & Mason, 1984, p. 195) Furthermore, decisions on competition are also included in this definition which aims to refer to all types of decisions that have anything to do with a subjective perception or assessment of the top executives. For instance, some issues in day-to-day operations like inventory decisions or logistical tasks are not discussed at a strategic level since the firm disposes of a policy which determines the solution of these problems. They are assumed to be more or less calculable solutions (Hambrick & Mason, 1984). In sharp contrast to it, the elaboration of policies requires a holistic way of thinking because all the potential solutions must be considered before choosing one over the others and there are more solutions at the same time

which seem to be optimal for the company. In cases like this, top executives play a substantial role because obviously, they are the ones who have the last word on these strategic choices.

Bounded rationality is one of the underlying concepts of upper echelons theory but there is one more fundamental idea that need to be detailed at least as carefully as it is. This is about the unit of analysis. The focus of the theory was particularly put on the characteristics of the top management team which was a novelty back then in 1984. Prior to the formulation of upper echelons theory, it was mainly the connection between the chief executive and the strategy which had been receiving attention from researchers. Obviously, this is not a wrong direction at all since top executives stand in the centre of this model but the exclusive focus on one single person ignores the collective management of a company. As a matter of fact, managing a big organization is assumed to be a mutual activity in which collective capabilities and cognitions play a substantial role. Moreover, interactions between the members of the top management team are also of great importance since they can give value to the firm. For instance, complementary experiences of two top executives could be an asset for the firm, meanwhile they are not worth the same separately. It is of great significance to clarify that individuals could also play a huge part in organizational performance but the empirical results of several research publications made after the original model confirmed that attention to executive groups often provides a richer and deeper explanation about the linkage between executives and organizational outcome (Hambrick, 2007).

Furthermore, prior to going through the demographic characteristics serving as a proxy for cognitive values, the reinforcing cycle of organizational outcome and managerial background is touched upon. The linkage between them can be investigated from the other direction as well. Namely, given strategies requires top executives with a certain mindset which implies that the selection of applicants for the positions in the top management team takes place in a conscious way. If that is true, managerial or entrepreneurial background can account at least in part for organizational outcomes since otherwise, anybody could be hired by the company (Hambrick & Mason, 1984). For instance, a company, which sets on a cost leadership strategy, always hires executives who disposes of the knowledge how to coordinate processes in the firm and to keep costs at the lowest level possible at the same time. On the other hand, completely another qualities are necessary for a company striving to gain a competitive advantage by implementing a differentiation strategy. As a consequence, top executives are selected because they are expected to bring in a certain type of knowledge and mindset into the firm which is the same what the upper echelons theory says but approached from the other angle. Moreover, not only strategies demand a defined managerial profile but industry environment can also predetermine the personalities of top executives in the leading positions. An industry with continuous changes requires younger leaders since they are more likely to be able to react rapidly to those changes. In contrast to it,

there are industries which have a relatively slow growth rate and therefore, companies need executives with another profile.

As mentioned above, demographic characteristics of top executives were picked as proxies for underlying psychological processes in the original model and the majority of empirical works apply them to develop predictions of strategic actions (Hambrick, 2007). During the years, these observed managerial characteristics proved to be efficient proxies for the latent constructs that shape our way of thinking (Carpenter et al., 2004). In the following, these demographic categories used in the original model are explained and detailed.

One of the observable managerial characteristics is age. Hambrick and Mason (1984) state that managerial youth is considered to be related to corporate growth. Although the causality cannot be unfolded completely, three interpretations support the positive effects of youth on growth. Firstly, older executives might not have the same learning abilities like younger managers do. Consequently, they do not dispose of the necessary level of mental stamina to integrate information into existing decision-making processes (Hambrick & Mason, 1984). Secondly, older executives might find it more difficult to make changes concerning existing procedures, habits or processes which is fairly disadvantageous in industries going through constant changes all the time. Thirdly, the aforementioned inner ambition plays a role and older managers may not focus exclusively on their professional career. Instead, thoughts about retirement and income security afterwards are taken into account as well (Hambrick & Mason, 1984).

On the other hand, Wang et al. (2015) revealed in their meta analysis that younger executives take more risks and strategic actions due to the lack of cognitive schemas. Without relevant experience, they are not able to evaluate risks properly and are more easily in favor of an investment. Anyway, older managers have an advantage in this sense because they own the ability to analyse information better because of their experiences. Furthermore, meanwhile older managers' way of thinking is already affected by their retirement income and savings, younger executives are attracted by the high amount of money and incentives which they are to earn in case of the successful implementation of a strategic action (Yim, 2013). However, latest empirical results did not confirm CEO age as a determinant indicator for firm strategic actions on general terms and except for two variables, CEO age has a positive influence on firm strategic actions. These two variables are product innovation and risk taking with which younger executives might be more acquainted than older managers (Wang et al., 2015).

In spite of the less convincing results regarding the relationship between CEO age and firm performance, executives tenure is negatively related to the broad strategic risk measure (Wang et al., 2015). In other words, older executives are indeed less able to undertake any changes within

the organization since they are against changes and would rather avoid any risks. These findings are in line with the relevant part of the original model outlined above.

The second observable managerial characteristics is functional track. According to earlier empirical results, different executives approach the same task or problem from their own perspective which is influenced by their position within the organization. Therefore, a financial manager pays attention to completely other aspects in comparison to a production manager. Three functional tracks were differentiated by Hambrick and Mason (1984), namely output functions, throughput functions and peripheral functions in order to account for their specific effects they all have on organizational outcomes. As for output functions, departments like marketing or product development aim to seek new business opportunities and constantly monitor the markets and potential improvements. Throughput functions take charge of the transformation process and their objective is to raise the level of efficiency of those processes. Last but not least, peripheral functions refer to areas which do not belong to the core activities of the company but are necessary for doing business (Hambrick & Mason, 1984).

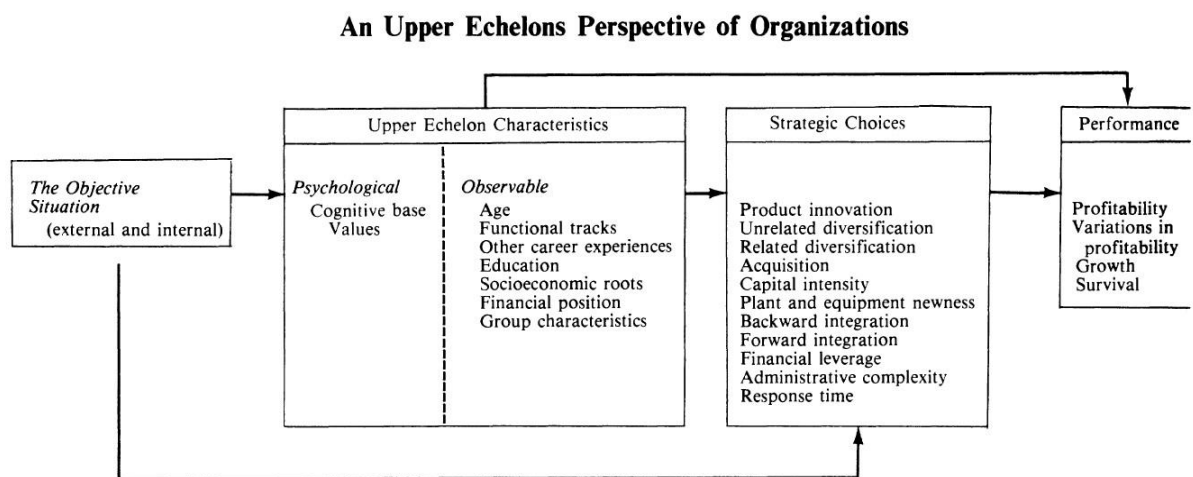


Figure 3: Upper echelons theory (Hambrick & Mason, 1984, p. 198)

Strongly related to functional tracks, Hambrick and Mason (1984) included 'other career experiences' in their original model as a proxy for managerial influence on firm performance. Studies prior to the appearance of upper echelons theory found that positions in another organizations and experiences gained outside of the firm increase top executives' propensity to any kind of changes. According to this concept, this is down mainly to two factors (Hambrick & Mason, 1984). Firstly, executives coming from outside are not bounded by loyalty to persons in the organization and one of the first decisions of executives at a new firm is usually to gather reliable employees around them. Moreover, they are not affected by organizational habits. Secondly, top executives perceive situations building on their cognitive and emotional base which is expanded by these different experiences. Obviously, executives spending their whole

professional career at only one firm have a fairly restricted point of view about business issues. On the other hand, professionals having already worked in more companies or industries have higher chances of finding a solution for problems since they have more angles, more perspectives at their disposal (Hambrick & Mason, 1984). Generally, Wang et al. (2015) found a positive relationship between prior experiences and firm performance by stating that experiences could help executives undertake more and better strategic actions. However, details are of great importance. For example, functional experiences contribute to processing information at a higher level of efficiency, therefore leading to the selection and interpretation of information and ultimately to solving business issues (Wang et al., 2015). In contrast to this finding, previous general experience gained by executives have no effects on firm performance. One of the reason for that might be task-specificity. In other words, when a CEO has prior experience in a financial position but actually disposes of a different responsibility, insights acquired at that financial position are not of great help for him or her at that new position (Wang et al., 2015).

Although not included in the original model, CEO prior international experience is positively associated with international firm performance (Wang et al., 2015). Moreover, this idea was also confirmed by other empirical results as well which say that management team international experience influences positively the global strategic posture of the company (Carpenter et al., 2004). The reasoning behind this is quite similar to the explanation of the importance of other career experience in the original model. Namely, since managers with international experiences have already faced diverse business conditions and challenges, they dispose of the ability to consider one single issue from numerous perspectives at the same time. This capability could be even more important in industries where rapid reactions are fundamental to survival.

The fourth observable managerial characteristics leads us to the category of formal education which is quite complex. Firstly, it gives us insights about the executives' cognitive base since students from different fields of research go through fully distinct curriculums. Secondly, Hambrick and Mason (1984) assumed in their original model that decision about education is taken seriously by youngsters which implies that their choice also reflects their values or cognitive preferences. Thirdly, education implicates membership in a particular socioeconomic group and top executives coming from the same socioeconomic groups are assumed to establish business ties with each other (Collins, 1971). Based on several previous studies, the results were ambiguous: level of education was found to be a decisive factor for receptivity to innovation, but the type of education was not found to be fundamental when it comes to managerial proclivity to the adoption of innovations (Hambrick & Mason, 1984). Accordingly, the upper echelons theory assumes educational background to be a moderator which has an influence on top executives' risk awareness and the administrative complexity set up by them. Executives without a higher level of education background are believed to take risks more easily, meanwhile lack of education and



knowledge about different techniques could imply a more plain way of handling administrative issues (Hambrick & Mason, 1984). Lately, it was confirmed by Wang et al. (2015) that there is a positive relationship between CEO formal education and the strategic actions implemented. As a matter of fact, students at universities are taught beyond exact analytical techniques a way of thinking and perspective which could help them make strategic decisions more easily.

Socioeconomic background is also included in the model, too. It implies that origins and financial wealth of the family may shape executives so substantially that it could have an impact on firm performance. According to a study made in the United Kingdom back at that time, the majority of entrepreneurs were found to stem from relatively poor families and they had not completed any training of tertiary education previously. At the other hand, professionally managed companies were found to be led by executives coming from families of the upper-class (Hambrick & Mason, 1984). However, causality between socioeconomic background and certain types of strategies was not confirmed. According to Collins and Moore (1970), a possible explanation might be based on the idea that executives coming from more moderate family conditions might be more inclined to follow an aggressive strategy in order to increase their self-esteem by showing that they are also able to succeed. Recently, CEO positive self-concept was associated with the firm strategic actions (Wang et al., 2015). It seems to be in contradiction to the original model which explains that executives stemming from more humble environments are likely to take strategic actions to prove their abilities and to gain recognition. However, this latest study states that CEOs with confidence and ambition are more ready to engage in strategic actions. As a matter of fact, executives coming from poorer families do not necessarily have to have a low level of self-esteem. All in all, CEOs personality was found to be related to firm performance by Wang et al. (2015) and Carpenter et al. (2004) as well.

Furthermore, financial position is another proxy for executives' influence on firm performance. According to the upper echelons theory, managers' motivational level and organizational outcomes are not considerably influenced by managerial ownership in the given company (Hambrick & Mason, 1984). In other words, the number of sources of income a manager could rely on is much more important than a stock in the firm. For instance, if a high share of managerial income comes from the company, top executives are much more motivated to perform than if they would own the company but earn only a small amount of money from it.

Last but not least, group heterogeneity could be also vital. According to the notion of upper echelons theory, this aspect affects the decision-making process at the upper level of the organization which clearly influences strategic actions and organizational outcomes. However, heterogeneity cannot be interpreted only in itself since its actual effect usually depends on the contextual factors. Consequently, homogeneous teams might be better at making a decision since

consensus can be found much more easily due to the positive group dynamics. Furthermore, group homogeneity is believed to contribute more efficiently to routine problem solving and is better applicable in stable environments. On the other hand, group heterogeneity is assumed to be useful for the company if it operates in a rapidly changing, unstable environment (Hambrick & Mason, 1984). These statements are confirmed by Carpenter et al. (2004) who found that heterogeneous TMTs are more likely to undertake competitive attacks. Obviously, competitive attacks are done more often in unstable environments which support the original model.

Since its publication, a lot of research work has been done and the original model has been expanded to some extent. Two refinements of the theory are detailed here since they can be considered as important moderators regarding organizational outcome: managerial discretion and job demand.

As far as managerial discretion is concerned, it is a moderator for the relationship between executives' characteristics and organizational performance which was called into being by Hambrick and Finkelstein (1987). As already touched upon above, upper echelons theory says that top executives of a firm greatly determine how the company finally performs. On the other hand, views based on the theory of population ecology consider executives' role as minimal in shaping organizational outcomes because these are in large part developed by external forces (Hambrick, 2007). Thus, external factors are much more determinant than internal ones. For the reconciliation of these two extreme views, the term 'managerial discretion' was introduced. It describes a situation in which there is a pool of countless plausible alternatives for executives to choose (Hambrick, 2007). The extent of discretion is contingent mainly on three factors. Firstly, it can stem from external, environmental factors such as industry growth, level of competition or supplier's power. Secondly, internal conditions like a weak board, unqualified human resources or an improper organizational structure determine as well how uncertain a decision-making situation can be. Thirdly, it depends also on the executives (Hambrick, 2007). For instance, managers' interpretation about ambiguity is different. Thus, some managers could easily make a decision in a situation which is considered by others as one with an excessive level of uncertainty. Again, this has a lot to do with managerial background and cognitive abilities. This way, both factors – executives and externalities – can be taken into account. If a solution or a decision is straightforward for a company, it has nothing to do with managerial characteristics. However, in case of ambiguity, the way of thinking of top executives will be reflected in strategy and performance (Hambrick, 2007).

Independently on the industry in which they operate, the workload of top executives are deemed by many to be at the same level. However, Hambrick (2007) states that this is not true at all and the level of difficulty of an executive position usually comes down to task challenges,

performance challenges and executive aspirations. As for task challenges, a company may be in a financial situation which makes it complicated for executives to make any smart moves forward or the competitors might dispose of a sustainable competitive advantage which restricts the possibilities of executives for any changes. As far as performance challenges are concerned, owners or boards might have huge expectations (Hambrick, 2007). Moreover, sponsors, with whom a lucrative deal is about to be signed, might put executives under pressure and form concrete expectations regarding future cooperation. Furthermore, strategic alliances do not only imply reliable allies but strong companies who might set high requirements and goals as a condition for long-term collaboration. Last but not least, managers can be motivated either by external factors such as a well-designed compensation system or by internal factors such as personal desires. Every manager is instinctively motivated to a certain extent but the level of this motivation emanating from inner ambitions is greatly heterogeneous. In other words, some CEOs try to conquer the world, some others want only local success and gradual expansion. The more difficult situation an executive finds himself or herself in, the more the managerial characteristics plays a role because greater difficulty requires managers to rely more on their personal experiences and own perceptions. In contrast to it, a top position with no challenges and easy situations lead to more complete investigations since it is possible to consider all the aspects of a situation which is less complex and sophisticated. Thus, decisions made under these conditions are more objective and reflect managerial characteristics to a lesser extent (Hambrick, 2007).

### Resource-based view:

International entrepreneurship is an emerging field with a growing body of knowledge. Its development took place mainly as a reaction to the uncommon internationalization of various firms that contradicted to traditional patterns (Peiris et al., 2012). The distinct pattern of newly internationalizing firms couldn't be completely explained by conventional theories and literature which created a need for further research in this area.

Oviatt and McDougall's (1994) introduction of international new ventures – or in other words: born globals – was a huge step for understanding this new phenomenon. Based on that, international entrepreneurship started to get attention instead of putting excessive emphasis on international business theories which were elaborated earlier at a distant and different age. Meanwhile it is worth extending our knowledge on the role of entrepreneurs regarding internationalization, it is also clear that traditional theories have not lost their validity. For instance, as already singled out earlier, the existence of born globals do not contradict to the Uppsala model since learning and commitment do take time (Johanson & Vahlne, 2009). Albeit relationships and knowledge are already available, this fact only accelerates the process but does not deny all the models and their details. Over the last two decades, this emerging field of research has drawn on numerous theoretical perspectives such as international business, network,

marketing entrepreneurship or strategic management (Peiris et al., 2012). As a consequence, these theoretical concepts need to be analyzed as well when the internationalization of born globals and the role of entrepreneurs in it are to be investigated. Since entrepreneurs could contribute a lot to knowledge development and to exploiting unique resources of the companies, resource-based theory as the base for knowledge-based theory and organizational capabilities view is introduced in the following.

In the field of strategic management, the main research question is about why different firms have superior performances compared to other companies. Differences in performance between firms might be only temporary or might be explained by external factors or chance but they are excluded from research. Exclusively persistent performance differences are analyzed and the concepts developed on this matter can be grouped mainly into two categories: market power theory and efficiency models (Barney & Clark, 2007).

The former one puts emphasis on the ability of the firm to increase prices above competitive levels and might apply in settings such as oligopoly or monopoly (Sharma & Erramilli, 2004). In contrast to this explanation, efficiency concepts pay attention to the ability of firms to respond more effectively and efficiently to customer needs. The latter one would rather be applicable in an environment in which competition is high and companies can only rely on their abilities to seek and to maximize efficiency. Markets being ruled by the principles of market power theory tend to exclude efficiency seeking meanwhile markets with a high level of competition usually do not allow any efforts to turn to market power tools because they do not lead to superior performance (Barney & Clark, 2007). Since this paper concentrates on a company engaged in the highly competitive technology industry, it is of great importance to look away from market power theory and to turn to the subfield of efficiency models. The resource-based theory, which is examined in the following pages, belongs – among others – to the efficiency models (Sharma & Erramilli, 2004).

Resource-based theory views the company as an unique bundle of accumulated tangible and intangible resources stocks (Peiris et al., 2012). The theory was not developed within a day and there was a great amount of prior theoretical work in economics which shaped the concept. Among them, four conceptions must be examined to have a full understanding on resource-based theory (Barney & Clark, 2007).

First of all, traditional work on distinctive competencies had already dealt with the factors, which enable a firm to outperform others in the market, prior to the emergence of resource-based theory. Distinctive competencies are such attributes which empower the organization to follow a strategy more effectively and efficiently than other firms (Barney & Clark, 2007). The formulation here might be interpreted as too general and therefore could be applied for various properties of a firm.

However, general management capability was one of the first attributes that was studied thoroughly. Managers have a huge influence on many aspects such as the elaboration of strategy, human resource management or shaping firm culture. These findings are more or less in line with the upper echelons theory.

However, this concept also says that an excessive emphasis on general managers as a factor explaining for the superior performance of the company denies other important attributes than can be at least as fundamental as the role of general managers (Barney & Clark, 2007). Firstly, qualities of an excellent general manager are as discussed as those of good leaders (Yukl, 1989). Managers with completely other profile and characteristic can be successful as well. There is not only one way that leads to success, several ones for reaching it exist and which road a manager takes might come down to different factors: firm's culture, employee's personality, objectives or mission of the company. Secondly, there are other distinctive competencies which are equally important such as organizational leadership or corporate image. Organizational leadership of managers ensures that the firm achieves its mission and vision (Barney & Clark, 2007). In order to be able to do so, one of the most difficult challenges for managers is to switch between leadership styles because relationship management within the organization is essential in this sense (Goleman, 2000). Corporate image can be interpreted as the extension of firms' business and as a message to the customers which is especially fundamental if the company wants to deliver results in a special way (Chugh, 2017).

The second concept, which had a huge influence on the elaboration of resource-based theory, is Ricardo's analysis of land rents where the quality of resources is a determining factor concerning the efficiency of the company. Ricardo came to this conclusion based on its analysis about the economic consequences of land as a factor of production. In contrast to many other production factors, the total supply of land is fixed and cannot be appreciably increased in response to higher demand and prices. This production factor is inelastic which does not correlate with price changes. Thus, under the condition of inelastic supply, owners having higher quality production factors have a better chance of earning economic rents than the others with not so good factors (Barney & Clark, 2007). As for the definition of economic rent, it is an excess of a payment to an owner of a factor of production to seal the deal (Barney & Clark, 2007).

Ricardo shows the key points of his ideas through the example of fertility of lands. Firms possessing parcels with a higher level of fertility has a competitive advantage over companies with less fertile land because of higher efficiency and lower production costs. That advantage stems from the firm's resources in the form of land as a production factor. Since they can produce their products at a lower cost than the market price, industry's attractiveness grows, new entrants appear and want to cover customer needs as well. However, because of the inelasticity of supply

of land, there are not any more quality parcels to work on, only lands with a lower level of fertility available where producers can only gain zero market profit (Barney & Clark, 2007). Therefore, producers can outperform their rivals due to their higher quality resources that are at their disposal and since the distribution of resources is hardly changeable, this superior performance can hold for the long run as well.

On the other hand, two remarks need to be made on Ricardo's analysis that were originally left out and not considered. Firstly, economic consequences of a decrease in demand is not taken into account. In that case, not only would stop companies with less fertile parcels their production but economic rents coming from more fertile lands would be negatively affected as well since lower demand would result in lower incomes which would make the industry less attractive. Secondly, albeit supply of some production factors may be perfectly inelastic, effectivity of their exploitation can be increased. In Ricardo's analysis, less fertile parcels could be fertilized to upgrade its fertility which would make a greater production level and less production costs possible (Barney & Clark, 2007).

It is worth noting that the same can be applied for the relationship between any resources and the way they are exploited. The importance of the way of exploitation can be derived from Schumpeterian rents. They are meant to be created as a consequence of the process of creative destruction. It is a really similar concept to the Ricardian rents but there is one substantial difference: that excessive payment is not down to higher quality resources but it is the result of creative destruction and innovation (Nicholas, 2003). The explanation is clear: firms might dispose of the best conditions compared to competitors, but if they do not have the knowledge how to exploit or to alter those resources, efficiency and therefore performance will decrease. This has implications on organizational capabilities which is covered later in this thesis.

The third work, which shaped substantially the resource-based theory, was elaborated by Penrose (1959) in its book written about the growth of the firm and the limits of growth. Prior to her contribution, traditional economic models viewed firms as simple production functions which take into account supply and demand conditions in the market in order to establish a production level maximizing profits (Barney & Clark, 2007). In these models, neoclassical tools were applied and production was merely contingent on the calculation of optimum level of production. However, Penrose views firms as an administrative unit that seeks to manage its productive resources. Firstly, this statement implies that firms dispose of a bundle of unique resources. Firms have control over different resources which must be managed well to achieve superior performance. Secondly, companies are considered to be an administrative unit which has a coordinating role by linking the activities of various individuals and groups (Barney & Clark,

2007). Again, a connection to dynamic capabilities can be easily established since firms must know how they can exploit their resources properly and effectively.

Beyond heterogeneity, Penrose's work also consisted of one more interesting and important contribution to the definition of productive resources. Its term is defined differently in numerous works, some of them include the basic material resource, some of them go beyond that and include intangible resources as well. As for Penrose, she recognized the possible implications of such inelastic productive resources like managerial teams, top management groups or entrepreneurial skills (Barney & Clark, 2007). In connection with entrepreneurial importance, Penrose emphasized that there is a heterogeneity regarding managerial skills and every manager is better at something else than the other ones. For instance, the role of corporate image has been already mentioned and there are some entrepreneurs who have more experience at building a consistent business brand tailored to the right audience (Quora, 2017).

Fourthly, one of the opposing views which finally contributed to the development of resource-based theory is the structure-conduct-performance paradigm (Barney & Clark, 2007). Economic models have implications on the applicable social policies within that theory. One of them is the field of antitrust regulation which assumes that social welfare is maximized only under perfect competition. Consequently, social welfare is under optimum in case of oligopolies and monopolies. This basic assumption was further examined that resulted in the development of the aforementioned 'structure-conduct-performance' paradigm (Barney & Clark, 2007). According to this concept, the structure of an industry determines which kind of activities firms can take up in that industry. If that structure is similar to that of imperfect competition, that implies a suboptimal level of social welfare because firms distort competition following a non-competitive behaviour (Barney & Clark, 2007, p. 13). This idea was questioned by the evolution of the resource-based theory. One of them is Demsetz's work (1973) which contradicts to this by saying that industry structure is not the only factor that determines whether a firm is able to outperform its rivals or not (Barney & Clark, 2007). The role of chance is mentioned in his work but the importance of seizing an opportunity better than the rivals is also considered (Demsetz, 1973). Moreover, in one of his numerous works, Rumelt pointed out to the core essence of resource-based theory that firm-level effects account for more variance in firms' final performance than industry-level effects (Barney & Clark, 2007).

In the following section, publications are analyzed which are already identified as the core part of the resource-based theory in the field of strategic management (Barney & Clark, 2007).

Resource-based theory cannot be understood without going through Wernerfelt's main ideas. Wernerfelt begins in its paper by saying that every coin has two sides and everything can be approached from two perspectives (Wernerfelt, 1984) In economics, it is called dualistic

reasoning (Barney & Clark, 2007). As a result, Porter's five forces is applied for resources instead of products to see which resources could explain a superior performance. Anyway, Wernerfelt makes a reference to Penrose (1959) by emphasizing that firms are still not identified as a set of resources in spite of Penrose's publication (Wernerfelt, 1984). According to his reasoning, it is down to the fact that those resources mentioned by Penrose such as managerial or technological skills are hard to measure and to be quantified in economic models. Thus, this area was neglected only due to the challenge it brings about and not due to its irrelevance.

According to Wernerfelt, resources are viewed as anything which are controlled by the firm and can be listed as a strength or a weakness. Some examples are also named such as brand names, employment of skilled personnel, machinery or efficient procedures (Wernerfelt, 1984). As a matter of fact, it is easy to see that tangible and intangible assets are included in Wernerfelt's definition as well. Applying Porter's five competitive forces, entry barrier and resource position barrier is distinguished.

Entry barrier is something that impedes a firm to enter a market and to sell a product there. For instance, a typical example for that is economies of scale. Its analogy is similar to resource position barrier which also makes it hard for potential entrants to get an access to a certain resource. However, a resource position barrier might also refer to companies that are already present in that industry. These two concepts want to put emphasis on the constraints a firm could potentially meet. They can be regarded as an obstacle to the growth of the firm and Wernerfelt's novelty shows us that there are constraints on the resource side as well. As a result, firms must not think only of entry barriers regarding products such as government regulations or economies of scale but they also need to have a look at the other side of that coin. It is not only a competition between producers of different products, but between firms with different resources at their disposal (Barney & Clark, 2007).

Another important contribution to the resource-based theory would be that firms aim to create a balance between the exploitation of existing resources and the development of new ones (Wernerfelt, 1984). It is explained through the concept of resource-product matrix which is analogous to growth-share matrix. Hereby, firms are seen as a portfolio of resources and not only as a portfolio of products. Firms must look after their resource endowment as well and an optimum development plan should be elaborated to guarantee a smooth progression for the firm. With respect to internationalization, expanding resources are fundamental since internationalization brings round more buyers and liabilities, obviously. The concept of resource-product matrix also implies that different resources might be used in several markets for various products as well. Thus, the allocation of resources and timing of entry bears a huge importance as well (Wernerfelt, 1984).



As for the essence of resource-based theory, Rumelt's publication (1984) needs to be mentioned as well. According to his work, firms are seen as a bundle of productive resources which is in line with Wernerfelt's study. However, Rumelt approached the subject at a more abstract level and reaffirmed that firms are created because it is the most efficient organizational form when it comes to generate economic rents. The third important aspect of Rumelt's work is about the isolating mechanisms (Barney & Clark, 2007). Similarly to Barney's VRIO framework that was only published seven years later in 1991, Rumelt had already dealt with the imitability of resources as well and had named potential attributes that can hinder their imitation by other firms.

With respect to Barney's research, a lot of his publications deserve great attention but two of them are a must to go through when the development of resource-based theory is discussed. Firstly, the concept of strategic factors markets was elaborated. This term is defined as a market in which companies obtain or develop the necessary resources to put into effect their product market strategies (Barney, 1986). As outlined above, resource side had been neglected previously by researchers. For instance, Porter's five competitive forces analyzes industries based on product strategies. However, according to Barney, in order to implement a successful strategy, there must be a fit between the products and resources of the firm. Accordingly, resources must be developed and created as well. In other words, competitive advantage, which is defined in the analysis of Barney's other work (1991), can be only gained if companies take actions in strategic factor markets and develop or create the necessary resources (Barney, 1986).

Strategic factor market is assumed to be perfectly competitive meaning that information on the value of resources is available and known to all the firms. As a result, the acquisition of resources in these markets shows right away the future performance those resource will bring after being used to execute product market strategies (Barney & Clark, 2007). This way under perfect competition, no economic rents could be earned by firms because an efficient market would price those resources accordingly – namely at the level of their true value (Barney, 1986). However, the paper also adds that strategic factor markets are not always perfectly competitive (Barney, 1986). In reality, this imperfection can take place for two reasons. Firstly, it might happen by chance or luck. Secondly, there is no perfect information and firms value resources differently (Barney, 1986). Therefore, not every resource is as valuable as it seems to be for the first time and there are companies that make mistakes at the assessment of a certain resource. Accordingly, if companies overvalue a resource which in reality does not bring its expected value to them, this phenomenon leads to the existence of economic gains and losses (Barney, 1986).

Last but not least, since Barney puts a lot of emphasis on internal resources which are vital conditions for implementing a strategy, it implies that resources already controlled by firms are more likely to be source of economic rents than resources acquired from external sources (Barney,

1986). That is exactly the main subject with which Barney dealt in its later work in 1991. The relationship between resources and sustained competitive advantage was studied and firm resources were examined from the point of view how they can contribute to creating sustained competitive advantage (Barney, 1991).

Numerous publications put their focus on the firm's external environment with opportunities and threats being the focal point of these works. Beyond neglecting resources, it also implicitly brought about two assumptions as well (Barney, 1991). Firstly, environment is the starting point of any analysis which means that environments determine which kind of resources and strategies might be acquired and pursued, respectively. In other words, they are given in the market and need to be acquired by firms. Secondly, even if resources' heterogeneity prevails, it will diminish in the short-run because those resources are mobile and can be acquired in the strategic factor market (Barney, 1986). These assumptions may give us useful insights into the importance of industry analysis but they are insufficient to explain the significance of resources and to give us the whole picture about competitive advantage.

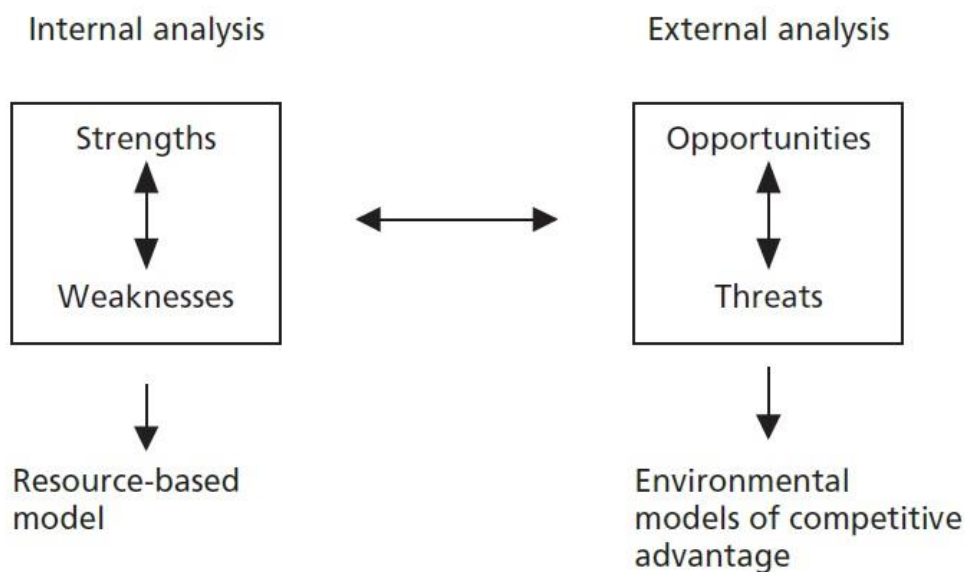


Figure 4: The relationship between traditional 'SWOT' analysis, the resource-based model, and models of industry attractiveness (Barney & Clark, 2007, p. 50)

In contrast to it, the resource-based view of the firm is built on two completely different assumptions: resources' heterogeneity and immobility (Barney, 1991). In order to be able to understand the necessary conditions for developing resources that give firms sustained competitive advantage, some of the key concepts and definitions need to be cleared. As far as firm resources are concerned, all the tangible and intangible resources must be taken into consideration because both can have a major contribution to outperform the competitors. These

resources can be grouped into three categories: physical capital resources, human capital resources and organizational capital resource (Tomer, 1987).

As for physical capital resources, they include tangible assets such as physical technology, plant or equipment, geographic location and access to raw materials. Secondly, human capital resources consist of the training, personal network, intelligence and insight of individual managers and workers in a firm. Thirdly, organizational capital resources include the system of formal reporting, formal and informal planning as well as informal relations among groups within a company and between a firm and those in its environment (Barney, 1991). Since born globals usually lack financial capital and more or less physical technology capital as well, it is easy to recognize the importance of human capital and organizational capital resources.

Furthermore, the definition of competitive advantage and sustained competitive advantage must be delineated as well. As far as the first one is concerned, a company possesses a competitive advantage in case of implementing a value creating strategy which is not being implemented simultaneously by any current competitors or potential competitors (Barney, 1991). It is important to note that this comparison must be made in relation to the whole business environment and not exclusively to firms that are already in the industry. As for sustained competitive advantage, there is an additional condition. Firms tend to have a sustained competitive advantage when they implement a value creating strategy not simultaneously being implemented by any current or potential competitors and when these competitors do not find a solution to duplicate the benefits of this strategy (Barney, 1991). The difference lies in the existence of alternatives. In case of competitive advantage, there are alternative strategies implemented which bring about the same results. As for sustained competitive advantage, no other alternatives are able to produce the same results.

After going through the fundamental definitions, the VRIO framework is investigated to study the link between sustained competitive advantages and attributes that can provide the firms with sustained competitive advantage.

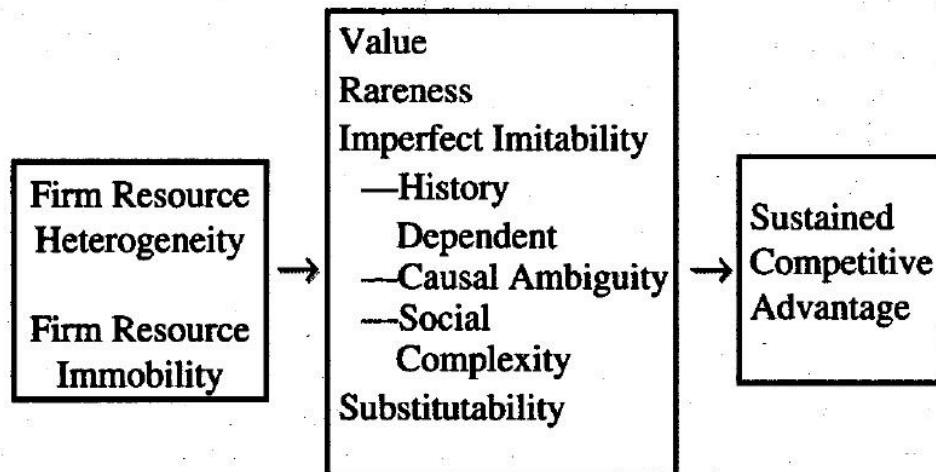


Figure 5: The relationship between resource heterogeneity and immobility, value, rareness, imperfect imitability and substitutability, and sustained competitive advantage (Barney, 1991, p. 112)

First of all, resources must be valuable. Deriving from the definition of sustained competitive advantage, resources must contribute to the value creating process of the company. Although resources might be rare, inimitable and non-substitutable and therefore meeting all the other requirements for being a source of sustained competitive advantage, they can be only classified as a resource when they exploit opportunities or neutralize threats in the firm's environment (Barney, 1991). That shows also that environmental models and resource-based theory are in this sense complementary to each other. The former one recognizes firm attributes that enable firms to exploit opportunities and dissolve threats in the environment and thus can be considered as resources. On the other hand, the latter one makes it clear which additional attributes are necessary to classify them as resources that give firms a sustained competitive advantage (Barney, 1991).

Secondly, resources must be rare and cannot be possessed by a huge number of firms so as to serve as a basis for a better competitive position (Barney, 1991). For instance, managerial talent is one firm resource that is a precondition for the implementation of almost all successful strategies (Barney & Clark, 2007). If firms dispose of the same level of managerial talent and they cannot be distinguished based on management skills, all these firms must perform at the same level based on that resource. Nevertheless, the degree of rarity, from which a resource can be classified as a rare one, is not defined. Even a small group of firms might have the same resources and still these resources can be a source of competitive advantage if this small group is not able to generate perfect competition dynamics in its industry (Barney, 1991).

Thirdly, valuable and rare resources can enable firms to generate competitive advantage but these resources need to be imperfectly imitable to be a source of sustained competitive advantage (Barney, 1991). As for the underlying reasons of inimitability, these resources might derive from

special historical conditions. Accordingly, experiences gained over time could be a resource which no other firm can obtain. Moreover, the firm's ability to exploit some resources might be contingent on its location as well (Barney & Clark, 2007).

Furthermore, causal ambiguity might contribute to the fact that a resource cannot be imitated by competitors (Barney, 1991). Causal ambiguity implies that the relationship between a resource and the firm's sustained competitive advantage is not comprehended extensively. Thus, if it is not understood how a certain resource contributes to the success of a firm, the duplication of that resource is impossible. It might be down to lack of information or to lack of managerial skills in terms of industry analysis. For example, the assumption here is that managers do have information on the chosen resource and its owner, but after they examine that firm's external and internal environment, their findings are mistaken and cannot reflect reality. In this case, albeit the competitor, in which that manager works, tries to copy those resources, it is just impossible because of incomplete knowledge. Interestingly, all firms must have insufficient knowledge on their resources so that causal ambiguity can be a source of sustained competitive advantage. If only one firm understands that link, this information will be distributed in the long run from the point of view of theory (Barney, 1991).

Last but not least, social complexity needs to be considered as an obstruction to the imitation of resource. Context matters and the same phenomenon might take a completely another form in another setting. Factors such as a firm's reputation among suppliers and customers, organizational culture or interpersonal relations among managers in a firm must be taken into account (Barney & Clark, 2007). A typical example for this phenomenon is the exploitation of physical technology. The technology itself is not perfectly inimitable since it is in most cases explicit knowledge. However, the way a firm exploits that technology and makes use of that resource is dependant on its culture, beliefs, knowledge and managerial skills (Barney, 1991). As it is shown, causal ambiguity and social complexity are related to each other.

As for the last condition for a firm resource to be a source of sustained competitive advantage, it cannot be substituted by anything else since it is indispensable to the firm. In other words, there is no alternative available to replace it. Obviously, similar resources usually fulfill the same role, but two completely different resources might serve for the same purpose as well. Thus, they might enable firms to implement the same strategy. As a consequence, a firm's competitive advantage cannot be built on this resource in the long run. The example of formal and informal planning system mainly developed by a leader in the firm enlightens the essence of this condition (Barney, 1991). Although both are valuable and an informal planning system is socially embedded meaning that it is presumably rare and perfectly inimitable, they are substitutes for each other since both

have the same role and goal, namely to perform procedures in relation to planning for the immediate future and for the long run.

All in all, beyond showing the conditions resources must possess to be a source of sustained competitive advantage, the significance of internal environment in a firm is emphasized. Strategic factor market by Barney (1986) puts a considerable focus on resource endowment in order to explain superior firm performances. On the other hand, it is also expressed that open markets are not an ideal place for firms seeking to acquire resources that might become a source of sustained competitive advantage (Barney, 1991). The underlying reason is detailed above: valuable resources may be bought at those open markets, but rare, non-imitable and non-substitutable ones are usually found and developed within a firm.

### Knowledge-based view:

Without a doubt, resource-based view has made an important contribution to a better understanding on superior performances of firms. Through its ideas, the conditions for the creation of sustained competitive advantage were made clear. Furthermore, the change in its name shows its evolution: it went from being denominated as resource-based view of the firm to resource-based theory (Barney et al., 2011). Moreover, it has given rise to eminent spin-off perspectives such as the knowledge-based view or the dynamic capabilities. It has also become an object of analysis for other research fields as well which resulted in an integration with perspectives such as institutional theory or organizational economics (Barney et al., 2011). As a consequence, it has been evolving from a specific view to a complex theory which deserves further attention.

Knowledge-based differs from resource-based theory by identifying knowledge as the most important resource of all (Peiris et al., 2012). It does not imply that other resources are valueless and not important to the firm because clearly, that would be a huge mistake considering all the necessary conditions such as financial capital, physical technology or infrastructure to succeed in a market. However, should tangible and intangible assets be distinguished, the former one can be considered as a pool of tools to reach the objectives meanwhile the latter one can be labelled as the engine or the recipe to reach the objectives. Accordingly, knowledge-based view elaborated by Kogut and Zander (1993) views firms as social communities which are specialized to develop and to transfer knowledge. A prerequisite for that is that companies are seen as a repository of social knowledge (Kogut & Zander, 1993). Prior to having a look at the knowledge-based view, previous literature is examined.

Multinational companies have been studied exhaustively in the recent decades. Their origins and reasons for their evolution have been examined. They were more or less defined as a national firm that goes across borders and they were also seen as a social community which owns a comparative

advantage by possessing its unique productive knowledge (Kogut & Zander, 1993). However, it is not clear why a firm internationalizes and starts to operate internationally. As a consequence, the boundaries of the firm were also studied and the focus was put on the issue of deciding on the exact extension of the company. Two underlying reasons were identified that give an explanation on setting the boundaries of the firm and going international. Firstly, differences in productivity lead to superior performances. Again, the link to resource-based view is obvious and it applies for transnational economic activities as well. Secondly, market solutions are unpredictable since opportunistic behaviour cannot be excluded and this moral hazard could be considered as a certain sum of costs which only comes up with external market solutions. Thus, firms make efforts to trade within the firm where direct investment could be seen as the relocation of organizational principles or knowledge from one country to another (Kogut & Zander, 1993).

However, it would be a simplification and would not reflect reality to say that the decision of technology transfer depends only on the above mentioned costs and unique productive knowledge. Whether a technology is transferred within the firm or in the market depends greatly on the characteristics of that knowledge as well (Kogut & Zander, 1993). Codifiability, complexity and teachability are used to measure whether a knowledge in itself is transferable or not. However, transferability does not only come down to the attributes of knowledge but there is an additional factor which needs to be taken into account and that is the communicational challenge.

First of all, internationalization and entering foreign markets is the result of the ownership of superior knowledge (Kogut & Zander, 1993). Being in possession of that knowledge gives firms an advantage which can be exploited and can enable these firms to outperform others on the international stage. According to Kogut and Zander (1993), knowledge has an undeniable role in the choice of entry mode of international firms. Moreover, it has an effect on market selection and pace of internationalization as well (Prashantham, 2005). Initially, transfer of this firm-specific knowledge was compared to the exchange of public goods because companies could transfer their technologies to firms in another countries where they could be implemented without any serious obstacle. This concept is – in some sense – similar to the notion of strategic factor markets where resources are sold and bought. However, Rugman (1980) came up with the notion of market failure regarding information which clearly complements the big picture. It says that international companies come to birth because they have to opt for solutions within the firms due to the need to compensate for imperfect information in the external market (Kogut & Zander, 1993). This can be traced back to trust issues and opportunistic behaviour but also to the fact that searching costs for information are clearly reduced in an internal environment.

The recognition of information as a central element is of great importance because earlier, opportunism and market failure had been overemphasized as a trigger for internalization of knowledge. However, transferring a technology or knowledge within or outside the boundaries of the firm imply different cost levels even though there were no opportunistic behaviour. As a matter of fact, it can be explained by information and knowledge as well and shows that market failure is not solely the reason for expanding economic activities across borders and boundaries.

Creating an internal market for information is not only a way of reducing searching costs and preventing opportunistic behaviour but also a tool to enable a smooth transfer of a knowledge into a completely another business setting. Its significance can be understood through the notion of encoding and decoding and it has a lot to do with communication. After going through the previous literature related to this subject, core ideas from Kogut and Zander (1993) are presented.

Companies are defined from the point of view of knowledge. As a result, knowledge is the starting point, the analysis is done with consideration to that. Consequently, firms are thought to be an organization that is the most effective at the creation and transfer of knowledge (Kogut & Zander, 1993). At an abstract level, firms are founded because they want to exploit knowledge. The firm's mission is to create and transfer knowledge in order to outperform its competitors. In comparison to the previous literature introduced above, market failure is secondary because firms opt for economic activities in which they are better in relation to the competitors. Accordingly, knowledge is a primary source of advantage and the way of using it also makes a difference. Consequently, difference in knowledge and embedded capabilities determine what a firm undertakes (Kogut & Zander, 1993). Still, market failure plays a role but it is only a conditioning factor that influences the process. For instance, because of imperfect information, competitors dispose of firm-specific resources that give them an advantage in the market over their rivals. As a result, those rivals must come up with another ideas based on their knowledge and capabilities to survive in the competition. It is an influencing factor without a doubt, but not one which determines fundamentally the firm's decisions since it is the knowledge of the firm which basically shapes those new ideas.

As far as knowledge is concerned, two types of knowledge are distinguished: information and know-how. Although they are called otherwise, the concept is more or less similar to the one which is introduced in the section of Uppsala model. Information is a factual statement often provided in blueprints meanwhile know-how is a description of the proper proceeding of an activity which is shown through manuals (Kogut & Zander, 1993). In contrast to the categories of objective and experiential knowledge, an emphasis is put on the need of capabilities to take action. Knowledge is made up of a huge amount of information but this stock of information must be interpreted before they can be applied to knowledge development and the creation of know-



how in this sense. In other words, exactly the same pieces of information could contribute to completely different recipes and know-how. As a result, embedded capabilities and competence are of primary importance.

As for the importance of interpretation, knowledge might be in many cases accumulated only incrementally over time (Kogut & Zander, 1993, p. 631). This is in line with various empirical findings such as the Uppsala model. Anyway, it might be interpreted as a self-reinforcing cycle since knowledge is necessary to internationalization. However, the more internationalized a firm is, the bigger the chances are for knowledge accumulation.

Back to the significance of gradualness, a technology transfer may turn out to be a complicated process. However, one of the tools, which could reduce the costs associated with technology transfer and make it a feasible alternative to market solutions, might be the existence of prior experiences which includes factors such as the degree of previous experience with technology transfer, the age of the technology or its extent of spread in the industry (Teece, 1977). That experience can be found either at the individual or firm level. In case of the former one, entrepreneurs or managers have a huge responsibility to make sure that that knowledge is exploited. If they dispose of it by themselves, they need to make all the efforts so that that knowledge could be decoded by the employees or other managers. In case that employees, who do not have any decision-making power at the firm, possess that crucial knowledge, entrepreneurs or managers need to create the conditions for its exploitation. Thus, entrepreneurial role is fundamental and can be complex, depending on the situational context. From the point of view of the firm, it is important to be able to decode and then to codify that knowledge. This has a lot to do with capabilities, which are presented later in this thesis, and current state of knowledge which is heavily influenced by experiences.

By the way, it also sheds light on the difference between external and internal transfers (Kogut & Zander, 1993). Should a firm specialize in internal transfers, different know-how is necessary in contrast to external economic actors because of the codification of knowledge. Communication takes place between two parties and logically, it is a mutual activity where parties need to adapt to each other. Accordingly, internal transfer is viewed by many researchers as a more promising alternative to external transfer because obviously, firms have the control over the shape of way of thinking and communication within their boundaries. However, external transfers are not out of reach, but constitute a completely different task with different challenges (Kogut & Zander, 1993).

As for the characteristics of knowledge, it plays also a huge role and is thought to determine the transferability and the whole process. In the earlier paragraphs, obstacles to technology transfer were examined from the point of view of the firm. The issue was whether the firm possesses the

ability to take such actions and previous experience might contribute to the development of these abilities. On the other hand, attributes of knowledge have a huge influence on the difficulty of transfer as well. In other words, if a knowledge is objective, it can be transmitted to external actors easily but transferring a knowledge, which can be hardly codified or taught to others, could pose serious challenges for the concerned firms. The constructs of codifiability, teachability and complexity are applied to measure the characteristics of knowledge.

As for codifiability, it is the degree to which the knowledge is articulated. It can take a substantial form or might be procedural (Kogut & Zander, 1993). Teachability is meant to record the effortlessness of the transfer of that given knowledge. It shows us how easily a knowledge can be taught to persons who are still not familiar with it. In connection with complexity, it is a bit more complicated concept which interplays with the previous two terms. It can be defined as the number of critical and interacting elements embraced by an entity or activity (Kogut & Zander, 1993, p. 633).

The empirical results of this study done by Kogut and Zander (1993) confirmed the above detailed statements. Knowledge is the most important resource of all tangible and intangible assets because it constitutes an advantage for the firm to reach higher levels of efficiency on transferring technologies. Its exploitation is put through by the combinative capability of the firm which means making use of the firm's current knowledge for expansion. As for entrepreneurial role, combinative capability could be developed and improved through previous experiences which entrepreneurs usually dispose of.

Back to the knowledge-based view, albeit there are a lot of difficulties regarding technology transfer, companies benefit substantially from it because they focus on the transfer of firm-specific knowledge that is hard for outsiders to understand. As a consequence, that knowledge, which can be only codified by its owner, cannot be a source of advantage for competitors. In this sense, tacit knowledge is valued highly since it is exactly the type of knowledge which cannot be comprehended immediately by the competitors. Thus, it is not that prone to imitation within a short time and could offer the firm a chance to expand. It is an important point because the attractiveness of tacit knowledge must not be necessarily that high due to higher costs of its transfer. Since they are not easy to understand and to teach, companies can find it hard even internally to transfer it. Consequently, unique codification must be developed in order to make it understandable for the stakeholders of the process. What is more, there is a negative correlation between the tacitness of knowledge and the speed by which it can be transferred within the boundaries of the firm (Kogut & Zander, 1993). For obvious reasons, it takes time to decode and to codify a more sophisticated knowledge, not to consider potential pitfalls or misunderstandings between the stakeholders. In spite of higher costs and lower speed of transferability, companies

keep specializing on transferring firm-specific, tacit knowledge because it could give them an advantage over their rivals.

All in all, it is incredibly significant to understand that international expansion is a strategic decision. According to some theories like transaction cost theory for instance, it is mainly about considering the costs of internal and external transfer which ultimately leads to a decision but in reality, it is more complex. Since knowledge acquired or developed internally may be beneficial for future introduction of other technologies and products, it is not exclusively about one specific investment decision due to its potential long-term and massive consequences (Kogut & Zander, 1993). Accordingly, knowledge – as mentioned beforehand – is interpreted as the most important resource that can influence the whole internationalization process by providing companies with information and know-how. It is a prerequisite for entering a foreign market but it has also the potential of enabling firms to recombine their current and newly acquired knowledge. The term of combinative capability plays here a substantial role and superior performances – either nationally or internationally – might be explained not only by other firms' competitiveness or the demand of the market but by this capability to create and to exploit unique, hardly imitable knowledge. Kogut and Zander (1993) empirical observations provided support for the tendency that firms are engaged in transferring tacit and idiosyncratic knowledge internally, although this process is not easy at all and includes a series of challenges and difficulties for them. This phenomenon could be explained by the above mentioned competitive advantage that a firm-specific knowledge could offer. Namely, such a knowledge is hardly imitable and cannot be easily decoded and codified for another business settings. These findings could be in line with Uppsala model as well as there are similarities with Barney's concept of competitive advantage detailed earlier.

As already singled out at the beginning of the section on resource-based view, Oviatt and McDougall (1994) came up with the idea of international new ventures – commonly known also as born globals – and their internationalization patterns seem to be in complete contradiction to traditional ones for the first sight. However, Johanson and Vahlne (2009) made it clear that this contradiction does not exist, international new ventures go through the same stages which the original Uppsala model or the evolutionary theory from Kogut and Zander (1993) introduced. According to the revised Uppsala model, the only difference lies in the pace of internationalization as these firms being mainly present in the technology-based knowledge-intensive sectors enter foreign markets right after their foundation (Prashantham, 2005). They are able to do so due to their high level of knowledge which constitutes the base for knowledge-based view as well. Even though the foundation remains the same, there are some variations and different assumptions in relation to the concept of knowledge.

Both ideas – internationalization process view and the notion of international new ventures – have in common that there is a link between knowledge and internationalization. Both are more or less in accordance with the knowledge-based view that was described earlier and concepts from Penrose (1959) can be also found in these internationalization patterns. They constitute a mutual base that knowledge is a vital source (Penrose, 1959). However, differences can be recognized regarding the type, role and source of knowledge (Prashantham, 2005).

As for the international process view, Johanson and Vahlne (1977) consider market knowledge as a fundamental one whose role is to allocate the resources in an optimal way to foreign markets. As it stands for gradualness and incremental expansion, the source of knowledge is a learning curve in which companies acquire market knowledge through experiences (Prashantham, 2005). Later in the revised model, the importance of business networks is also accentuated which can serve as a source of knowledge either.

As far as international new ventures or born globals are concerned, knowledge is derived from the entrepreneurs' prior professional experiences. Another difference lies in the technological knowledge-intensity of internationalization of various industries. For instance, software or biotechnology companies must possess this additional element in order to make early advances in their internationalization process. Last but not least, its role is more extended as well and beyond resource allocation, it should enable the firm to operate in a flexible way in the global market (Prashantham, 2005).

Back to the difference in the source of knowledge, the Uppsala model identified knowledge at the level of firm as a fundamental source of the company. On the other hand, Oviatt and McDougall (1994) refer to entrepreneurs and their prior international experiences as one of the most influential factor in internationalization. Although Penrose (1959) points out that different managers have different ability which might just derive from prior experiences, it is not considered explicitly in the Uppsala model (Prashantham, 2005). This was clearly a mistake back then because more and more empirical studies have confirmed the positive relationship between prior experience and knowledge since then. For instance, the appearance of a professional CEO in international new ventures had an influence on the decision-making of the firm which was able to rely on the new decision-makers' previous experiences and insights (Nummela et al., 2014). But the revised Uppsala model rectifies itself by stating that entrepreneurs' prior international experiences accelerate the pace of internationalization (Johanson & Vahlne, 2009). As a consequence, they clearly play a role and have an effect on the process.

Last but not least to the notion of knowledge, in spite of some differences, knowledge as the most important resource of a firm is thought to have a substantial role in internationalization. As explained above, source of this knowledge could be the previous experiences of decision makers

but another element can be added to this list: the integration of individuals' specialized knowledge at the firm (Prashantham, 2005). In other words, it is about the organizational capabilities that can contribute to knowledge development. However, it works the other way around as well since knowledge creation might give a boost to the development or improvement of organizational capabilities. Knowledge developed in another way like before might attract the attention to this new structure and might lead to higher efficiency. Consequently, knowledge creation and development of organizational capabilities have a lot to do with each other and reinforce themselves mutually (Prashantham, 2005). There is a variety of capabilities based on their functions but born globals definitely need to excel at learning capabilities as they have to adapt to constant changes in a rapidly changing, knowledge-intensive environment. As a result, they are examined in the next section.

### Organizational routines and dynamic capabilities:

This field of research, which is still at its infancy, is not a distinct one with different assumptions and preconditions but it can be interpreted much more as an extension of the resource-based view of the firm (Teece et al., 1997). The core contribution of dynamic capabilities is the recognition of the importance of routines, processes and paths. Not only is it the resource endowment which has a huge influence on firm's superior performance, but the way how they do business and how they solve problems have a significant contribution to their performance as well. The so-called capabilities need to be also considered and can be viewed as fundamental factors in internationalization due to their role in unique knowledge creation and information flows (Peiris et al., 2012). What is more, entrepreneurial contribution has been recently found to be of significant value for building capabilities which reaffirms entrepreneurs' importance to the internationalization process.

This statement has been supported by the literature on several occasions as well (Peiris et al., 2012). In case of entering a foreign market, firms go through a shock from the point of view of the organization and the successful adaptation to the new environment and business setting is contingent on their ability to improve existing or to develop new capabilities (Prashantham & Floyd, 2012). The difficulty of doing business at the international stage is also emphasized in other works as well since international context, which is replete with uncertainty and completely novel requirements, increases the need for capability learning (Zahra, 2005). Moreover, liability of smallness is named as a difficulty to overcome beyond liability of foreignness and newness. As a matter of fact, there are two sides to every coin and liability of smallness can be an advantage as well since smaller organizations are much more flexible and thus entrepreneurs might find it easier to shape capabilities, routines and processes. Completely in line with Peiris et al. (2012), entrepreneurial role and the contribution of other key decision-makers are seen as vital to develop capabilities that enable firms to adapt to an unfamiliar environment (Prashantham & Floyd, 2012).

Furthermore, international expansion of born globals is also considered by some researchers as a progress of entrepreneurial internationalization behavior of decisions, activities and processes (Jones & Coviello, 2005). As for the relationship between resources and capabilities which attracts the attention to the importance of capabilities as well, resource is a necessary but not sufficient condition for born globals to grow and to expand internationally but capabilities are indispensable to this progress as well (Gabrielsson & Gabrielsson, 2013). They are key to administer and to coordinate those resources properly. If resources are not managed in accordance with the firm's objectives and environmental conditions, they won't be valuable in terms of internationalization.

The term 'capability' is generally seen as a source of wealth creation and capture by companies (Teece et al., 1997). There is a distinction. As for capabilities, they are configurations of routines and resources that enable firms to reach its their objectives (Sapienza et al., 2006). As far as dynamic capabilities are concerned, they are thought of as an ability to reconfigure existing knowledge, resources and capabilities (Peiris et al., 2012). Anyway, Peiris et al. (2012) makes a remark on the vague definitions of these terms by stating that the distinction of capabilities, dynamic capabilities or even knowledge are still not that clear-cut and unequivocal. Meanwhile it might be hard to express it correctly and definitions might be a bit misleading. For instance, the terms 'knowledge' and 'capability' are often used alternatively and simultaneously in the literature, but knowledge is more about resource endowment. On the other hand, capabilities are developed to exploit those resources.

As a result of the evolution of dynamic capabilities, much of the attention is shifted away from theories that view sources of superior performance exclusively in external factors such as industry structure. However, it is worth keeping in mind that notions from both fields – efficiency vs. market power – might be valid depending on the context but an excessive focus on strategizing, which refers to the rents coming from entry barriers and restrictive practices, could result in weakening the own strengths of the firm (Teece et al., 1997). In turn, widely used frameworks of strategic management are introduced prior to examining the concept of capabilities and its relationship with entrepreneurs and internationalization for putting capabilities into context.

As explained earlier, there are some theories which viewed superior performance as a function of industries or products. The unit of their analysis is the firm as well but they approach it from a dissimilar angle and rents are derived from industry structures or product-related strategies conducted by the firms themselves. One of its best-known paradigms is the competitive forces approach by Porter (1980) which assigns a great importance to the industry. Five industry-level forces are identified, which determine an industry's profitability. Thus, economic rents in the competitive forces framework are monopoly rents (Teece et al., 1997, p. 511). Put differently,

gains are not derived from having a thorough knowledge, a valuable resource or a capability to exploit them, they are achieved by hampering competition. Again, it is incredibly important to note that these models are simplifications of reality. In business, firms must dispose of a strategy how to get a stronger position in the market. However, it does not necessarily imply that resources, which are at the firm's disposal, are of no value. Nevertheless, it is clear to see that competitive forces approach does not focus on resources as much as other theories do.

Another approach to business strategy is the so-called 'strategic conflict' view which puts emphasis on the nature of competitive interaction between rival companies (Teece et al., 1997). Its main assumption is that every business decision made by companies can be understood as an intent to manipulate rivals and to mislead them. It is a behavioural view of strategy which considers tools of game theory as a source of wealth and advantage. Within this framework, strategic moves such as investments in research and development, advertising, capacity play a substantial role in achieving rents by misleading rivals. Its main focus is not placed on the advantages these investments might bring about but their effects on the competitors' behaviour are of great significance. For instance, predatory pricing refers to lowering the prices to such a low level that other firms cannot survive in the market any more. The action itself is even negative and detrimental to the firm's financial wealth but its overall influence might be positive since competitors give up that segment and the level of competition is reduced. This shows some similarities with the competitive forces model because predatory pricing might finally result in setting up higher entry barriers. The end result may be the same but the two models do not follow the same path with same assumptions up to the same consequence. On one hand, competitive forces model considers industry structure as an exogenous element in the market to which firms need to adapt in order to gain rents. Therefore, these rents stem from industry structures. However, strategic conflict approach believes industry to be an endogenous element from the point of view of the firm which can be influenced by the same companies. Thereby, rents can be found at the firm level and depends on the strategic moves effectuated by the companies.

Clearly, some problems arise with these implications. Firstly, competition is treated as an intellectual play between decision-makers of the firms who are involved in strategic decision making and it ignores the process involving the development, combination or accumulation of capabilities (Teece et al., 1997). Thus, it neglects entrepreneurial role in shaping the company and capability building. Secondly, it is a powerful model to explain firm's behaviour when it faces a rival being more or less at the same level in terms of financial power. However, when companies are not direct rivals, it is hardly the model that can foresee movements in the market. As already singled out, these models could yield great insights into a firm's strategy but they are more useful as a complementary view. It cannot explain alone all the factors in this field.

Beyond these two models, Teece et al. (1997) identifies two other paradigms of strategy: resource-based perspectives and dynamic capabilities view. These two theories are connected as the latter one is somewhat an extension of the resource-based theory (Teece et al., 1997). As far as resource-based theory is concerned, it is examined in detail previously. In short, resources are the sources of competitive advantage that need to be exploited. As a result, this assumption leads us to the dynamic capabilities approach which ensures that firms know what to do with resources and how to exploit them. Accordingly, technological assets are not equal to capabilities. Capabilities are referred to as an ability to create new sources of competitive advantages (Teece et al., 1997). Firm-specific assets could yield some benefits to their owners by themselves but in many cases the way of exploiting them might be an additional virtue. Activities, which consist of numerous individuals and groups and aim to make use of firm-specific assets, are labelled as organizational routines and processes. This is a central element in capabilities' view. Organizational routines and processes make it possible for a firm to exploit a heterogeneous asset at a higher efficiency level than its competitors. It implies that resource endowment is also a determinant factor in firm's success since it constitutes the foundation and influences the possibilities a company might dispose of.

However, it is really important to keep in mind that firms' capabilities cannot be interpreted in monetary terms. These come true mainly in the form of organizational structures and managerial processes which support those productive activities (Teece et al., 1997). Dynamic capabilities play an even bigger role for companies being present in knowledge-intensive technological sectors and facing immense changes within a short period of time. Thus, they need to be able to adapt to those quick changes rapidly and capabilities must be renewed and redesigned to meet the requirements of the newly changed environment. Put differently, being able to set up structures and processes supporting productivity is one capability, meanwhile possessing the ability to make changes in relation to these capabilities as a reaction to changes in the environment is another distinct capability. Strategic management of capabilities involves integrating, adapting and reconfiguring internal and external organizational skills, resources and competences (Teece et al., 1997, p. 515). In born globals, entrepreneurs have a say in all these decisions with the above mentioned objectives.

Prior to examining its central elements such as processes, positions and paths, the importance of capabilities must be checked to see that capabilities are of strategic value for the firm. Barney's framework on competitive advantage could be applied to see how capabilities could prove to be a source of wealth for firms. Value, rarity, non-imitability and non-substitutability are necessary conditions for providing competitive advantage. Moreover, Teece et al. (1997) make an additional remark on the subject by stating explicitly that capabilities must be designed to answer completely to customer's needs. Consequently, it must take place within the firm for two reasons as well.



Firstly, it is a necessity because an activity, which can be replicated easily and thus is in the market, cannot offer companies any kind of advantage in relation to the competitors. Secondly, there are plenty of activities undertaken by firms which cannot be put through using market mechanism. An organization comes to life because it implements activities in a more efficient way by establishing its own mechanisms than market solutions. Accordingly, a firm separates itself from the market in this sense and creates its own rules to raise efficiency. This cannot be only explained by transaction cost theory but this might be down also to such market like incentives included in the compensation system of a firm which do not support cooperation and mutual learning. Instead of building effort and enthusiasm, compensation systems are mainly designed to recognize the high performers. Obviously, this is a huge problem since capabilities are defined as the result of multilateral activities where learning, cooperation and adjustment takes place in a much more decentralized fashion (Teece et al., 1997). As already outlined, capabilities cannot be determined in monetary terms. Instead, they can be recognized as organizational structures and processes which contribute to mutual learning and cooperation with the aim of meeting customers' needs and reacting to changes in the market.

According to dynamic capabilities view, the competitive advantage of companies is established by its managerial and organizational processes, conditioned by its asset position and the various paths available to it (Teece et al., 1997). Managerial and organizational processes can be hardly copied and replicated due to their idiosyncratic features and thus constitute a distinctive competence and capability for which there is no market except for acquisitions of business units. These processes aim to exploit the firm's heterogeneous resources and have basically three functions: coordination, learning and reconfiguration (Teece et al., 1997, p. 518).

As for coordination, it is a static concept which refers to the way how activities are linked to each other within firms. In most of the markets, the price system is the coordinating mechanism but it is not the case within the boundaries of the companies for reasons introduced above. Among others, the integration of external resources into the firm's organizational routines poses a major challenge and can be determinant whether a firm succeeds in its market. Due to technological advancements, it is much easier to set up business networks in which the resources of members of the network might be exploited by the company as well. However, it requires the know-how to embed those external resources into organizational routines. Without knowing the way how those resources could give value to the firm, the company cannot benefit from them even though they are a source of wealth for other members of that business network. This could serve as an explanation for the phenomenon that minor technological changes might have such a severe impact on firms' abilities to compete in a market at the same level like they did before those given changes (Teece et al., 1997). Since it is only a minor technological change from the point of view of its impact, it implies that this change is not of primary importance. It does not influence the

core essence of those activities and does not force firms to undertake major modifications in relation to those activities. However, organizational and managerial processes are set up in a way to support a certain technology and vice versa. If that technology is modified even to a limited extent, the interlinkages between those processes are disturbed and they need to be integrated in a different way to adjust to the changes even if it is about minor ones. Accordingly, the more coherent way organizational processes are set up, the bigger impact a minor change will have on the competitiveness of the company. For instance, a minor change in the field of logistics could have a devastating influence on processes supporting production if those two fields are heavily integrated.

By the way, the role of organizational processes and routines can be highlighted by the relevancy of knowledge management systems. It helps the company facilitate decision-making capabilities, build learning routines and stimulate cultural change and innovation (Quast, 2012). Such a system enables firms to continuously assess and to evaluate their current situation by creating the appropriate framework for that. For instance, a meeting between directors on development, brainstorming or assessment rounds are just some tools to apply. Furthermore, companies are not only able to react to technological changes much better due to routines but they also make it possible for them to select the relevant information in the middle of information overload. As a result, routines contribute to exploiting your resources and making use of external ones as well.

As far as the second role of managerial and organizational processes are concerned, learning is a dynamic concept by which companies are able to improve the level of their performances. Learning anything is referred to as a continuous repetition of given activities in order to be able to perform those ones quicker and better (Teece et al., 1997). Learning takes place at the individual and collective level as well. Learning individually generally covers imitation, but doing it in a collective manner is interpreted as a mutual effort to comprehend complicated issues. Furthermore, mutual learning could result in new organizational routines which makes it even more important in relation to the other roles of processes since companies in a knowledge-intensive technological sector face changes very often. As a result, they must renew and reconfigure their capabilities on numerous occasions within a short period of time which makes it obvious why learning is so fundamental. Common codes of communication and a certain way of thinking are developed during these processes to raise capabilities of the firms to a higher level. Consequently, dynamic capabilities view depicts competitive advantage to the lowest level of unit in the company and views routine micro processes as a key element to capability building (Prashantham & Floyd, 2012). As for its definition, routines are patterns of interactions that represent successful solutions to particular problems (Teece et al., 1997, p. 520). These patterns can be found either in group behaviour or in individual behaviour as confirmed by Prashantham and Floyd (2012). Accordingly, source of capabilities can be traced back even to individuals

which reaffirms the legitimacy of studies dealing with entrepreneurial contribution to the internationalization of born globals.

Moreover, the notion of agility can be also strongly linked to the importance of learning since agility is seen as an engine for superior international performance of born globals (Nemkova, 2017). Agility is viewed as an ability to reconfigure available options with speed and to benefit from unpredictable changes. Put differently, firms could be prepared for the unexpected by continuously analyzing and assessing their business environment. To be able to operate with agility, companies must dispose of the necessary routines and processes to undertake the activities leading to the desired end result. Furthermore, the notion of agility touches on proactive behaviour as well which could be vital because it is not enough for firms these days to simply respond to changes but they need to surprise the market as well (Nemkova, 2017). A precondition for agility is capability building to be able to modify existing resources proactively or within a short period of time.

Last but not least, dynamic capabilities also contribute to the development of the firm's ability to cooperate with other companies within a business network which requires reconfiguration and transformation. It is a transformational notion which improves not only skills to reconfigure existing resources but the ability to analyze and to adopt best practices from the market (Teece et al., 1997). Routines to analyze competitors are necessary but it is also a completely another ability to pick the best solution for the firm among them.

Based on the definition of dynamic capabilities, competitive advantage of a firm is conditioned by its asset position and path available to it. Asset position includes resources such as technological, reputation, structural or organizational ones that constitute the base upon which different capabilities and operating methods could be evolved. As for paths, firm's history also matters and determines on which route the firm can continue. Furthermore, industrial aspects need to be taken into account as well since they have a huge influence on which kind of opportunities exist in a given sector of the economy (Teece et al., 1997). Again, it is particularly interesting to observe that dynamic capabilities model views external factors like industry as a condition which has a moderate impact on the firm's life. However, other models such as Porter's (1980) competitive forces originate economic rents from the industrial level. For them, industry is the starting point which shapes all other steps. In contrast to those views, dynamic capabilities focus on internal elements but does not forget to include external factors in its model. That is one of the reasons why theory on dynamic capabilities can be labelled as one of the most complex models considering the possibly highest number of facets.

## Empirical part

### Introduction of the case study

Budapest and Hungary are not really famous for their born globals and start-ups but this picture has been being demolished by a technology company called 'Prezi'. This firm, whose name is a diminutive for presentation in Hungarian, offers a presentation platform that helps people express their ideas in an unconventional way by zooming in and out instead of a series of slides being shown in succession. Accordingly, its main product is a storytelling software which displays an open canvas to ensure a greater level of collaboration and a better exploration of ideas (Mulloth et al., 2016).

The company was founded in 2009 by CEO Peter Arvai, CTO Peter Halacsy and Principal Artist Adam Somlai-Fischer, and went on to become one of the most attractive start-ups all over the world. However, it is not only about a start-up that stands out from the average, because Prezi is at least as successful as unique. Today, it supports already 85 million users, disposes of three offices in the world – Budapest, San Francisco and Mexico City -, and its users have created over 325 presentations as of April 2018.

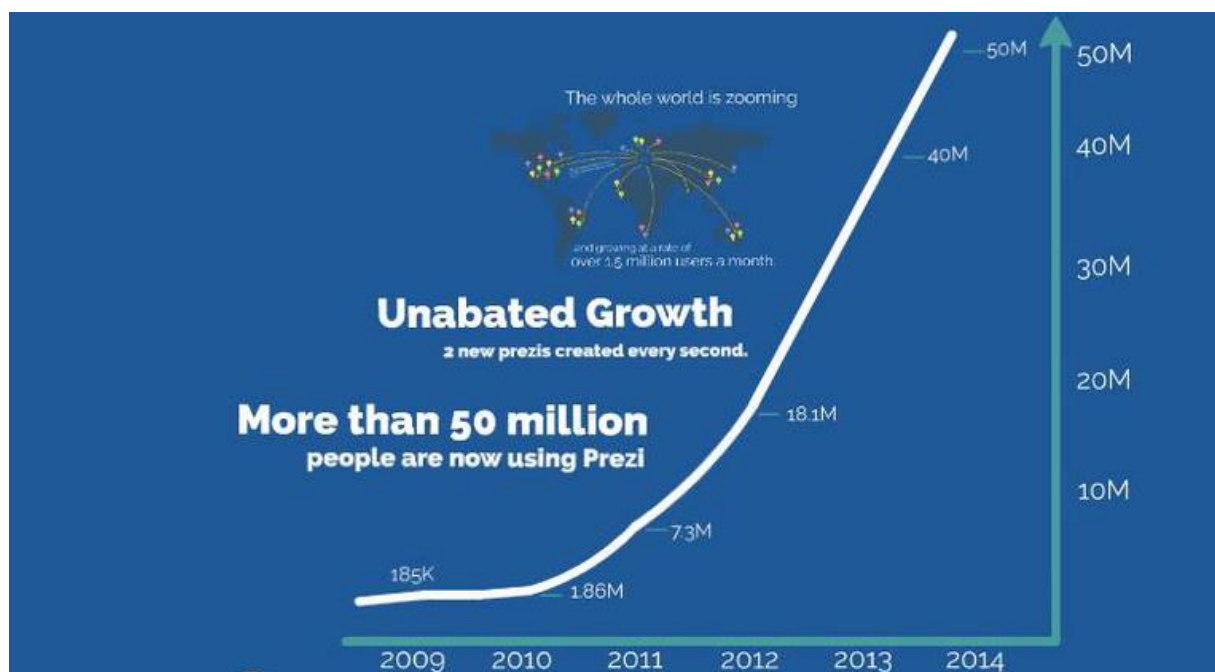


Figure 6: The increasing number of Prezi's customers (Toth, 2015)

As for the initial steps: one of the co-founders, Adam Somlai-Fischer worked out a special presentation technique which made him possible to zoom in and out of the elements which are displayed at the moment. Nowadays, with the success of Prezi, it is seen as a natural thing but in the middle of 2000s, it was a novelty in presentations. The other co-founder, Peter Halacsy got to watch one of those presentations made by Adam Somlai-Fischer and he liked it immediately as

well. Later, when he was asked to give a presentation, he contacted Adam Somlai-Fischer to ask about that special zooming technique. Afterwards, they began to work together on the elaboration and development of this technique but in order to design a product out of this idea, the other co-founder Peter Arvai must have appeared on the scene. Albeit Prezi has developed many other products since that, its core essence remains in this technique and its application for a variety of reasons.

As far as the development of the company is concerned, Prezi is a mission-driven software firm that viewed the whole global as its potential market from the very beginning. As already mentioned, it was founded in 2009 but beforehand, investors needed to be attracted and persuaded for this project in the middle of the global financial crisis. Due to word of mouth communication with entrepreneurs spreading the brand of Prezi, international companies such as the prestigious media organization TED or the early stage venture capital investor Sunstone Capital based in Copenhagen saw potential in Prezi and ensured a capital injection of 1.5 million dollars (Dojcsak, 2011).

The fact that such huge investors took major risks for a company that aimed to compete with giants such as Microsoft or Apple was already a surprise but the firm was never going into the wrong direction and Prezi was already cash flow positive in 2010, only one year after its foundation. Initially, in accordance with the mission of the company which intends to empower people to share ideas freely, Prezi focused on end customers. Even its pricing has been subordinated to this mission and thus has been opting for a freemium revenue model since the first day (Mulloth et al., 2016). For those who are willing to make their presentations public such as teachers, professors or students, Prezi is free. Otherwise, in case of keeping privacy, customers must pay a certain amount of money yearly. However, a shift of attention from end customers to the business sphere has been taking place in the recent years. Although end customers keep playing an important role since the company's vision from the first day is to have 2 billions customers to reach out to the whole world, more and more business actors have started turning to the software. As a consequence, Prezi reacted to its change and beyond making all the efforts to be present at all the possible platforms, it intends to develop its business package for creating extra value for its business customers as well. According to Peter Arvai, 80 percent of Fortune 500 companies use its services, among other firms such as hotel chain Marriott International or German airline Lufthansa (Dunai, 2014).

Back to the year of 2011, after receiving a starting capital from TED and Sunstone, the project of the latter one was renewed for another period, meanwhile another capital injection by the venture capitalist Accel Partners was realized in a value of 14 million dollars. Even though Prezi has not used up even a small part of this investment sum which puts emphasis on its healthy financial

situation, new capital came into the company in 2014 after an investment led by the American growth equity firm Spectrum Equity was agreed (Dunai, 2014). It included a capital of 57 million dollars. Accel Partners also participated in this agreement and remained a close ally to Prezi which therefore raised its total capital to around 70 million dollars (Bindi, 2014). As of 2014, Prezi reached 50 million users which means that – making a comparison to actual data – the company nearly doubled the number of its customers in less than four years.

Since Prezi is not listed on the stock exchange and does not offer its shares publicly, there are only sporadic financial reports available for outsiders (Dunai, 2014). In 2014, the Hungarian limited company of Prezi realized a profit of 800 thousands dollars which was stood nearly at the same level in the previous year as well. As for its turnover, the start-up had a revenue of around 3 billion HUF in 2014 which is equal to a sum of around 12 million US dollars (HungaryToday, 2015).

As far as Prezi's international expansion is concerned, the company can be considered as a true born global because it has been focusing on the whole globe as its potential market since the beginning. As a matter of fact, there are steps inside this process and in the first years, Prezi viewed the European and American market as its priority to reach out to the most customers. For this reason, although founded in Budapest, an office in San Fransisco was immediately opened back in 2009 to ensure a smooth and proper expansion in the American continent which is key in the technology sector due to its size. It is the largest market in the world which composes a homogeneous population regarding language. Moreover, there are several economic actors in the American market who aspire to go international which, in line with the business network theory, could provide Prezi with great opportunities (Ohr, 2016). In the meantime, not only has attracted Prezi millions of users but its attractiveness has been increased among top managers as well and as a consequence, Prezi was able to get the likes such as Jim Szafranski and Jim Banister whose experience at the international level is definitely a huge asset for the company (Toth, 2015). As commonly known, Szafranski was previously hired by IBM as Chief Product Officer and took over the position of Chief Operating Officer at Prezi in 2015. As for Banister, he was responsible for product development at Tesco and is now engaged as Chief Product Officer at Prezi.

After conquering the American and European market, there is a huge potential in the Latin American and Asian market to which Prezi responded by offering its software in nine languages. As a consequence, Prezi really covers the whole world now but interestingly, the company had already 500 thousands users in Brazil prior the the launch of the software in Portuguese (Gupta, 2016). However, this does not depreciate the importance of languages because two years later, the number of customers using Prezi quadrupled in Brazil. Anyway, the translation of software language was a logical decision seeing the demand for the English version but also in light of the

fact that Prezi's software is used by Korean state-funded broadcasting channels for presentations (Gupta, 2016).

Last but not least to the introduction of Prezi, doubts on the company's financial situation were completely demolished in 2017 as Prezi announced that it had acquired Infogram, a web-based data visualization company. Infogram was founded in 2012, is based in Latvia and seen as an innovator in the area of data visualization with over 3 million users (Prezi, 2017). With the help of Infogram's software, customers are able to easily prepare charts and infographics consisting of a lot of numbers. The aim is to ensure that customers have more effective and more simple tools for visual communication (Prezi, 2017). As part of its opening to the business sphere, Infogram's acquisition is a step forward to provide managers, directors or creative agencies with a presentation software that is now tailored for their needs. Obviously, numbers, graphs and trends are investigated continuously in the business sphere and as a consequence, this step reflects not only the healthy financial situation Prezi currently goes through, but also a smart strategic move that is line with its aim to focus on business actors (Sawers, 2017). Moreover, another move to satisfy the needs of economic actors and entrepreneurs using Prezi is the introduction of real-time collaboration that makes it possible for up to 10 people to simultaneously work on the same presentation (Bort, 2013).

In the following, the propositions of the master thesis will be analyzed through the case study of Prezi. Interviews with the co-founders of Prezi are cited and are also discussed in light of the theoretical frameworks applied before. As a consequence, we are going to get an answer for the question how entrepreneurs contribute to the internationalization process of born globals in comparison to traditional theories.

### Entrepreneurs' prior international experience contributes to the acceleration of process of internationalization of born globals.

One of the most logical idea, which comes into one's mind, is the utilization of entrepreneurs' prior experience regarding all the issues that they need to face in everyday life. Experience is assumed to be helpful not only in the case of internationalization but in everyday matters such as managing operations, handling problems, motivating employees or making strategic decisions.

However, traditional theories do not see the role of prior experience that clear. Johanson and Vahlne (1977) did not consider managers and entrepreneurs' prior experience as vital. According to their notion, vital and useful experiences are only accumulated during the internationalization process of that given firm. What is more, experiences are assumed to be gained at the firm level which clearly contradicts to the concept that entrepreneurs can make the difference in the internationalization process due to their previous experience and knowledge.

*„Before Prezi, I co-founded onward.se, a company that aggregates data on treatment outcomes for hospital patients. I also developed the world’s first mobile newsreader so people could follow TED talks from their mobile devices” - Peter Arvai, CEO and Co-Founder of Prezi (Gupta, 2016)*

Experience in another industry might prove to be useful later but experience from the same industry, in which Prezi operates right now, is something that Peter Arvai possessed when founding Prezi. The co-founder, who studied engineering at the university and was born in Hungary but later emigrated with his family to Sweden during the socialism, worked for Mobispine between 2006 and 2008. Mobispine is a company in the technology sector that provides messaging services for Mobile operators and Arvai filled the position of Vice President for product management. Describing this position, Arvai told that his job had been to collect different technologies into the company’s portfolio. As a consequence, he could get acquainted with numerous technological solutions and trend during his work at Mobispine. Anyway, Arvai got to know the software of Prezi created by Adam Somlai-Fischer when working for Mobispine. Since his job was to find interesting solutions, he paid attention to any new solutions in the market and even wanted to lure Peter Halacsy away from Hungary so that the latter one would work for Mobispine due to a language analyst tool developed by him. Instead, it went in the opposite direction as months later, Peter Halacsy called him to lead Prezi since he and Adam Somlai Fischer made advancements in the software to simplify its coding and make it a user-friendly software (New York Times, 2010).

As unfolded in the interview above, it is more than probable that this experience had a huge effect on the fact that he was then able to develop a software which allowed people to listen to TED presentations on their mobile phones. Obviously, it cannot be scientifically proven that this experience at Mobispine contributed to the development of that software or that it helped him later in the internationalization process of Prezi, but it was not definitely a disadvantage, for sure.

However, what seems to be clear is that working on a software, which ensures the transmission of TED talks on the mobile devices, made Peter Arvai aware of the nonprofit organization and its global community. Consequently, when the founders of Prezi made a decision on the exact application of their solution, potential linkages and a strategic fit between Prezi and TED could have been easily identified with Peter Arvai’s experience. As already introduced, Prezi’s mission is to empower people with ideas and to encourage them to share their ideas which is completely in line with TED’s mission of creating a community that helps its members disseminate their ideas all over the world as well.

*„I did a health care startup that made information on treatment outcomes like infection rates and complication rates available to patients, so they could figure out which clinic*



*to go. I also worked on a mobile Internet startup that offered one of the first protocols for allowing Internet access by phone.” – Peter Arvai, co-founder of Prezi (Adams, 2016)*

Another project, which could be seen as a source of experience for taking on further challenges in the future, is the foundation of Sanocore. Sanocore was a company – in 2016, it was closed down due to financial problems – that provided people with a large database on Swedish health care. Its main feature was to link information such as addresses, contacts to health programmes which ensures that sick people could have access to the best treatment possible. The success of this project is highlighted by the fact that in the following year, omward.se was given the award ‘Best website of the year in Sweden’ (ITBusiness, 2018).

Although it faced resistance initially by professionals working in the health care system, in the end, it was the doctors who saw real value in that database and started to apply it on a frequent basis (Stockholm University, 2017). It implies again an experience related to the information technology sector. Moreover, Peter Arvai described this as a lesson that initial resistance does not necessarily influence the end result of a project (Stockholm University, 2017). This is an important insight with respect to the international expansion of Prezi and I am coming back to it in the analysis of the third proposition.

Furthermore, it also gives some hints on his social sensibility that might serve as the base for the social entrepreneurship created by the co-founders at Prezi. Even though the idea about creating a database on the health care sector was inspired by his father’s death and his mother’s serious illness, he turned these tragic events into a social problem that needs to be solved by entrepreneurial activities (New York Times, 2010). Within the framework of the fourth proposition, my thesis deals with this social responsiveness and its impact on Prezi’s internationalization as well.

*„(...) We realized we might have something on our hands so we started to work on putting together something everyone could use. But neither of us knew much about running a company, so we reached out to the only person we knew who did, Peter Arvai” – Adam Somlai-Fischer, co-founder of Prezi (Modis, 2014).*

As already outlined beforehand, the basic idea of Prezi belongs to Adam Somlai-Fischer who is an architect and media artist by profession. At the beginning of the 2000s, he attended several conferences about projects he was also part of (Modis, 2014). He found it hard to express himself rightly with the traditional presentation techniques and it made him work on the elaboration of a new presentation design. According to his introduction at Prezi’s website, his first unique, personally prepared presentation was hand-coded in 2001 aiming to give a visual journey to the audiences and to create something more spatial than slides or pages (How to Web, 2011). One of

his presentations was watched by Peter Halacsy who also wanted to give it a try and wanted to hold his presentation that way.

Interestingly, at the beginning, every presentation must have been hand-coded to provide that with a zoomable user interface (Modis, 2014). After Peter Halacsy presenting with these tools as well, they started to work on it together, as mentioned earlier. What stands out with respect to experience is that Peter Halacsy studied engineering in Budapest and worked for the University of Technology in Budapest as well. He wrote a Phd thesis in computer linguistics and was involved in this field by writing several articles as an assistant professor at the university. Therefore, it was not the first time he saw a coding challenge but the first time he saw such a solution.

*„The startup culture was brand new and unfamiliar to many in the city; in fact, Ádám and Péter had actually looked up 'startup' and 'venture capital' on Wikipedia before they reached out to me” – Peter Arvai, co-founder of Prezi (Coleman, 2014)*

As it can be derived from their professions and professional background, Peter Halacsy and Adam Somlai-Fischer had no thing in common with enterprises. They started to embark on a common project, working out the details of a potential future product but had no ideas about the necessary steps to reach the stage when it is already about presenting that product. For instance, it was discussed by the three co-founders and there was no agreement initially how to enter the market. Moreover, in the beginning, there was no consensus whether they should work on this project as a full-time or part-time job. It was Peter Arvai who persuaded them about the necessity of full-time dedication.

*„I convinced them both that the only way to succeed with our ideas was to leave our jobs and focus entirely on Prezi” – Peter Arvai, co-founder of Prezi (Coleman, 2014).*

Obviously, there might be several factors behind the reluctance to work solely on a single project, dedicating all the hours to this challenge. Firstly, it could come down to family issues. Secondly, the actual employment could impede so that more emphasis is put exclusively on one project. Experience plays a role when it comes to recognize an opportunity and to realize that huge projects require a tremendous level of dedication from the entrepreneurs. Without entrepreneurial experience, you are not aware of the potential pitfalls or various challenges you might face in the first periods after founding a company.

In contrast to the original model, the revised Uppsala internationalization model by Johanson and Vahlne (2009) does admit the potential importance of prior experience of entrepreneurs as an influencing factor. The model includes this element and sees it as a knowledge generating element. As a consequence, knowledge and relationships with international economic actors are

already established prior to the foundation of the firm and those factors can clearly accelerate the process. Applying this statement for Prezi, Peter Arvai's appearance on the scene was not only a supporting factor for the foundation and internationalization of Prezi, but in light of the other co-founders professional background and experience, it is assumed to be a necessary condition as well to internationalize right from the inception. What is more, getting out of the definition of born globals, it might be interpreted that Prezi was founded internationally.

*„We launched Prezi at The Next Web Conference in Amsterdam in April, 2009. I was pitching the product at a startup contest and while we have only came second at the contest, TechCrunch wrote a beautiful piece with the headline 'Prezi is the coolest online presentation tool, I have ever seen'.” – Peter Arvai, co-founder of Prezi (Ohr, 2016).*

One of the most important implications of this piece of interview is that not every entrepreneur would opt for making an appearance at an international conference. This requires international connections and knowledge on the opportunities you have in a given industry. Although the revised Uppsala internationalization model does admit its role, Johanson and Vahlne (2009) keeps focusing on the accumulation of experience during the process and extends their model by integrating it into the business network model on which remarks are done during the investigation of the second proposition of this thesis. Furthermore, as outlined in the theoretical part, Penrose (1959) did refer to the difference in managerial ability to lead a company and this difference might come from the diverse experiences these managers go through before. However, it is not explicitly introduced until the concept of international new ventures by Oviatt and McDougall (1994) is introduced and the Uppsala model is looked over. Complete emphasis is given to the role of entrepreneurial experience only after the appearance of these notions.

Consequently, traditional theories, which recognized the significance of liability of foreignness or that of transferring unique competences to a local unit, have been expanded by an additional element, namely by knowledge (Butler et al., 2010). In order to get some knowledge, you either have to learn it from others or you have to experience it and it can be found at the entrepreneur level, as the example of Prezi shows it. Furthermore, experience is even more interesting in light of a newly developed theory which links cognitive creativity to the identification of opportunities. According to this theory elaborated by Butler et al. (2010), cognitive processes contribute substantially to international entrepreneurship since the acquisition of new knowledge requires the mind to integrate it into the existing mental structures. As a consequence, these mental structures must be modified and this process is hugely influenced by the associative matchings. In other words, new knowledge are linked to existing ones in a unique way and it could even take place either unconsciously as well. However, what is important for us is the role of entrepreneurs' prior experience in the process. As seen above, experience might trigger creativity which could

lead to a higher level of opportunity identification either domestically or internationally. Naturally, entrepreneurs with international experience have a wider perspective and thus can have better chances of competing internationally.

On the other hand, it does not imply that entrepreneurs need to have prior experiences from every markets and need to come up with knowledge on every country in order to succeed internationally. At Prezi, two designers were complemented by an engineer who had already worked as a product development manager before and therefore, Peter Arvai, CEO of the firm, could be considered as an experienced international entrepreneur since he had knowledge on the European and Japanese market. However, market knowledge on the American market was quite limited (Kovacs, 2014).

*„If you start in a small European market, it is very hard to go global unless you are successful in the US. It was challenging. I didn't have a credit score. I managed to get an apartment in San Francisco and that became our first office there.”* – Peter Arvai, co-founder of Prezi (Adams, 2016)

There are two issues here which deserve special consideration. Firstly, the CEO admits the difficulties of entering a market without prior knowledge and experience. Secondly, in spite of lacking obvious knowledge to execute this movement properly, the three co-founders opted for an entry into the American market because of its importance to achieve their objectives. Since the beginning, Prezi has been focusing on the whole world as its potential market and decisions like entering a market without a considerable level of knowledge about it must be made if a company wants to be present in multiple locations all over the world. The significance of American market is exposed by the fact that America has long presentation traditions and children usually give a presentation already at kindergartens there (How to Web, 2011). Put differently, it disposes of a great presentation culture on which a company aiming to conquer the world can and must build on.

*„While our original pricing was in Euros, we quickly discovered that many of our customers in the US weren't familiar with this currency. Once we switched to dollars, we were better understood by a global audience.”* – Peter Arvai, co-founder of Prezi (Coleman, 2014)

Problem arising from the lack of familiarity with euro as a currency is a typical pitfall which could have been avoided in case of prior international experience. Such a drawback might be really frustrating when the founders need to deal with other issues as well. For instance, the first location they had looked out was too small. Moreover, limited capital meant also a huge problem and seriously slowed down the internationalization process as all the chairs and tables must have been purchased one by one. Last but not least, time difference posed a major threat to effective and fast communication and decision-making, respectively (Coleman, 2014).

*„When we first started Prezi, we saw a lot of different applications. A mobile handset manufacturer wanted to make it their operating system. A set top box maker wanted to use the Prezi environment to present videos on demand.” – Peter Arvai, co-founder of Prezi (Adams, 2016)*

This statement has got also implications for the proposition concerning managerial intentions and mission created by them as well, but in my opinion, its investigation is also extremely useful from the point of view of international experience. Analyzing the potential applications of Prezi right before launching its first product in the market, it could have been a logical decision to sell the rights of its technology for a mobile manufacturer or for a set top box maker since Prezi – as all the born globals – must have disposed only of limited capital. This way, the company could have gained a considerable amount of income to finance its future expansion which brings about serious costs as well. It might be a fantastic product in the end but before a company can earn money, it needs to invest among others in product development and sales channels to create and to design a marketable product. In other words, Prezi needed financial injection to create a financial background for reaching its objectives and this could have been easily done by opting for the application of merchandising its technology rights. However, Prezi did exactly the opposite by searching for a strategic partnership with TED and focusing on developing a product which can bring a lot of money to the company right after their launching. It is only an assumption but an entrepreneur without international experience might have not seen beyond the financial challenges Prezi was about to face in the middle of founding the company and might have easily opted for a solution that ensured Prezi a higher level of income already in the short run. However, Peter Arvai had already a considerable amount of experience either on the international market or on the technology sector and disposed of a greater knowledge on TED's organization as well which made the global presentation community emerge in Peter Arvai's mind as a potential strategic partner for a newly founded Prezi.

*„What is it actually like to operate in a culture such as that of Japan, where the focus is not on you but on the group? It is a completely different way of thinking. It is fascinating, especially for a self-centred person like me.” – Peter Arvai, co-founder of Prezi (Stockholm University, 2017)*

Peter Arvai's international experience, which can be related to his previous jobs or companies in Sweden, has been already introduced but it is also worth having a look at his studies as a source of international experience and knowledge, too. The co-founder of Prezi with useful international business experiences studied engineering and media technologies at the Royal Institute of Technology. Afterwards, he completed a master's program in business and as part of that qualification, Peter Arvai spent one semester in Singapore (New York Times, 2010). During

completing that exchange semester, based on his sentences, Peter Arvai was enrolled in European studies and thus learned to view the continent from an Asian perspective. The quote above sheds light on cultural differences between Europe and Asia since the Japanese society is a collectivistic one in which individual persons can be only interpreted in function of the group. Common interests stand above the personal ones which results in a completely different way of thinking. Since a presentation can be interpreted as an extension of our ideas, our way of thinking influences the visual communication as well (Stockholm University, 2017).

By the way, Prezi has started to focus on the business sphere recently as already singled out which meant a shift from individual presentations to the ones being conducted by several people simultaneously. The necessity of interaction changes the requirements Prezi needs to meet when it designs its presentation tool and this is exactly the area where Peter Arvai's intercultural experience could be of great value. Since the Japanese culture builds on the collectivism, people must rely on each other just like those employees at a company whose task is to prepare a mutual presentation with Prezi's software.

On top of that, although not directly related to Prezi's internationalization, Peter Arvai revealed in one of his columns written by himself that he was working on a cookbook with a Japanese friend he had met earlier during his exchange semester (New York Times, 2010). It was labelled as a side project which does not get the same attention from him as Prezi but still interesting to recognize the importance of prior international experience. During his stay in Japan, he got to know a student with whom he could later join forces to embark on a project because obviously, this Japanese friend has a high level of knowledge on Asian cuisine. Combining that knowledge with Peter Arvai's business skills, it might end up in a decent product. As for the theory, it is completely in line with the revised Uppsala model which admits that knowledge and relationships deriving from the founders' previous international experiences might speed up the internationalization process (Johanson and Vahlne, 2009).

Nevertheless, this idea touches upon the concept of business network as well whose importance and effect on internationalization is examined in the second proposition.

### **An entrepreneur's connection to formal and informal business networks can boost the internationalization of born globals.**

For a start-up with a limited amount of capital and lack of substantial experiences, resources from the entrepreneurs' network could be of great value and can make up for its shortcomings at least in part. Chetty and Blankenburg-Holm (2000) showed that business networks could contribute not only to the identification of business opportunities but they might trigger developmental processes that lead to new learning procedures. The latter one is partly covered by the fourth proposition.

However, traditional theories did not consider the potential role of business networks back then. As already exposed, the original Uppsala model viewed accumulation of knowledge as an activity which is done by the company itself and not by individuals.

*„We started the company in 2008 just few months after Lehman Brothers tanked. Raising money at that time was near to impossible.”* Peter Arvai, co-founder of Prezi (Adams, 2016)

Prior to talking about the way how Prezi raised the necessary amount of capital and identified opportunities for the dissemination of its product, it is worth putting this into context and having a look at the economic situation. Prezi was founded in Hungary, officially in 2009 but preparations and projects for the introduction of the company had already begun in 2008. As commonly known, the global financial crisis broke up with the bankruptcy of Lehman Brothers that year. It was a financial services firm with a long tradition which held over 600 million dollars assets when it filed for insolvency in the United States. However, this had a huge effect on the global economy as well since Lehman Brothers had business operations all over the world (Schaefer, 2011).

*„As you can imagine, investors were shocked when three guys from Hungary approached them with ambitions of equaling Microsoft, Apple and Google.”* – Peter Arvai, co-founder of Prezi (Coleman, 2014)

The above quoted answer was given to the question how hard it was to begin the internationalization process in the middle of the financial crisis. Based on the World Bank's statistics, the financial crisis had a huge impact on the business climate in the world which is explained by the decrease of the gross domestic product on a worldwide scale. As for the ratio applicable for the whole world, it decreased from 63.462 trillion dollars to 60.168 trillion dollars within just one year between 2008 and 2009. In order to get closer to the country where Prezi was founded, the European Union's GDP reached the level of 19.137 trillion dollars in 2008 prior to the crisis but immediately went down to 17.101 trillion dollars in 2009. Since Hungary's economy is a small, open one which has been always dependent on the worldwide business climate, performance and investment expectations, the same trend could be observed in the Hungarian GDP as well. It went from 157.998 billion dollars in 2008 to 130.594 billion dollars in 2009. Although Hungary's GDP slightly increased from 2009 to 2010, its close relationship to the European Union dealing with serious problems such as the recurring Greek state bankruptcy led to the fact that the European continent has not been able to reach the level of GDP before the outburst of the financial crisis. On the other hand, the world economy already recovered itself from the depression just two years after the crisis and in 2010, the worldwide GDP ratio was above the level where it stood before the crisis. Still, Prezi could find a way in one of the countries of this struggling European Union to be able to move forward.

*„A lot of entrepreneurs started to use Prezi. All of our investors got to see Prezi this way. I never had to go on a road show.” – Peter Arvai, co-founder of Prezi. (Adams, 2016)*

Obviously, the trip to TED is an exception but based on the interviews, it had a lot to do with the informal relationships Peter Arvai had forged beforehand. As an entrepreneur coming from Sweden who has also Japanese connections, the co-founder of Prezi disposed of a network whose members were willing to give a try to a product developed by a company which barely existed at that time. It is important to emphasize that Prezi got a capital injection of 1.5 million dollars the same year it was founded. Peter Arvai revealed it in an interview that the early stage capital venture Sunstone Capital had heard about Prezi from an entrepreneur (Adams, 2016). Normally, it takes a bit of time to get in touch with entrepreneurs who might possibly disseminate your product later. However, everything happened within a couple of months which implies the existence of already established connections to these networks. Otherwise, Sunstone Capital is a company based in Kobenhavn, Denmark which is the region where Peter Arvai began his professional career at Mobispine. I'm not suggesting that he knew decision-makers from Sunstone Capital but he did know entrepreneurs from this region who had the possibility to introduce Prezi to the venture capital investor.

*„The meeting with Chris Anderson was really important for us. We only wanted TED.com as our investors. They are the best presentation conference on earth – I wanted them to be our partner” – Peter Arvai, co-founder of Prezi (Deppert, 2013)*

This also shows the importance of business networks of entrepreneurs but exactly from the other point of view. In contrast to Sunstone Capital which identified Prezi due to the common business network, the co-founders's objective was to cooperate exclusively with the global presentation community called TED because of its network and mutual features. The potential of getting into a business network was the triggering factor for cooperation, not the condition that made internationalization possible. A lot of other venture capital investors could have been taken into account but Prezi did not seek only capital injection but it wanted deliberately more, namely a strategic partnership with TED in which Prezi could also benefit from its business partner's resources.

*„Since Prezi is basically a presentation software, I got in touch with the world's one of the best presentation communities, the TED Conference. I've known them for ages, their main activities are not about financial investments, but I was convinced that there is no better strategic partnership for us than the one with them.” – Peter Arvai, co-founder of Prezi (Portfolio, 2012).*

Contacting the presentation organization clearly served reaching out more and more potential users since presenters sharing ideas at the events of TED do exactly what Prezi sells:



presentations. However, it was not the only motivation standing behind the decision of looking for TED. As a matter of fact, TED is a unique community which is ranked at the highest level because not every business actor gets the chance to talk about his story at its stage. As a consequence, forming a strategic partnership with TED was not only about reaching as many potential users as possible but about getting a place into its network. Moreover, as Peter Arvai put it there in one of his numerous interviews, TED's positive answer to cooperate with Prezi could be seen from the outside as a validation that this Hungarian company is one which is worth paying attention to (Gupta, 2017). Getting into its circulation or network was already a huge step since TED is a worldwide organization that disposes of business relationships all over the world and these doors were opened by forming a partnership with TED. Moreover, TED had never invested in a company before Peter Arvai persuaded Chris Anderson, the curator of TED conference series to make an investment into the Hungarian firm and this fact sent out a clear message with respect to the potential Prezi was having back then for the future. Peter Arvai's informal business connections to TED made it possible to arrange a meeting and it also made the company realize that a strategic partnership with TED could be fruitful in several ways.

*„Startups pitching VSs for investments were our trojan horse into the investor community. Many contacted us after they had seen one or two presentations delivered by a prezi and became interested in our company.” – Peter Arvai, the co-founder of Prezi (Ohr, 2016)*

Furthermore, the co-founders' decisions were also motivated by the same reasons when they took the product to Amsterdam to present it in front of the European technology industry at the Next Web Conference. Being present in the network was the only aim beyond winning the award, supposedly. It is beneficial to introduce yourself to a community who has diverse connections in the fields you are supposed to operate in the future. This movement was not solely about getting possible investors to get acquainted with Prezi but to encounter potential partners who can help Prezi internationalize along the way. Furthermore, as the quote above sheds light on it, small companies unfolding their plans to investors through a presentation made by Prezi's software made a huge service by disseminating the product. As Andrew Baccia, general partner of Accel Partners admitted in an interview in the official presentation of the agreement with Prezi, they first learned about Prezi when numerous start-ups gave them presentations made by the software of Prezi (Rao, 2011). Consequently, informal business networks play here a huge role again since companies, who attended that conference in Amsterdam, got aware of Prezi, started to use it and helped Prezi along its way by not even knowing about it. Clearly, this would not have been possible if Peter Arvai had not travelled to Amsterdam and had not put Prezi onto the map of the Internet industry. Consequently, Prezi got into a business network in spite of lack of direct business relationships at the firm level.

As already mentioned, Prezi has gained the attention of several venture capital investors during the years since its foundation and the company's name is not unfamiliar at all in the business network of international venture capital investors. After the initial capital injection of Sunstone Capital and TED, the initial investment of Sunstone Capital was renewed for another period in 2011, meanwhile Prezi agreed on a capital injection in worth of 14 million dollars with Accel Partners (Rao, 2011). This American company is a leading early and growth-stage venture capital firm which disposes of a global community of entrepreneurs by backing them in building world-class business (Dorbian, 2014). It was founded in 1983 and has decades of experiences. Moreover, it has already supported the development of companies such as Dropbox, Etsy Facebook or Spotify which are prominent organizations in the Internet industry. With the capital raised, Prezi's aim was to strengthen its human resources capital and to support its international expansion by engaging in potential collaborations (Rao, 2011).

*„Beyond capital, the main argument for signing with Accel was that it works with the Internet's most renowned brands and exploiting this capital, we can make Prezi a lot more successful.“* – Peter Arvai, co-founder of Prezi (Portfolio, 2012).

CEO Peter Arvai gave further details on the selection of Accel as an investor for Prezi and emphasized that it was a longer process than one would normally think of. Prezi and Accel studied each other's organization, activities and potential opportunities for a year and a definitive decision was made only after this period. Furthermore, the co-founder used the word 'business network' in another interview when it described the agreement and justified that. As part of the deal, Andrew Baccia got into the board of directors at Prezi to ensure the continuous evaluation and fine tuning of the company's strategy. Peter Arvai labelled this move as a reasonable step because Prezi could rely on Accel Partners' experiences and connections. These insights and arguments are completely in line with the business network view which state that companies seeking international expansions could make use of resources that are owned by the members of that specific business network. Not only can be more international opportunities recognized that way, but Accel Partners' experience could contribute to the improvement and development of Prezi's internal procedures which have a huge effect on the capability of the firm to create knowledge and support its internationalization. Entrepreneurial role was of great importance here by considering venture capital investors as not only a source of capital but as an access to a completely new business network.

Another illustration of the importance of business networks is the selection of Prezi's next investor. In 2014, an agreement between Prezi and American growth equity firm Spectrum Equity was unveiled which ensured Prezi the reception of a 57 million dollars investment. In this sum, the renewal of the previous investment deal with Accel Partners is included as well (Heber, 2014).

As for Spectrum Equity, it was founded in 1994 and has now offices in Boston and San Francisco. Based on Prezi's press release regarding the capital injection, the company has invested in more than 100 firms including SurveyMonkey or Ancestry.com since its foundation. Prezi welcomed the collaboration in its statement placing emphasis on the deep expertise Spectrum Equity has with respect to cloud-based software companies (Heber, 2014). Just like in the case of Sunstore Capital, financial power was not the only factor which was taken into account when decision on a potential investor was made at Prezi. Peter Arvai, who is an entrepreneur as introduced beforehand, is exactly aware of the importance of business networks and this perspective was not forgotten when choosing the partners of Prezi. This was already the period when Prezi had 50 million users from all over the world, so clearly, the company does not have to be introduced to the world's biggest venture capital investors (Heber, 2014). However, Prezi had an investor policy which preferred the cooperation with companies that dispose of a larger business network. Entrepreneurial role – beyond having individual connections to business networks - can be captured here by recognizing its importance and forming policies that take these aspects into consideration beyond financial power, too.

*„In 2007, Peter Halacsy, me and several friends started a media lab called Kitchen Budapest, which became a community place for everyone who wanted to work on interesting projects.” – Adam Somlai-Fischer, co-founder of Prezi (Modis, 2014).*

Even though it is not exactly the same as a business network, the co-founders' presence in this media lab called Kitchen Budapest can be compared to it in terms of its objectives. It was a community led by one of the co-founders, Adam Somlai-Fischer until 2009 which was grounded previously in order to collect different professionals from different fields who can then embark on mutual projects. These people could benefit from the other ones' expertise, knowledge and experiences and could be engaged in a working process. Although its aim was not to create products, it served the same function, namely to be able to make use of others' resources since there were no startups in Budapest at that time (Modis, 2014). As a consequence, it was really complicated to get into a non-existing business network in the field of Internet industry. In order to fill this gap, Adam Somlai-Fischer and Peter Halacsy, co-founders of Prezi decided to create this community which enabled them to establish connections to another people being active in this area. It is worth remembering that Prezi was being developed continuously in the middle of 2000s and since two of the co-founders were the leading figures of this community, it is definitely not false to deduce that they gained ideas to Prezi in this network as well which shows the importance of business networks from a further angle. Moreover, Adam Somlai-Fischer named another important contribution of this media lab to Prezi's internationalization which was the realization of the significance of learning processes and mutual projects (Dax, 2011). This

experience had an influence over how the co-founders of Prezi designed the company's organizational processes and capabilities. This is analyzed in my fourth proposition.

Anyway, on a theoretical level, this media lab described above cannot be only linked to the concept of business networks in general terms but the notion of innovation communities covers this subject explicitly as well. According to Fichter (2009), innovation communities are meant to promote innovations by its members who come from different organizations. It is also labelled as a network which might give access to knowledge, resources or collaborative support (Fichter, 2009). Since members of these communities are usually professionals trying to make their first steps in their career or in their first company, this interaction, exchange of ideas and learning experience could contribute for instance to developing a product or getting information about internationalization or other business networks either.

*„We tend to say to everyone in the company that if you are excited about a topic, be it education, minority right sor whatever, you should go out there and create a project around it that brings people together” – Peter Arvai, co-founder of Prezi (Mulloth et al., 2016).*

Prezi is a mission-driven company. Its main mission is to provide people with a software by which the latter ones could freely express themselves. Unlike a Power Point presentation based on Microsoft's software, users could transmit their ideas on a canvas by zooming in and out. That is one of the core aims of the firm to achieve. Beyond that, Prezi also encourages its employees to embark on social projects individually as well which is denominated as social entrepreneurship in the literature. It has facets that influence mission and organizational routines created by entrepreneurs. As a consequence, it is mainly covered and investigated in my last two propositions. However, this style of entrepreneurship has also a lot to do with business networks as well.

As for its definition, social entrepreneurship is a style of managing an organization in a way so that it is able to solve major societal problems with professional management and business returns for the company (Mulloth et al., 2016). Entrepreneurs must identify social problems which could constitute a business opportunity at the same time. It is a process that involves different stages, among others the creation of a strong bond with investors to get access to their resources and to reduce their costs (Mulloth et al., 2016). Furthermore, there is a proposal regarding social entrepreneurship which considers networks of organizations as a key actor to find solutions for sustainable development and for local challenges as well (Seyfang & Smith, 2007, p. 585).

As far as Prezi's policy is concerned, there are projects simultaneously run by employees which support the idea of making changes locally and globally as well. Projects cannot be only targeted to improving a technological solution like the way of presentations but there is a program called

'Escape code' trying to provide children from underdeveloped regions of Hungary with a high level of coding knowledge. It lasted five weeks and included about 20 teenagers who, without this opportunity, could not have gotten the chance to learn such things (Mulloth et al., 2016). These projects are encouraged by the founders. However, this social entrepreneurship is related to business networks as well.

Firstly, Prezi's firm belief is that Budapest could become a technological hub in Eastern Europe since it has all the necessary conditions for that. The founders have expressed their conviction about the city as a potential technological centre in several interviews so far. As a consequence, Prezi helps organize numerous international conferences in the Hungarian capital (Mulloth et al., 2016).

*„We provide the same level of knowledge as a big conference in London but our ticket prices are about a fifth of those, so we can attract a lot of foreigners. And the accommodation is cheaper in Budapest compared to London, too. You could do the whole trip from \$600-\$700” – Medea Baccifava, Project Manager and Consultant, Prezi (Mulloth et al., 2016).*

As it can be seen from this piece of interview, these are completely non-profit conferences to get the city connected to the international business network in this area. Although the main objective here is to put Budapest onto the so-called technological map, it indirectly admits the importance of business networks. The underlying reason behind converting Budapest into a technological centre is the infinite number of connection it could provide the local firms and Prezi as well since half of the attendees are foreigners (Mulloth et al., 2016). So far, conferences on different matters such as JavaScript or design have been held and their importance is showed by the fact that Prezi hired a full time conference organizer, Medea Baccifava in 2012 (Mulloth et al., 2016).

*„(...) we encourage our employees to attend conferences they would like to attend that are beneficial to their growth. As we are working on a disruptive product, we want Prezilians to harness inspiration from around the world” – Peter Arvai, co-founder of Prezi (Ohr, 2016).*

Clearly, Prezi is already an internationally embedded company which is present in several networks and setting up these conferences serves primarily to create international business connections for the local ecosystem. However, it is also obvious that Prezi could benefit a lot from a highly internationalized environment which is highlighted by the above outlined quote from CEO Peter Arvai. He calls it as an inspiration, meanwhile in theory, it is denominated rather as an access to other members' resources in the business network but the concept's foundation is the same and Arvai's statement is completely in line with business network theory. Other firms' resources like knowledge of other companies' employees could help the internationalization

process and although this connection is not derived from the entrepreneurs own network, this culture of working together with other companies is nurtured by the founders or entrepreneurs implying that they play a role in this sense. As already mentioned, all the founders had experiences with the positive effects of networks. Peter Arvai was an entrepreneur with international connections before the foundation of Prezi, meanwhile Peter Halacsy and Adam Somlai-Fischer worked on projects in a community lab with other professionals of different business fields.

*„Meet more, exchange more, and not only meet at Western European events. I think the mobility of workforce is great too, it is crucial” – Adam Somlai-Fischer, co-founder of Prezi (How to Web, 2011).*

Another initiative coming from the company is a platform called #charity whose aim is to provide a pool of knowledge for finding the best solution possible concerning a technology-related problem or challenge. That is one of the project initiated by an employee, namely by Jozsef Czapovics which has just gone on to receive a funding of 250.000 US dollars (Mulloth et al., 2016). The platform collects different problems which are yet to be solved and experts from all over the world could join forces to tackle them and to find a solution for that. Again, social entrepreneurship contributes to the establishment of business connections which could not only help solving individual challenges, but can play a role in further international expansion since it provides the company with a place in more business networks.

Last but not least, the acquisition of Infogram, which took place in 2017, could get us interesting insights into Prezi's international expansion and the importance of entrepreneur's network. As part of the deal, Infogram became a wholly owned subsidiary of Prezi, however, it remains in Latvia and based on their press release, Prezi sees itself committed to keep investing in the research and development of Infogram (Prezi, 2017).

*„If a picture is worth a thousand words, then the data that backs it up makes it credible. And without a story, data falls flat in effectiveness” – Peter Arvai, co-founder of Prezi (Lajtai-Szabo, 2017).*

According to Prezi's press release, Infogram is a data visualization tool that allows users to create maps, interactive charts and infographics. It was founded in 2012 and similarly to Prezi, it has offices in Riga and in San Fransisco as well. Simplicity and a strong design aesthetic are its main features which help put an emphasis on numbers during presentations used by marketers or students. As of 2017, 5 million infographs had been created by users from all over the world (Prezi, 2017).

As far as the idea of acquisition is concerned, it did not come out of nothing since the founders of Prezi and Infogram have already known themselves since 2012 when the Latvian company

opened its office in San Francisco. In the following years, entrepreneurs have exchanged ideas and Infogram considered Prezi's internationalization as an example for them to follow. Consequently, they asked for further information and details regarding the business environment in the United States. As a matter of fact, there was no formal business relationship between the two parties at that time, only the founders and decision-makers got in touch with each other. After realizing a potential fit, a hackathon was organized to let employees and computer programmers from the two companies exchange ideas, ask for help or work on possible mutual challenges (Toth, 2017). Consequently, the role of entrepreneurial connections can be clearly seen since the acquisition or the official cooperation between the two companies evolved from an informal relationship between the founders.

Although business network theory generally assumes a group of independent companies cooperating together, this might not refer to this deal because Infogram was acquired by Prezi. However, one of the conditions of the acquisition allows Infogram to retain its independency in practice. Peter Arvai, CEO of Prezi stated that Infogram keeps on operating as an individual company since they are not interested in giving them instructions (Lajtai-Szabo, 2017). Instead, their aim is to grow together at a higher rate and more efficiently than they would do separately. These words imply that whatever the exact reasons of the acquisition and the financial details of the deal, the main reason behind forming stronger bonds with each other is the access to each other's resources since, justified by the founders, both companies have a lot in common: their products have similar characteristics and their firm culture is also more than compatible (Toth, 2017).

### Managerial intention and mission set by entrepreneurs play a role and can support the internationalization of born globals.

Entrepreneurial role has not been always considered to be a determining factor for superior performance or internationalization. For instance, accumulation of knowledge takes place at the firm level according to the original Uppsala model. However, the upper echelons theory and later research works confirmed that executives have a significant influence on organizational outcome.

*„Our purpose of existence is to empower people to share ideas” – Peter Halacsy, co-founder of Prezi (Mulloth et al., 2016)*

This quote places emphasis again on the fact that Prezi is a mission-driven company. Clearly, it satisfies a customer demand and it needs to exploit business opportunities in order to survive in the market. Were there no profitable business opportunities, Prezi couldn't fulfill its mission. However, these are only shaping conditions which affected the firm history and path but did not have an influence on the primary objective of the company which is to create a tool for people with which they can express themselves much more freely. For instance, Peter Arvai described

the question of financing as an issue that needs to be solved in order to support the achievement of their mission (Ohr, 2016). In other words, there are lots of companies which adapt their mission to the business opportunities. For them, mission is more like a PR text. However, this was not the case with Prezi who wanted more than just a profit-earning product.

*„Our decision was to focus on the end customers and to make the technology available for them. This couldn't have been otherwise since all of us firmly believe that world can be changed through communication” – Peter Arvai, co-founder of Prezi (Portfolio, 2012)*

As already detailed beforehand, Prezi had various options to choose from when it entered the market since its technological solution could have been applied in numerous segments of the market. For instance, it could have been used as a presentation technology for the videos of a set top box maker or as an operation system of a mobile phone manufacturer. However, the co-founders intentions were completely different and this quote of interview about their turn of mind was a determining factor for the development of the company. Put it differently, they could have sold the technology rights to another company which could have ensured them a fair amount of profit from their solution. If they would have just regarded this canvas technology as one of their portfolio investments, they could have easily sold it and got out of the business with a considerable profit. Nevertheless, that is the reason why managerial intention and mission set up by them is so fundamental and important. They wanted something else. They wanted more than just a profitable investment. Their fast internationalization and being global helped them making big steps towards the achievement of their mission but internationalization alone was not their core objective. Their mission was to provide people with a more efficient communication tool so that they can make better decisions (Adams, 2016). As Peter Arvai, one of the co-founders reveals in one of his interviews, competing with Microsoft, Apple or Google was not their aim, it just happened to be like that. This is supported by the aforementioned decision Prezi made how to apply this technology. For some reasons, selling the rights to the mobile manufacturer could have been a better solution but this way they could have never fulfilled their mission about changing the way the world communicates (Adams, 2016). Consequently, mission set up by the entrepreneurs basically influenced the path the company took on and had a huge influence on the internationalization process.

This mentality is also supported by the social entrepreneurship Prezi implements locally. Various local projects can be derived from their core mission to help people communicate better and to encourage them to make any kind of changes. Moreover, Peter Arvai emphasized regarding the future that there are still two billions people who still need new tools to be able to share their ideas (Portfolio, 2012).



*„From day 1, Prezi was aiming for global success. We believed that is not enough to succeed in Hungary or even in Europe and we thought there was one market that determined our long-term potential, and that was the U.S.” – Peter Arvai, co-founder of Prezi (Ohr, 2016).*

Managerial intentions about the envisaged future and company needs to be taken into account, obviously. Consequently, mission plays clearly a huge role as it is introduced above. However, external factors must be considered as well to get the full picture about the co-founders' decisions on internationalization. First of all, Prezi operates in a knowledge-intensive technology sector where the so-called efficiency theories prevail. Namely, you can barely gain competitive advantage by reducing competitiveness since Internet is there for all with a few exceptions. These are countries where there is only a restricted access granted for people to the Internet like China. However, in the majority of the world, Internet is available which increases the level of competition. Moreover, since Internet has become fast a public good, entry barriers are extremely reduced in this industry. You need just some clicks to start with your company. As a matter of fact, there are other costs but this does not change the fact that Internet has made it easier to reach out to the whole world, especially in this industry. Secondly, Hungary is a small country with a restricted amount of potential users, its market is too small to focus solely on it.

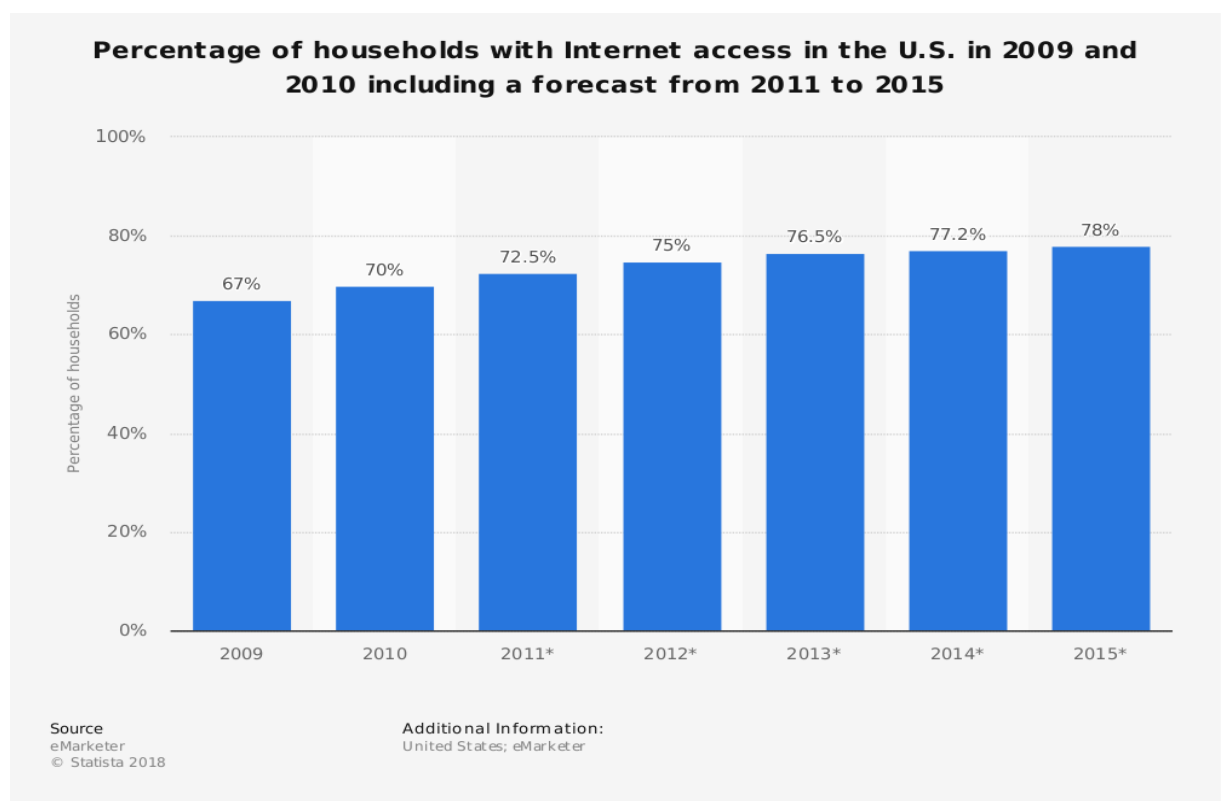


Figure 7: Household access to the Internet in the USA in 2009 and 2010 (Statista, 2018)

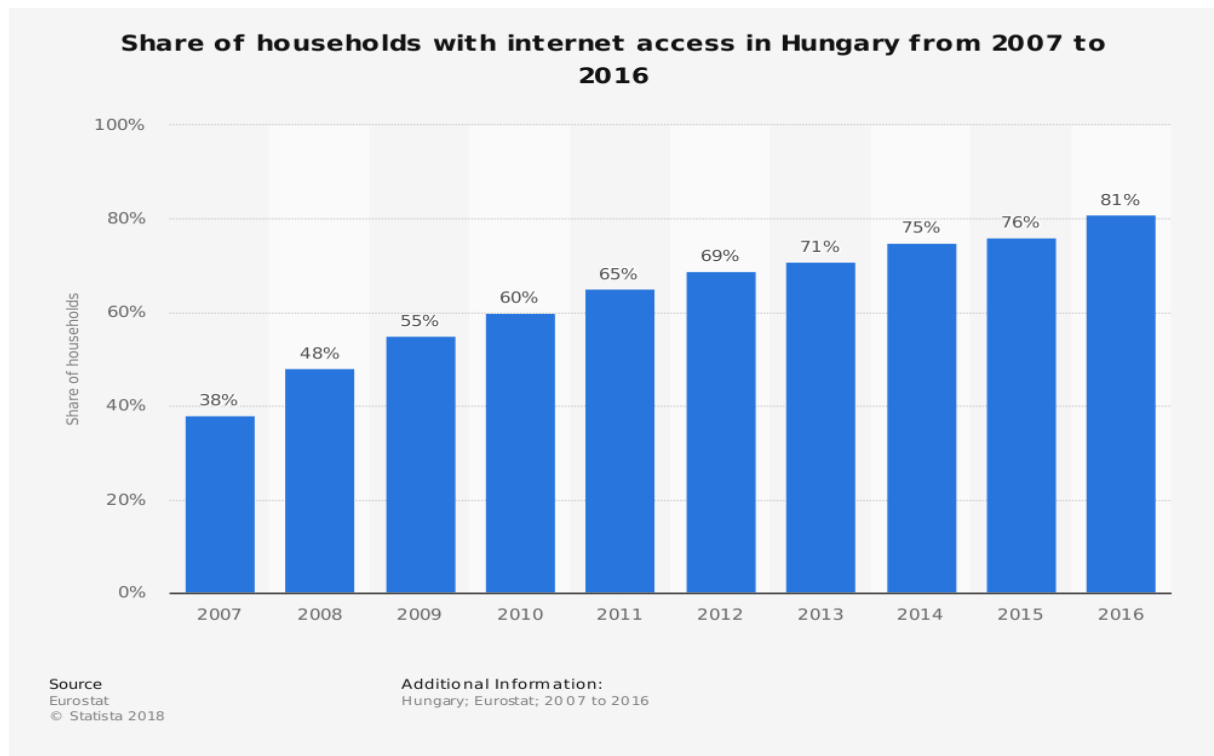


Figure 8: Household access to the Internet in Hungary (Statista, 2018a)

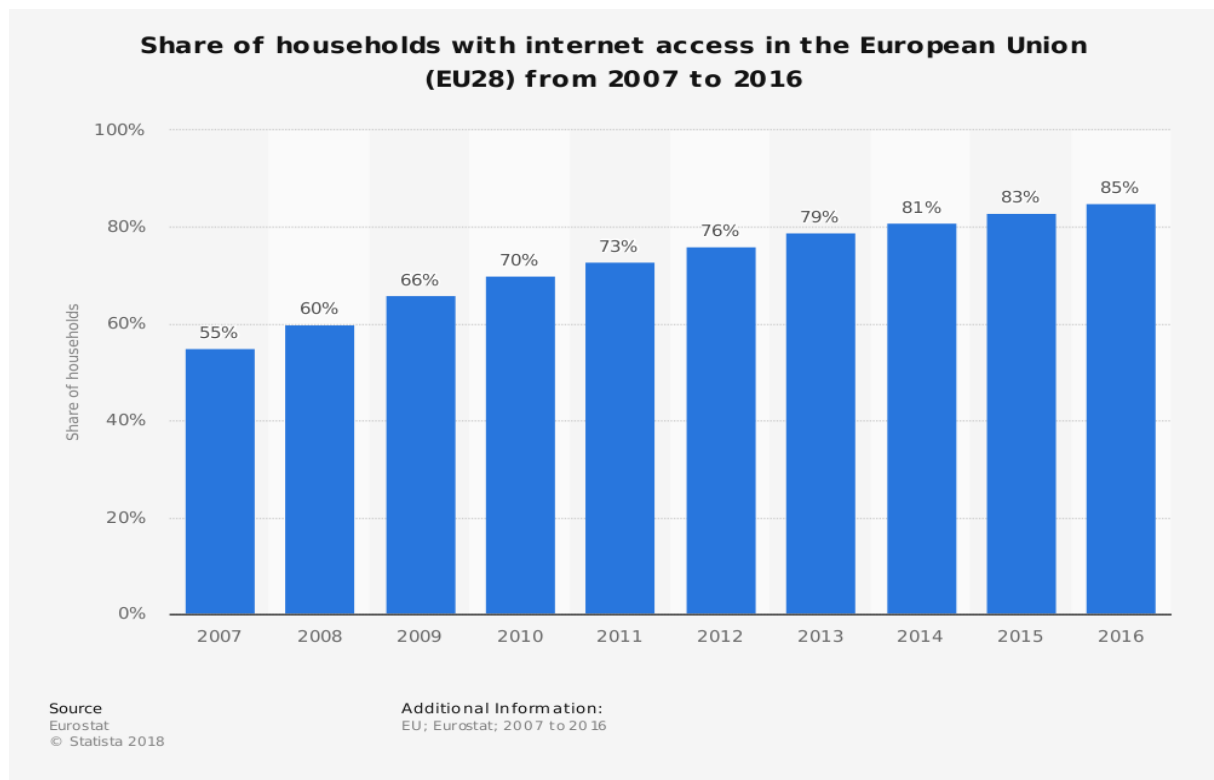


Figure 9: Household access to Internet in the European Union (Statista, 2018b)

If the firm's objective is to get the most out of its potential, achieving it in a small market is not ideal. Clearly, the market in the USA is a lot bigger than Hungary. Thus, it is no coincidence that Prezi opened its another office there beyond cultural homogeneity. Furthermore, household

access to the Internet was considerably smaller in Hungary than for instance averagely in the European Union or in the USA back in 2010 in the first years of the company. Consequently, internationalizing from the inception of the company is not a casualty but a decision considering all the aspects above. Entrepreneurial contribution to this conclusion is undeniable since neither the application of their technology nor the decision on the presence in the USA was the only way to go on after the foundation of the company and it entailed a behavioral

Another details that sheds light on the importance of managerial intention can be captured by the following piece of quote.

*„And it was actually Peter who convinced me (and Peter Halacsy) that the only way to succeed with our ideas was to leave our jobs and spend 100% of our energy on Prezi. So, it wasn't really my intention to start a business” – Adam Somlai-Fischer, co-founder of Prezi (Modis, 2014).*

As already highlighted, the original idea comes from Adam Somlai-Fischer who is an artist and made presentations based on this canvas technology. Back then, there was no software program designed for this purpose, thus he coded every one of his presentations manually. However, if it would have been up to him, Prezi had not come to birth since he was happy to use this zooming technology but had never thought of converting it into a product. He describes himself as a person who loves to work with innovation allowing people to express themselves (How to web, 2011). Adam Somlai-Fischer studied architecture and he just wanted to enjoy his profession by working on the improvement of these presentations. It was Peter Halacsy, the other co-founder of Prezi who gave him a hint for the first time that his idea could have a huge potential as a product in the market (Dax, 2011). The influence of managerial intentions can be nicely expressed here. Moreover, Peter Arvai brought in an economic point of view into the team which made its contribution to the internationalization of Prezi as well. Without Adam Somlai-Fischer, the zooming technology might not exist. Without Peter Halacsy, the idea to convert it into a product might not have been on the table. Without Peter Arvai, the proper internationalization strategy would not have been worked out. Every co-founder contributed to the process differently and it is just about the first steps. During the internationalization process, these different views could have their own footprints on the decisions. As a consequence, it supports the model of upper echelons theory which says that executives have an impact on organizational outcomes.

*„The toughest part was to actually start to work on Prezi and believe in ourselves against all odds. (...) we started in 2008, when the deepest recession of the past 70 years shook the world economy” – Peter Arvai, co-founder of Prezi (Ohr, 2016).*

This piece of quote is in line with Wang et al. (2015) findings which showed the CEO personality is associated with firm performance. The idea behind Prezi seemed to be profuse, in this sense, the co-founders had no doubt about the competitive advantage of their technology (Ohr, 2016).



Figure 10: Hungarian debt to GDP ratio (TradingEconomics, 2018)

However, meanwhile the investors found it hard to believe that a company coming from Hungary could ever compete with giants such as Microsoft or Apple, the co-founders needed to face some serious stereotypes and challenges as well. Firstly, the economic crisis seriously hit the Hungarian economy. The debt to GDP ratio reached record heights after an increase from around 60% in 2005 to over 70% in 2008 and the negative effects of the global financial crisis was yet to come. Therefore, the Hungarian debt to GDP ratio went up to 80% in 2010. In this environment, Prezi needed to raise capital and needed to show conviction to persuade investors that Prezi is a magnificent investment for them. Secondly, stereotypes on national and international level needed to be tackled as well since Prezi was founded in Hungary and one of the founders' objective was to be able to impose changes on the way of thinking of the Hungarian society.

*„In Sweden, companies like Nobel, Ericsson, ABB and H&M are an integral part of history. These experiences are missing in former Communist countries such as Hungary”*  
 – Peter Arvai, co-founder of Prezi (Stockholm University, 2017).

As the co-founders put it there, way of thinking in Hungary is quite negative. People tend to be of the belief that they cannot have complete control over their fate. In other words, it is not up to them how far they can go and what they can finally achieve on a professional level. Clearly, this has a lot to do with socialism between 1956 and 1990 when the state was present in every facet of life and controlled everything. During the socialistic regime, founding a company and running a business was prohibited which had its impact on the following generations according to Adam

Somlai-Fischer (How to Web, 2011). As already touched upon, Peter Arvai's family emigrated to Sweden during this time, the co-founder of Prezi has Hungarian roots and since the other two co-founders happened to come from Hungary, it was his chance to return back to his roots (Susan, 2016). The opportunity came by chance but the intention to come home was always there. Moreover, as a child, Peter Arvai used to feel this as his personal challenge to defend Hungary against stereotypes. For instance, the Swedish language has the same word for jungle and Hungary. Consequently, he was always teased by his class-mates in the primary school (Varga, 2016). As a reaction, he always defended his origins and wanted to prove his class-mates wrong. His desire to change these stereotypes was a determining factor to come back to Hungary and to found Prezi. Moreover, his desire to change the pessimistic way of thinking in Hungary was another stimulus to internationalize rapidly. In this sense, he wanted to create a positive role model and his intention was to send a message to the people in Hungary that is possible to start a business in Hungary and to be successful internationally (Stockholm University, 2017). Beyond contributing to the sharing of ideas, Prezi intended to prove that Hungarian firms can be as successful as companies from any other countries in the world. Obviously, this is in line with upper echelons theory which identified family background as an important element of top executives' personalities. They clearly have an influence on how executives or entrepreneurs act in different situations which is just supported by the example of Prezi. What is more, internationalization is a situation where there are various plausible alternatives available for the companies. Therefore, it disposes of behavioural components which depend on the cognitive base and personality of executives (Hambrick & Mason, 1984). In this case, Prezi's internationalization was boosted by Peter Arvai's ambition to refute stereotypes about Hungary and to establish a more optimistic way of thinking in Hungary by creating a positive role model for the society there.

*„In Europe, founders are not so convinced that they can become the next Google when they work hard for it. European entrepreneurs do not believe in ideas so strongly like in the USA” – Adam Somlai-Fischer, co-founder of Prezi (Dax, 2011).*

Entrepreneurial conviction is of great importance. The founders of Prezi needed to have blind faith in their concept because of the aforementioned conditions. The first steps were not easy at all. Like in many other cases, it might come down to the persistence and self-confidence of the founders whether a company could succeed internationally or not. However, Adam Somlai-Fischer misses a firm conviction on a general level, as well. For the co-founder of Prezi, entrepreneurship could be defined as a process driven by commitment and teamwork (How to Web, 2011). Commitment means you do not give too much importance to obstacles, rather, you focus on your end goal and work on how to achieve that. As for Prezi, the young company faced some currency issues since the founders believed the American customers are acquainted well

enough with the European currency. It was quite the opposite and it had a really negative effect on their sales in the beginning, although the American presentation culture promised a great fit between the company's product and the potential customers. Other example for that is the one Peter Arvai bumped into when arrived in the USA to meet the curator of TED, Chris Anderson. He was told at the office that the meeting had been cancelled due to unknown reasons. The co-founder of Prezi could have been immediately heading home to communicate to the others that he did not even manage to talk to Chris Anderson. Instead of accepting the cancellation of that meeting as a fact, he persuaded the secretary to allow him 18 minutes with Chris Anderson (Stockholm University, 2017). As already articulated, that meeting resulted in the first investment TED had ever made since its foundation. These insights into the internationalization of Prezi are completely in correspondence with the upper echelons theory which claims that organizational outcomes are basically influenced by top executives. Peter Arvai's appearance, belief and ability in himself to persuade the secretary to rearrange an already cancelled meeting is definitely one of the most important entrepreneurial attributes that could support the internationalization. The reaction of entrepreneurs for these obstacles are not univocal at all since there are plausible alternatives how they can respond to these situations. Consequently, entrepreneurs play a substantial part here by showing commitment and not giving up.

*„As an architect and artist, I always worked with innovation which enables people to express themselves. We create interactive spaces, surfaces, experiences. So to me Prezi is really a continuation of all this” – Adam Somlai-Fischer, co-founder of Prezi (How to Web, 2011).*

According to Adam Somlai-Fischer, it is a bad policy that teamworking is not taught in most of the schools in Hungary. Teamworking might be of great significance since all the executives or entrepreneurs in a company could contribute to processes in distinct ways. As already introduced, Peter Arvai's own interpretation about Prezi as a project was to change stereotypes about Hungary and to get back to his roots. However, Adam Somlai-Fischer, to whom the original idea can be linked to, views Prezi a bit different than their co-founders. Obviously, excessive discrepancies about Prezi would lead to chaos but differences in details could contribute to it positively. Anyway, these values and beliefs were discussed in a café before grounding the company and they are revisited every year because the founders are of the opinion that it is a mutual activity which requires trust from the parties (DTK, 2017). Back to the point, the quote above illustrates that beyond common goals, Adam Somlai-Fischer describes Prezi as a continuation of his previous activity. Since his original idea was a disruptive one and Prezi keeps placing a lot of emphasis on innovation and new ideas, Adam Somlai-Fischer artistic turn of mind is a perfect match with the firm. As for the theory, the upper echelons theory shed some light on the reciprocal relationship between executives and organizational outcomes. Namely, executives have an impact

on firm performance but a certain firm performance requires a particular profile as well. If Prezi had settled for its original idea of providing customers with a new presentation tool, Adam Somlai-Fischer's abilities could not have been exploited that much. However, Prezi keeps focusing on generating new ideas such as the simultaneous cooperation on a single presentation. Accordingly, Adam Somlai-Fischer's innovative personality could contribute a lot to this process because he has got some experience about going through an innovative procedure. All in all, it impacts on the internationalization of Prezi as well since it is a decision they are all involved in. For instance, the acquisition of Infogram was facilitated by the fact that the companies dispose of a similar innovative organizational culture. The proof for that is the hackathon organized by the two parties which resulted in various valuable ideas (Toth, 2017).

By the way, a great illustration for Adam Somlai-Fischer's open personality is the fact that he went on to learn coding although he is an architect by profession (DTK, 2017). It is not trivial at all that he was able to create the base for those presentations as an outsider of that field of study. Accordingly, following the upper echelons theory, his educational background and his open-mindedness might be a great proxy for his personality traits which are influential concerning firm performance and internationalization. Prezi is innovative not only on the level of its products but it also reacts rapidly to any kind of changes and does not fear to undertake any changes on status quo. Moreover, employees are encouraged to oppose everything because their next idea may take the company even further (Modis, 2014). Being aware of the entrepreneurs' personality, this organizational culture is no surprise at all but a logical consequence of the entrepreneurial contribution and their values.

*„In Sweden, we were taught that the country can be a welfare state because it produces things which are demanded internationally such as the dynamite by Alfred Nobel, Volvo, H&M or ABBA” – Peter Arvai, co-founder of Prezi (Varga, 2016).*

Going further along the dimension of formal education, this piece of quote unfolds the importance of formal education for Peter Arvai. The reasons why Prezi opted for a rapid internationalization right after its inception has been already introduced, however, Peter Arvai's formal education deepens the analysis regarding this issue. Based on his sayings on a conference, Peter Arvai admitted that he was brought up with the idea that internationalization is a prerequisite for welfare. His cognitive base was truly shaped by this idea. As a consequence, in his eyes, international presence comes before success and it is a natural thing. Furthermore, Peter Arvai added that after he was shown the importance of internationalization, the university served as a guide to show him how he can convert those ideas into products that are useful for and demanded by potential customers (Varga, 2016). These findings are in concordance with upper echelons theory which considers formal education as one of the proxies that can reveal top executives' personality,

beliefs and values. Moreover, Wang et al. (2015) found a positive relationship between executives' formal education and organizational outcome.

*„We did not want to be entrepreneurs. We wanted to build Prezi, our slightly craziest idea” – Peter Halacsy, co-founder of Prezi (TEDx Talks, 2016).*

As for the third co-founder's entrepreneurial characteristics, Peter Halacsy studied engineering and stayed at the realm of the university after completing his studies. According to his description, he was involved in several research projects, wrote his Phd dissertation, gave lectures and was at the lowest rank of the university (TEDx Talks, 2016). As already detailed, he accidentally met Adam and got to know his idea. His formal education is of interest from the point of view of his Phd thesis on computer linguistic. After realizing the potential, the idea to create an easy to use editor for this technology came from Peter Halacsy (How to Web, 2011). Obviously, his involvement in the field of research of computer linguistic was no disadvantage and his contribution to internationalization can be considered as one of the first huge steps beyond working out the original notion. Again, a link between one of the co-founders' formal education and organizational outcome can be realized.

What is even more interesting is the quote above which points repeatedly to the fact that Prezi is a mission-driven company. Peter Arvai's role and the significance of his experience in the field of international business was vital since he elaborated a strategy and a product for the ideas coming from the two other co-founders (How to Web, 2011). However, this was only a necessary condition for achieving their mission. I have already touched upon this issue but Peter Halacsy's formulation accentuates it even better. As for their future goals, Peter Halacsy said that if it is about ideas, Prezi wants to be there. It must not be followed by a presentation, Prezi might be easily applied only for structuring pieces of information and thereby generating ideas (Bridge Budapest, 2016). In order to fulfil their mission, Prezi as a company needed to come to birth and it needed to internationalize rapidly because radical changes, which are aimed by Prezi such as creating positive role models for Hungary or empowering people to share ideas, in the world require a critical mass. Obviously, this can be only acquired on an international level. For instance, if only the technology had been sold, Prezi would have been only a side note in the media. However, managerial intention played a role and proved to be key for the decision in favour of rapid internationalization that supports the fulfillment of their mission.

*„Some years ago, somebody asked me to name some successful and rich Hungarian entrepreneurs. I could hardly enumerate three... In the USA, they find it very easy to list numerous of them...” Peter Halacsy, co-founder of Prezi (Bridge Budapest, 2013).*

It is again connected to the intention to create positive role models for the Hungarian society. This conviction and managerial intention is so huge and stable that Peter Halacsy, one of the co-



founders of Prezi could not even imagine moving the company's main headquarter from Budapest to another city in the world which is perhaps more embedded in the technology sector. When asked about it, he justified the decision of staying in the Hungarian capital that this is a Hungarian company with Hungarian roots and habits which consciously assumes its Hungarian identity (Bridge Budapest, 2013). This statement might be weird in aware of the fact that Prezi as a born global has been seeking for international expansion since their inception. One could say that being present in many countries means that the firm is not bound to its headquarter or to one single country. However, this international orientation does not influence the way how the founders view the company, their mission and their intention. They need to be separated from each other. According to Peter Halacsy, it is not a project which can be moved without any difficulty to other countries like a car manufacturing company for the aforementioned reasons. Firm culture or organizational routines, which are investigated in the fourth proposition, both play a role but managerial intention is of great importance as well. As already introduced, one of Prezi's intention is to create positive role models for the Hungarian economy and society and that is the reason why the company assumes its Hungarian identity with all its advantages and disadvantages as well.

### Entrepreneurs have a substantial contribution to the development of organizational routines which influence the internationalization process.

Organizational routines constitute a central part of dynamic capabilities view which considers those routines as a set of tools to let the company exploit its potential. Without resource endowment, you cannot build on anything to create competitive advantage. However, without capabilities, you might not know how to make use of those resources.

*„I feel confident that we all largely believe that the way a software product looks/works/feels will be a reflection, at least in part, of the structure and practices of the organization that creates it” – Peter Halacsy, one of the co-founders of Prezi (AgileTODAY, 2016).*

Accordingly, the absence of both resources and capabilities leads to the same end result: no competitive advantage. In other words, it is about the actions the firm takes in order to get the best out of their employees. As the quote illustrates above, these routines serve a certain purpose and if they are well designed, these procedures could contribute significantly to the organizational outcomes. At Prezi, the main organizational outcome is that presentation software which makes it possible for you to work together with others and which gives you more freedom to express yourself. As introduced in the following, both elements – cooperation and freedom – are embedded in the core values and thus in every process of the company.

*„At our Budapest office, we have 26 nationalities. It means that each time we are facing a problem we examine it from 26 different perspectives” – Adam Somlai-Fischer, one of the co-founders (Modis, 2014).*

One of the most important policies at Prezi is the superiority of cooperation. It is deemed as the source of the organizational outcome and their success (Wayra, 2014). Diversity plays an important role, the more people that are involved in a challenge waiting to be solved the better solution it can bring to the company. In this sense, the company has retained its start up culture. As a matter of fact, the founders initially took part in every process and problem which is obviously not the case due to the increasing size of the company. However, the growing size has not resulted in another culture and in a steeper organizational structure. Instead, the founders keep sticking to the core values and a flat structure which ensures a better communication and relationship among the employees (Wayra, 2014). When asked about it, Katalin Adorjan, director of human resource management in Budapest emphasized that the company works now on the same base like it did in the beginning. The only difference with respect to the first steps is that back then, the founders and engineers formed one single team. Now, there are various teams for every area set up by the management and these teams cooperate with each other to help the company reach its vision and fulfil its mission (Dorottya, 2017). Accordingly, problems are solved by small autonomous groups of employees with diverse backgrounds (Mulloth et al., 2016, p. 758). Moreover, the members of these groups set up for special areas participate in finding a solution for the problems of other groups. Namely, employees are involved in discovering a solution for a challenge that is not related to their areas determined by the company. It usually takes place through brainstorming, testing new perspectives, fresh ideas and innovative solutions (Bridge Budapest, 2014).

Although strictly related to the firm culture, openness, ownership and critical way of thinking are core values at Prezi that are the determinants of its organizational routines. Thus, they need to be delineated here as well since they basically shape those procedures. At Prezi, ownership is given to the aforementioned groups which work on certain issues (Ohr, 2016). Social entrepreneurship, which is executed by the founders at Prezi, is explained under the second proposition of this thesis since it is associated with business networks as well. However, it also determines the organizational routines of the company because it also shapes how employees can work. First of all, there are the teams set up based on certain areas to get the strictly company-related operations done. Secondly, there are those procedures in which employees from other teams help out each other and take part in the work of another groups. These are specified above. Thirdly, social entrepreneurship is encouraged by the founders and it results in employees engaging in various kinds of projects that are initiated and chosen by themselves. Necessarily, there are deadlines and meetings for which the teams – independently of the current individual projects of their members

– need to deliver works for issues that are strictly related to the company ongoing operations. However, according to CEO Peter Arvai's words, they give their best to organize those meetings so that these ongoing projects – individual and company-related ones - could supplement each other (DTK, 2017).

*„In modern organizations, leadership is a role everybody should play in different ways”*  
– Peter Halacsy, co-founder of Prezi (AgileTODAY, 2016).

These words are meant to confirm the role of autonomous groups as central elements of organizational routines. This is the way how Prezi wants to get the best out of its resource endowment, out of its employees. According to Peter Halacsy, everybody in an organization should take responsibility up to a certain degree because that drives forward the company (AgileTODAY, 2016). This is completely in line with the ownership these groups and individuals get from the management to engage themselves in different projects at the same time.

Back to the flat structure, it is clearly vital for a company that considers team work as a tool to solve the challenges and problems it faces. As a consequence, numerous open spaces were designed for the office in Budapest to help employees connect to each other. On the other hand, working alone and separately from others is not prohibited. What is more, outlying and closed rooms were established in order to provide introverts with a place where they can work the most efficiently (Dorottya, 2017). Since diversity is a core value of the company, it places emphasis on this aspect when installing its offices as well. If employees feel themselves comfortable, they are much more likely to make a greater contribution to the solution of a problem than otherwise. Consequently, these solutions can be interpreted as the conditions that make those organizational routines work that keeps the company being innovative.

Furthermore, employees at Prezi are encouraged to oppose everything and to come up with ideas even though they are completely different to those views held by the founders (Modis, 2014). This point of view is supported by the fact that Prezi always wants to hire the most intelligent labour force (Bridge Budapest, 2013a). As Adam Somlai-Fischer expresses, he wants to be gathered around by more intelligent people than he is actually because this is the only way he and Prezi can reach higher levels. It shows again the importance of working together as a team to exploit the potential of the resource endowment at Prezi.

Another important element of these routines is the intention and suggested policy that employees should leave their comfort zones which is supported by the founders (AgileTODAY, 2016). Obviously, there are standard meetings that need to be held in order to get on with relevant topics. However, employees are encouraged to embark on personal projects and to work together with other people in order to leave their comfort zones because learning that way is the most effective.

Since Prezi operates in the knowledge-intensive technology sector, it is incredibly important to learn from mistakes. Otherwise, the company would not be able to react rapidly to changes.

*„The whole Prezi came to life through knowledge sharing”* – Katalin Adorjan, manager of human resource department for the Hungarian office (Dorottya, 2017).

As it can be seen, team work and cooperation is the most important organizational procedure at Prezi. Consequently, knowledge sharing is fundamental since a team disposes of more persons who need to exchange a great volume of information among them. Brainstorming or meetings have been already mentioned as tools for doing that but Prezi tries to be innovative and to lead the way in this sense as well. Accordingly, knowledge sharing is facilitated by different routines. Firstly, when an employee returns back from a conference or professional trip, a workshop is held to provide the colleagues with the knowledge gained (Dorottya, 2017). The employees giving a presentation receive all the possible help from the human resource department of the company to prepare themselves for that presentation. Anyway, the spaces where these presentations are held were designed in a way so that they could create a supporting, easy atmosphere which facilitate interaction and the exchange of ideas. For instance, the auditorium was intentionally built so steep in order to bring the audience closer to the presenter (TDK, 2017). This way, employees are more likely to come up with pros and cons since the reduced physical distance makes the atmosphere more intimate. As far as the routines for knowledge sharing are concerned, there are also other possibilities beyond that workshop. Secondly, an application was developed to let the information flow more easily among the employees (Dorottya, 2017). Thirdly, an own website was developed where reports about conferences, professional trips or meetups can be found. Moreover, summaries on books dealing with technical issues can be uploaded as well. They can be tagged which obviously makes it easier to find them (Dorottya, 2017).

Anyway, fellowship programs are offered to the employees who are also encouraged to attend conferences which are crucial to their development (Ohr, 2016). As far as the fellowship programs are offered, employees could visit the other office with the aim to spread experiences and to gain knowledge (Ohr, 2016). Approaching it from a theoretical point of view, it is about an organization routine which tries to enhance the knowledge of individuals so that they could strengthen the organizational capabilities. What is more, CEO Peter Arvai said that they also incite their employees to get in touch with professionals from another companies during their fellowship to collect as many perspectives as possible (Ohr, 2016). As for the sharing of that knowledge gained during these visits, it is detailed above. Furthermore, Prezi also support its employees to attend conferences for purposes like personal development. As CEO Peter Arvai puts it there, they want their employees to get inspiration from all over the world because these employees return to Prezi with a higher level of knowledge or with ideas that can add a lot to the problem solving capability

of the whole organization since the returning employees must make a presentation about the insights of their trip. The dissemination of this new knowledge and information is detailed above.

*„We are actually unleashing even more innovation because we tap into this deep knowledge” – Jim Szafranski, COO (Conferences, 2017).*

Another way of generating competitive advantage and getting to new ideas is the organization of a hackathon. A hackathon is a competition in which the participants forming different teams must develop a working prototype of a mobile or web application (Brown, 2017). When the importance of business networks is delineated in the thesis, hackathon is mentioned because this event was the fruit of informal relationships between the entrepreneurs. However, it is of great interest from the point of view of organizational routines as well since the focus is now on the objective of that hackathon. A hackathon might be an effective organizational procedure to promote more ideas because colleagues from other areas, who do not meet each other on a weekly basis otherwise, could work on a specific issue. Since the setting is similar to a house party and meals and drinks are served, a loose environment is ensured to support that creative process. According to Jim Banister, the product development chief at Prezi, a hackathon is an ideal event for creating customer value and simultaneously generating competitive advantage because employees could explore their creativity and problem solving expertise due to the fact that a hackathon is also about having fun (Conferences, 2017). Prezi applies hackathon within its organization to support the problem solving of customer-related problems. Thus, a hackathon can be deemed as an organizational procedure which constitutes one of the capabilities of the company. Moreover, a hackathon can take place with other organizations as well like the example of the event with Infogram illustrates it. Nevertheless, both types of hackathon aims to solve challenges that the company actually faces.

*„All the material perks in the world could never live up to a genuine one-on-one conversation. You can't replace human interaction with processes or monetary compensation when it comes to motivating people” – Peter Arvai, co-founder of Prezi (Gupta, 2016)*

The aforementioned routines could facilitate the interaction and knowledge sharing a lot. However, at some point, they can become like standard procedures where employees do not concentrate that much like earlier. Consequently, Prezi, which is famous for its innovativeness regarding rethinking traditional processes, turns to other tools as well. Namely, it is CEO Peter Ariva who set up the system of 'Dream Dinners'. The CEO invites one employee within a specific period of time for a dinner to talk about his or her dreams and personal ambitions. Not a single word is spoken about the projects at Prezi but this conversation tries to get two people into a closer relationship (Dorottya, 2017). It is in great part associated with human resource management

which does not belong to the subject of this thesis but one specific example shows us that it might be also interpreted as another procedure to create capabilities for the firm. One day, an engineer was invited to CEO Peter Arvai for this dinner where he told his boss about his plan to found an own company because although he loves to work at Prezi, he is interested for one specific area (Dorottya, 2017). CEO Peter Arvai was listening carefully, was open to his ideas and wanted to see whether that dream can be fulfilled within the company. That engineer kept working for the company in the following three years as well before finally grounding his own firm and during these years, he gave his best to realize that dream within Prezi. As the literature says, a capability can be defined as an ability that goes into solving problem. This engineer got inspiration for further work on his dream from this dinner and within three years after that dinner, that development was realized within the organization. Therefore, the dinner can be interpreted as an organizational procedure so that the company could exploit its potential or create a competitive advantage for itself.

However, standard procedures might become too routine and Prezi was never afraid to rethink a routine in order to be able to stay true to its start up culture which is explained earlier. In order to avoid that feeling of routine, feedback plays an important role as a procedure so that the company could keep creating a competitive advantage based on its processes as well.

*„At a certain level of the organizational structure, your job is to ensure that certain things do happen. If they do not happen, your job is to let all the concerning parties know about it”*  
– Peter Halacsy, co-founder of Prezi (Bridge Budapest, 2013).

Feedback bears huge importance in every organization. What is more, it is even more fundamental for a company like Prezi which considers team work as one of its routines generating competitive advantage. Therefore, performance reviews like at every other firm are done within a specific period of time. However, Prezi is innovative in this sense as well and employees also evaluate the performance of their colleagues (Rock, 2016). For instance, co-founder Peter Halacsy stresses the significance of instant feedback in one of his interviews. He reveals that employees rate every meeting right after that session is concluded. That way, persons, who held that meeting, can be informed immediately what they did wrong and well during that sitting. Peter Halacsy views it as indispensable because generally, everyone at a company hates taking part in pointless and meaningless meetings (Bridge Budapest, 2013). Moreover, it is even more relevant in the case of Prezi since the company operates in a creative industry and boring meetings are more likely to reduce inspiration and creativity for employees. By giving feedback right away, it facilitates recalling the negative and positive points of that meeting since employees dispose of fresh and new experiences. Furthermore, employees having led that session could learn right away from their mistakes. That way, Prezi could modify on inefficient routines as quick as lightning.

Anyway, it is not that easy as it might seem to be for the first time and Peter Halacsy admitted that giving negative feedback is a huge issue (Bridge Budapest, 2013). It might create tension since employees may not be that open. This mentality is even more present in Hungary according to Peter Halacsy (Bridge Budapest, 2013). Thus, it is hugely fundamental not to take any kind of feedback as a personal offence because Prezi places a lot of emphasis on discussing fails (Wayra, 2014). According to Peter Halacsy, if you commit the same mistake four times in a row, it may be a sign to reconsider whether you are on the right track. However, one simple negative feedback should not be interpreted as the end of the world since it offers us the opportunity to learn from mistakes and to develop. Peter Halacsy used to work for a university where everybody complained about the level of education but nothing changed during the years. With honest feedback, this problem can be tackled (Bridge Budapest, 2013).

As far as being open to criticism is concerned, it is mentioned beforehand in the section which deals with feedback routines at Prezi. Since this firm culture and routine requires employees with a certain personality, this leads us to another procedure which is important at Prezi: selection of human resources. Human resource management is not the topic of this master thesis but the literature considers a capability as an ability which would go into solving a problem or achieving an outcome. Since Prezi builds on team work and creates competitive advantage on this routine, it makes a huge difference whether the most suitable professionals are hired. As a consequence, selection of human resources can be interpreted as an organizational procedure which is relevant to the internationalization of the firm. As for the practices, like in every other issue, Prezi tries to innovate on this field as well and introduced different routines. Beyond traditional interviews with human resource managers, technical employees of Prezi join the interview at a certain stage because more perspectives could be taken into account this way according to the human resource director for the office in Budapest, Katalin Adorjan (Dorottya, 2017). Furthermore, potential candidates must undergo a week-long discussion with their future team (Rock, 2016). That serves as a filter to find out whether the candidate could work together with his or her prospective colleagues. Again, it is important to emphasize that Prezi generates competitive advantage on routines such as team work since it can get the best out of its employees this way. Consequently, chemistry among employees in a certain team within the organization is vital which facilitates cooperation. Moreover, it involves not only an interview with the potential candidates but employees and candidates work together (Rock, 2016). Among others, it includes making Prezi presentations and working on issues and obviously, the mutual work could lead to new ideas. It is another routine which can strengthen the firm capability to create anything new which is vital in an industry as creative and innovative as the one in which Prezi operates.

Feedback on ongoing procedures, meetings and peer assessments is one side of the coin but feedback could derive from customers as well to which Prezi pays enormous attention. According

to CEO Peter Arvai, user communities could show the right way to the company if that organization listens carefully and is able to interpret those signals. For instance, at the beginning of its international expansion, Korean users warned Prezi that its software is not compatible with Korean fonts (Gupta, 2016). Thanks to this notification, Prezi could solve this problem and it is now available in 9 languages. Moreover, the company does not only place emphasis on customer feedbacks but analyzes the industry by itself as well. As a consequence, it continuously monitors the actual challenges which makes it possible for the company to react fast to changes.



## Discussion

### Conclusion

Born globals do not want the easy way, one might say. Right after inception, they want to benefit from opportunities that are present at the international market. Therefore, they put themselves immediately in a sharp-edged situation, where they face liability of foreignness and liability of newness (Evers & O’Gorman, 2011). Moreover, scarcity of capital and human resource must be overcome and every single decision might be about life or death in case of the company’s future due to its vulnerable financial position.

According to Girard (2013), the role of advanced communication technologies and that of the Internet cannot be underestimated in the appearance of born globals, but starting a global company requires other skills and strategies than managers needed some decades ago when another internationalization patterns used to be pursued. This thesis put its focus on the investigation of the ways how entrepreneurs contribute to the internationalization of their companies. In order to explore this phenomenon, the Hungarian international new venture Prezi was chosen as the unit of analysis which shows us the important areas where entrepreneurs made a huge service to facilitate the firm’s international expansion. Furthermore, this was examined in light of the traditional theories to make the differences even more visible. Accordingly, the Uppsala model and its revised version, the resource-based theory, the knowledge-based view and the organizational capabilities view of the company was included in this study for this reason.

The Uppsala model, which views internationalization as a gradual process, may be considered as the perfect antagonism of the concept of international new ventures since the first one assumes that internationalization is about gaining knowledge incrementally. However, this statement is contradicted by the revised Uppsala model which acknowledges the role of entrepreneurs’ prior international experience and the role of their business networks in the process, but is of the belief that it accelerates only the process which was described by the original model. Consequently, nothing new has been invented recently, some modifications in the original model are enough so that it could reflect the reality even after 30-40 years of its elaboration (Johanson & Vahlne, 2009).

As far as the resource-based theory is concerned, its novelty lies in the fact that it provides us with an inside-out view about the company (Sharma & Erramilli, 2004). Prior to the publication of resource-based theory, market power theories received great attention which derives competitive advantage from the firm’s activity to reduce competition in the market. Accordingly, competitive advantage comes from outside. On the other hand, resource-based theory outlines the firm’s resource endowment as one of the principal sources of competitive advantages. Such source can be a huge amount of capital or the human resource being disposal. As a consequence, managers or entrepreneurs can make the difference as well when it comes to becoming superior in

comparison to the direct rivals of the company in the market. This was further analyzed by the knowledge-based view of the firm which declared knowledge as the most important resource of the company. Relying on knowledge is the only way how a sustainable competitive advantage can be achieved in the long run. Although the different theories interpret differently the role of managers and entrepreneurs in this sense, they all have in common that managers or entrepreneurs are the principal agents of knowledge and they can contribute to the firm's development in different ways. Last but not least, organizational capabilities view of the firm put an emphasis on the creation of routines which might be boosted and supported by entrepreneurs. It is of vital importance since the difference between two companies with the same level of knowledge might be down to the distinct organizational processes and routines established by each of them (Teece et al., 1997). In other words, how you do things is as fundamental as what you exactly do.

The propositions were analyzed based on the empirical data about Prezi and in light of these traditional theories which rely on experiences of more decades with the solely exception of organizational capability view. This theory is yet a quite novel field of research.

As for entrepreneurs' prior international experience, the CEO of Prezi, Peter Arvai had already worked in an international field at his previous jobs when he was responsible for collecting new solutions into the company's product portfolio internationally. What is more, when being at Mobispine between 2006 and 2008, Peter Arvai developed the world's first mobile newsreader. That implies a thorough knowledge about the technology sector. Furthermore, he could forge business connections in Japan as well when studying there during the years of university which again means an international connection. The other two founders, Peter Halacsy and Adam Somlai-Fischer elaborated mainly the programming and design side of the product and took part in a local technology hub in Budapest which had an influence on their way of thinking about the importance of team work. As known, this is one of the pillars of Prezi's fast knowledge accumulation and development.

With respect to business connections, Peter Arvai's previous business relationships proved to be vital for the rapid internationalization of Prezi because a lot of entrepreneurs tried the software based on their acquaintance with the CEO of the company. Moreover, this element had also an impact on how the founders elaborated their strategies related to partners. Since they were aware of the fact of formal and informal relationships, the selection of investors and strategic partners was done in accordance with its importance. On top of that, Prezi started to look for benefits coming from these ties proactively as they have been organizing conferences on technology where valuable relations can be established. Anyway, social projects within Prezi serve the same purpose as well: establishing relationships with actors being outside of the company can be beneficial in the long run.

In connection with managerial mission and vision, it clearly had an impact on Prezi's internationalization because the technology Prezi came up with could have been used in different ways. That decision could not only had a huge influence on the application of the firm's product but its extension could have been much smaller as well. However, the entrepreneurs wanted to show it to the world that you can do it from Hungary, too. It was like a sense of mission for the entrepreneurs. Moreover, their solely desire was to make Prezi successful and not the other way around. They did not want to succeed by relying on Prezi. Their obsession was to take Prezi to the level where it can compete with giants such as Microsoft or Apple. By the way, the reason behind making an own presentation software was their sense of mission to empower people to share ideas.

Lastly, the founders created an atmosphere and system at Prezi which encourages team work and collaboration since they view knowledge sharing as one of the most important organizational routine that can provide the company with sustainable competitive advantage. As Peter Halacsy puts it there in his interview, it is not a static thing which is created once and the process is over but it must be reaffirmed from time to time. And entrepreneurs bear a huge responsibility in this sense to make certain things happen. In order to induce innovation and cooperation, several tools such as online platforms, applications, interactive meetings or specially designed rooms are at the employees' disposal and they are supported and required to exchange ideas with their colleagues.

All in all, each proposition was proved to be right and to depict reality. Entrepreneurs make their impact on their companies taking advantage of their previous experience, formal and informal ties. Moreover, their decisions are shaped by their mission and vision and they have play an important role in the establishment of organizational processes to get the best out of the human resource endowment of the company.

### Limitations and future research

As for the main weakness of the qualitative research design, it focuses on one single case which clearly limits the generalizability of the results but I tried to compensate it by collecting and presenting an exhaustive empirical evidence about the research question (Mulloth et al., 2016). Obviously, the role of Internet must not be forgotten either since this technology opens up tons of possibilities and reduces costs for companies taking advantage of it.

As far as future research is concerned, it could be investigated whether there are country-specific effects on entrepreneurial contribution. Furthermore, the aforementioned role of Internet could be examined more thoroughly as well to see whether companies, whose activities are not based on the Internet, could follow a similar internationalization pattern and how entrepreneurs of those firms contribute to the internationalization process. Last but not least, it is also worth extending

this research to other industries to check whether there are industry-specific factors which shape entrepreneurial contribution during the internationalization process.

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## Appendix

### Abstract

Unternehmer sind wichtige Bestandteile des Unternehmenserfolges, ihre Rolle für ihn war aber nicht immer so anerkannt wie heute. Damit diese grundsätzliche Veränderung stattfinden konnte, mussten vorab zwei Ereignisse geschehen.

Auf der einen Seite zeigten die so genannten 'Born Globals' – in der Literatur auch 'International New Ventures' oder 'Startup-Unternehmen' genannt -, dass Firmen gleich nach ihrer Gründung international agieren können. Dies führte dazu, dass die Rolle des Unternehmers eine größere Aufmerksamkeit erhielt. Born globals sind junge Unternehmen, in denen die Gründer und die Unternehmer eine größere Rolle spielen, als bei anderen Unternehmenstypen. Der Grund dafür liegt darin, dass solche Firmen normalerweise unter einem Mangel an Kapital und Fachkräften leiden. In dieser Lage können sich Born globals größtenteils nur auf die Fachkenntnisse der Unternehmer verlassen.

Auf der anderen Seite wurde die Ressourcentheorie ausgearbeitet worden. Diese besagt, dass ein nachhaltiger Wettbewerbsvorteil eher durch die Ressourcenausstattung der Firma zu erlangen ist, als durch die Reduzierung des Marktwettbewerbs. Im Gegenteil zu zahlreichen früheren Theorien legt sie mehr Wert auf die inneren Faktoren, wie unternehmerische Fachkenntnisse, Kapital, Firmenkultur oder den Ruf eines Unternehmens. Nach dieser Theorie ist die gesamte Unternehmung wie ein einzigartiges Bündel von materiellen und immateriellen Ressourcen definiert. Darüber hinaus besitzt jedes einzelne Unternehmen solche Fähigkeiten, die anderen Firmen gar nicht zur Verfügung stehen. Dementsprechend erregt der unternehmerische Beitrag zum Firmenerfolg auch daher eine höhere Aufmerksamkeit.

Wie es sich herausstellt, gibt es unzählige Widersprüche zwischen den traditionellen Theorien und dem Konzept von Born globals. Aus diesem Grund hat sich diese Studie zum Ziel gesetzt, das ungarische Startup-Unternehmen Prezi in dieser Hinsicht zu untersuchen. Die Masterarbeit soll im Rahmen einer Einzelfallstudie herausfinden, wie Prezis Gründer und Unternehmer zur Internationalisierung der Firma beigetragen haben. Zudem untersucht die Thesis, wie die Unternehmer eine so schnelle Internationalisierung ermöglicht haben. Die ersten zwei Propositionen beziehen sich auf die individuelle Erfahrung sowie die formellen und informellen Beziehungen der Unternehmer, die die Internationalisierung des Unternehmens maßgeblich fördern können. Die letzten zwei Propositionen beschäftigen sich mit dem Einfluss der unternehmerischen Mission auf die Internationalisierung der Firma, beziehungsweise finden heraus, welche Prozesse Unternehmer ins Leben gerufen haben, um die Internationalisierung zu erleichtern.

Nach der qualitativen Forschung wurde jede Proposition bestätigt, was im Einklang mit den neuesten Forschungsergebnissen steht. Abschließend wird empfohlen, die Untersuchung auf zusätzliche Länder und Industrien zu erweitern, um eine höhere Generalisierbarkeit zu erreichen.