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„Born global phenomenon: a comparative study of born global and traditional internationalization strategies"

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Content:

1. Introduction

It is fascinating to see how the world had changed since the nineties when the Internet and high technologies were just in their infancy. One can remember the time without cell phones, social media, and personalized television. Information was valuable and difficult to gain as well as to acquire contacts across the world, not talking about doing business globally. Internationalization was complicated and required a lot of financial resources, that is why only giant Multinational Enterprises (MNEs) could afford it.

However, in the last twenty years, advancement in technological development in areas such as transportation, production, and of course, communication technology, especially the Internet, has been tremendous. Technology development has been the most crucial factor in the process of globalization and has changed the current business conditions. It also provided tools to even small companies that helped them to overcome challenges, which they could meet during the internationalization process. All these factors have inevitably changed the way of doing business and created such an interesting phenomenon as born global firms, which are defined as Small and Medium Enterprises (SMEs) that internationalize soon after inception, despite their limited resources and size.

The next part of the thesis will focus on the defining of the born global concept and investigating the studies that made the most significant input in this field of research. Additionally, the question about the importance of born global SMEs for the world economy will be raised. Further, the research gap, objectives, and research questions will be discussed. Part three will proceed with the literature review, in which the classical internationalization and the modern theories of accelerated internationalization will be presented. Part four will introduce a methodology of empirical research and a sample selection. A comparison between the two flows of theories will be elaborated. Part five will provide empirical findings with a review of the five case studies, which will lead to the discussion in part six. The thesis concludes, in part seven, with a comparative analysis of the individual contributions.

Keywords Born global companies, International New Ventures, Global start-ups, Growth phases, Internationalization process, Business models components, Development stages of internationalization

2. Theoretical Background

2.1. Definition of the Born Global Concept

This part presents the main theoretical principles behind the born global concept, when it appeared, and how it was transforming through the time. The concept of "born global" began to be discussed in the scientific literature in the early nineties. The first authors that tried to define and categorize this phenomenon were Oviatt and McDougall (1994). They created a theory of International New Ventures (INVs), another name for the born global SMEs, and systemized the knowledge that already existed at that moment. They proposed a definition of a born global organization as "a business organization that, from inception, seeks to derive significant competitive advantage from the use of resources and the sale of outputs in multiple countries" (Oviatt and McDougall, 1994, p.49). Even though this definition is significantly vague, it seems to be the most commonly cited by the scientists who publish works on this topic.

Authors usually use this definition as a starting point for discussion and further elaborate on it to make it more specific. Thus, Knight and Cavusgil (1996) characterized born global companies as "small (and medium-sized), technology-oriented companies that operate in international markets from the earliest days of their establishment. They are small companies that have fewer than 500 employees, with an annual turnover of $100 million and leading-edge technology; /they/ export at least 25% of their production within a few years of their formation"; besides, "they must rely on their knowledge of specialized, relatively narrow product niches in order to succeed" (Knight and Cavusgil, 1996, p.11-26).

Rennie (1993) stated in his work for McKinsey, which will be discussed later, that in order to fall into the born global category, the firm's internationalization debut should be made within two years of its founding and 75% export intensity should be reached. He also included in the sample born global firms that operate in both high-tech and low-tech industries (Rennie, 1993). Later, Gabrielsson (2008) pointed out the definition that was proposed by American researchers and was adopted by many authors in this field. It stated that born global firms should have internationalization debut within three years since inception, and their export to total sales ratio should be not less than 25%. However, the author stresses that "definition misses the point in that the context of BGs varies greatly depending on the home market potential, product, and export market receptivity. Hence, absolute figures and percentages may well vary from one setting to another" (Gabrielsson, Kirpalani, Dimitratos, Solberg and Zucchella, 2008, p. 400).

Eurofond (2018) for its study of the European born global companies used a definition that among other characteristics included the notion that born global enterprises were "independent, individual companies or belong to a group with fewer than 249 total employees, besides they should be actively involved in any type of internationalization (e.g., export, import, technical cooperation, partnership, subcontracting, foreign direct investment (FDI)) in at least two foreign markets and generates at least 20% of its turnover abroad" (Eurofound, 2018, p.5).

As can be concluded from the previous discussion, there is a significant divergence in definitions that are used for the born global phenomenon. The most often references are made to the one proposed by Oviatt and McDougall (1994). Nevertheless, as it will be discussed further, there is a great variety of born global enterprises, and their attributes very often differ depending on the companies' country of origin. The main thing that stays constant is the ability of a firm to globalize its business in a very accelerated manner despite the small size and limited resources.

2.2 Important Studies in the Field

Now, when the concept of the born global phenomenon is defined, some essential empirical studies that were made in this field will be discussed, which will help to understand the nature of born global companies. The first most famous and large-scale empirical study on this topic was performed by McKinsey consulting company (1993). In the study, they examined 700 Australian SMEs operating in the high-value-added manufacturing sector. Through the study, 300 companies that fitted the research purposes were surveyed, and finally, only 60 SMEs were involved in the in-deep interviewing process. The most important result of this study was establishing the fact of the existence of the companies that internationalized without having a solid home market base (McKinsey and Company, 1993). These findings contradicted the traditional internationalization theories, for instance, the Uppsala model, which stated that a firm should first establish a home market base before going abroad.

In his work that was based on McKinsey's research and was published in the McKinsey Quarterly, Rennie (1993) established the existence of two different types of exporting firms. The first type followed the traditional internationalization model and had a core business established in the home market. Such firms had a significant financial asset and internationalized gradually with the help of expert knowledge. “The average age of these traditional firms at first export was 27 years, and their exports averaged 20 percent of total sales” (Rennie, 1993, p. 45). The second group consisted of the companies that “began exporting, on average, only two years after their foundation and achieved 76 percent of their total sales through exports” (Rennie, 1993, p. 46). Thus, he created the concept of born global enterprises as such and introduced their characteristics.

The main characteristics of the born global companies by Rennie were early internationalization (no later than two years after inception) and high exporting volumes (not less than 25% of the production). Moreover, they should see the global market as a "borderless world," meaning that such enterprises should be managed by entrepreneurs that see the world as one market. The author argued that "these firms view the world as their marketplace from the outset; they do not see foreign markets as useful adjuncts to the domestic market - quite the opposite, they see the domestic market as supporting their exporting business” (McKinsey and Company, 1993, p. 9). He also noticed that born global companies usually used leading technologies in production and all other processes in general and that they were usually small in size with turnover less than $100 million (Rennie, 1993).

Another early empirical study that discussed the difference between traditional and accelerated internationalization strategies was published by Chetty and Campbell-Hunt (2004). In their multiple case study research, they learned and compared the experience of 16 New Zealand firms that underwent the internationalization process. Among them were both traditional and born global companies, which they divided into three groups. The first group contained regional firms that targeted mostly Australia (80% of a focus), which was the geographically closest neighboring country, as well as New Zealand markets. The second group consisted of global firms, which were selling their products in more than 60 countries but first had built a strong domestic market before they started to internationalize. Their internationalization debut was quite late (26 – 65 years from inception), which coincided with the characteristics of the traditional internationalization theory. Eventually, the last group comprised born global firms that had small or no domestic market and internationalized at the early stage (within two years from inception). Generally, they tried to understand whether the born global phenomenon was really something new or just a variation of the traditional concepts (Chetty and Campbell-Hunt, 2004).

The authors firstly established attributes of global enterprises that went through the classical internationalization process. Such group of companies used the traditional internationalization approach. For them, the home market played a crucial role and always had been developed before the internationalization started. At the same time, no prior internationalization experience was expected from managers. They usually slowly accumulated internationalization knowledge and experience to be able to reach more distant markets. Therefore, such firms internationalized gradually and expanded their international markets serially. Such attributes as firm strategy and time of internationalization, as well as the use of information technology and networks, were not crucial for this group of companies (Chetty and Campbell-Hunt, 2004).

Whereas, the internationalization attributes of the born global firms were often the opposite. A domestic market for them was irrelevant or played not a significant role. Founder should have extensive knowledge and experience in international markets. Learning should occur very rapidly; thus, information technology was a key factor that not only helped them to achieve rapid learning goals but also was a tool for reaching the global market. They extensively used a comprehensive network of partners across the world to decrease the impact of limited resources. Such an attribute as the physical distance to a customer did not play any role for them; that is why they developed many international markets simultaneously (Chetty and Campbell-Hunt, 2004).

The next step of the research was to find out whether the New Zealand companies in all three groups met the internationalization attributes mentioned above. After the close analysis, the authors concluded that the home market continued playing an important role for New Zealand's born global companies from the sample as it did for the traditionally internationalized ones. All the firms from all three categories had developed the home market first that helped them to gain international credibility, and only then they went abroad. Another big difference from the initial internationalization attributes was the fact that New Zealand born global companies from the study used the traditional approach to internationalization in terms of psychic distance. It means that they also started internationalization from countries with less psychic distance, such as Australia, Canada, United Kingdom, and the United States. However, after the initial exporting experience, this factor stopped playing any role in further internationalization. Moreover, the authors stressed that the strategies of all three groups of companies were very similar. They all were selling unique and innovative products and focused on a very narrow market niche (Chetty and Campbell-Hunt, 2004).

As many of the internationalization attributes of the New Zealand companies from the sample coincided with the classical internationalization theory, the authors concluded that the accelerated path of internationalization of born global companies was not a genuinely new phenomenon but had much in common with the internationalization of small entrepreneurial firms. Their opinion was that the general globalization of the economy transformed the way companies internationalize. However, they still follow the incremental internationalization path in terms of knowledge and commitment to foreign markets, especially in their early stages. Consequently, this so-called born global model was a transformation of the classical models with similar strategies but more suited to the new realities of the globalized world (Chetty and Campbell-Hunt, 2004).

As can be concluded from the current part, there is also a divergence in internationalization attributes that characterize born global companies. Some researches note that the home market and psychic distance do not play any role for such types of organizations. At the same time, another group of scientists insists that accelerated internationalization has much in common with the classical internationalization path that was described by the Uppsala model.

2.3 Classification of Born Global Enterprises

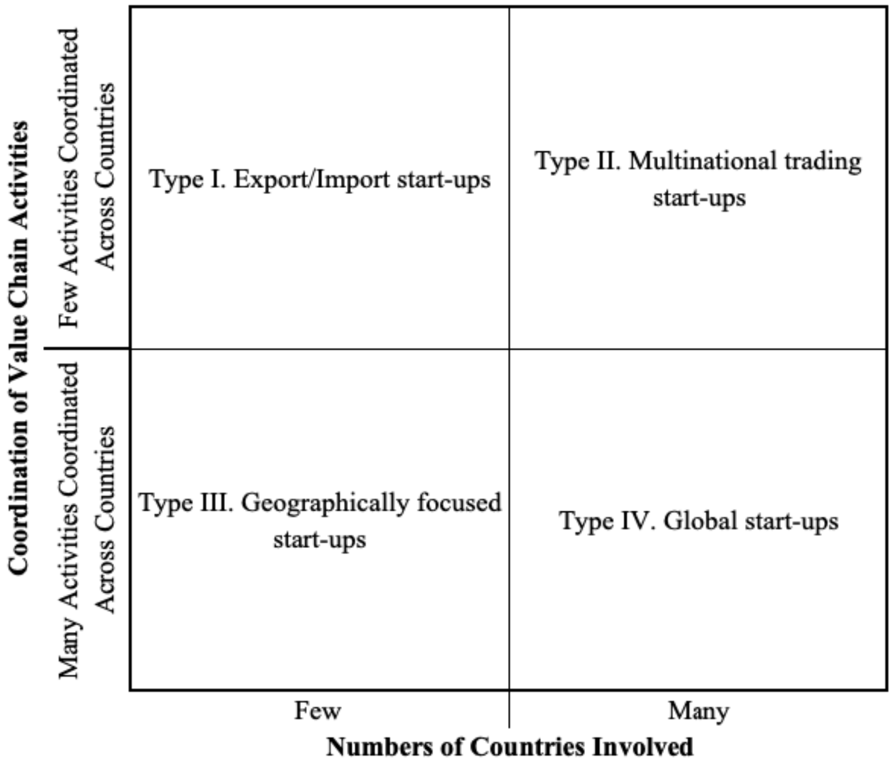
Several New Zealand scientists (Chetty and Campbell-Hunt, 2004; Dana and

Dana, 2004) mentioned in their studies how the change in regulations and country policies helped to accelerate the internationalization process. As New Zealand was geographically isolated, it had a relatively small home market; therefore, trade with other countries was highly crucial for its economy. However, before 1984, the country had the policy of a closed economy, and its market was protected from foreign competition by high import tariffs. After deregulation and liberalization of trade in 1984, the New Zealand economy "became one of the most open economies" among members of the Organization for Economic Co-operation and Development (OECD) (Chetty and Campbell-Hunt, 2004, p. 58; OECD, 2009). It created an even more competitive environment in the internal market, so the local producers had to internationalize in order to survive. It was how a lot of born global companies appeared in New Zealand.

Something similar happened in Europe after the European Union (EU) creation in 1993. The core of the EU was to have a common customs union; therefore, a policy of freedom of movement for goods, services, capital, and people was established. According to the law, all the tariffs, customs duties and charges having equivalent effect on export and import between the 28 Member States should be prohibited (Article 30 (ex Article 25 TEC)). The EU Government created organizations that supported internationalization and punished those member states (MS) that violated the Law of Free movement. All of this helped to expand the number of SMEs in the EU that internationalized in an early stage. However, a lot of them did not operate worldwide but stayed within the EU borders. Researches even refer to such newly internationalized firms as "born European" rather than born global (Rasmussen, Madsen and Evangelista, 2001).

As can be concluded from the above, not all born global companies are identical. Can, for instance, such companies that internationalize only inside the specific region be labeled as born global, even if they do it at the early stage of their foundation? In order to understand what types of the born global companies exist, a reference to Oviatt and McDougall (1994), who created the first categorization of the International New Ventures (Figure 1), should be made. International New Ventures, as it was mentioned before, is another name for born global enterprises. In their work, companies are grouped into four different categories, dependent on the number of value chain activities performed, which is combined

Figure 1: Types of international start-ups



Source: adapted from Oviatt, B., and McDougall, P. (1994), p. 59

with the number of countries involved.

The first group is called export/import start-ups. They are the simplest type of born global companies that coordinate only a few activities in a few countries. They usually focus only on several very familiar markets. The second type is multinational trading start-ups, which coordinate a few activities in many countries. They are similar to export/import start-ups; the only difference is that they serve more countries and always are looking for the possibilities to establish new channels within the already existed networks. The third group is named geographically focused start-ups, which coordinate several value chain activities in a few countries. As can be concluded from the description, the previously mentioned European start-ups fall into this category because they do not internationalize globally but operate only within the EU. Finally, the last and the most advanced group of International New Ventures is global start-ups. These types of firms coordinate an extensive number of value chain activities in many countries. They are not abundant by any geographical borders and place their value chain in that country, where it has the highest value (Oviatt and McDougall, 1994). It will be the most interesting group for this research as such companies have the most complex structure that can be compared to multinational corporations, whose internationalization process was described by the Uppsala model.

2.4. Important Role of Born Global SMEs

In this part, the importance of studying the born global phenomenon will be discussed as well as challenges that born global start-ups usually face on a way of globalizing their businesses. Although there are thousands of works that are written on this topic, the survival rate of internationalized SMEs is still low. That is why in this section, the importance of studying the small business as well as the opportunities that this fresh flow of born global SMEs can offer to the world economy will be discussed.

Several policymaking organizations (OECD 2000; Eurofound 2018) carefully study the influence of SMEs on employment all over the EU. According to the data of the European Commission (2018), European start-ups create a large number of jobs in the EU and massively help the European economy to recover after the financial crisis of 2008. “SMEs accounted for slightly more than half (52%) of the total increase in employment in the non-financial business sector in the EU from 2008 to 2017” (European Commission, 2018). In their earlier report of 2017 European Commission stated that during the years from 2011 to 2016, SMEs generated about 85% of the new jobs and owned more than two-thirds of private-sector employment within the EU (Eurofound, 2018).

The OECD (2000) claims that SMEs play a significant role in economic growth in the OECD countries (currently comprises 34 members). According to their calculations at the time, over 95% of the enterprises in all the OECD member states were SMEs, and they, on average, employed about 65% of the whole employment market. About 25% of those firms were involved in international trade, and they expected that the number of companies would grow in the future. However, at the same time, they also notice that only less than half of the firms survive over the five years, meaning that the mortality rate of such enterprises is still high.

The World Bank, in turn, publishes that SMEs are significant contributors to job creation worldwide. They not only represent 90% of businesses all over the world but also employ more than 50% of the population globally. Moreover, in emerging economies, they contribute up to 40% of Gross Domestic Product (GDP). The World bank prognoses that with the population growth by the year 2030, about 600 million working places will be needed globally, and they propose that governments all over the world need to support SMEs' development to catch the growth (World Bank, 2019).

Among the main glaring weaknesses of SMEs is the lack of financing. All the organizations mentioned in this part (OECD, World bank, Eurofound) notice the importance of improving access to financial support for this type of enterprises. Usually, financial institutions are risk-averse and more eager to lend to more established big businesses than to small risky ventures. That is why much of finance comes from founders' sources or, if an organization is lucky, from the venture capitalists. However, unfortunately, the private equity market is not developed evenly all over the world (OECD, 2000). By the World Bank data, "40% of formal micro, small and medium enterprises (MSMEs) in developing countries, have an unmet financing need of $5.2 trillion every year, which is equivalent to 1.4 times the current level of global SME lending" (World Bank, 2019).

These financial difficulties lead to many other constraints that hinder SMEs' growth and even survival. One of them is a human capital limitation. While MNEs can afford to create more attractive career prospects and working conditions for their employees, SMEs with their restricted financial abilities lose in getting an experienced and skilled workforce. It especially challenges the internationalization of such businesses. They cannot afford to hire people who specialize in a specific market and possess the knowledge that allows a business to grow internationally (Eurofound, 2018).

Later, it will be discussed what kind of strategies SMEs use to overcome the mentioned weaknesses. However, for now, it is important to pinpoint that studying this type of New Ventures is essential as they are highly involved in creating better economic conditions all over the world. Governments need to support these types of companies and create conditions that allow them to develop and to stay in business. Scientific researches, in turn, need to study carefully what type of threats and weaknesses they need to oversee and what kind of strategies they can use to survive and become successful.

Rennie wrote in this matter that ‘’The born globals are one chapter in a bigger story about a fundamental shift in the primary unit of economic activity. Large firms will always exist, but much of the growth in new business activity, both domestic and international, is likely to occur among small, innovative, flexible enterprises, which are forming and reforming more rapidly today than ever before’’ (Rennie,1993).

2.5. Research Gap and Problem Statement

The research in the field of born global accelerated internationalization provided a valuable understanding of triggering factors and the company's competitive advantages that caused the accelerated internationalization. However, there is still a lack of studies that are dedicated purely to the internationalization process of such organizations. There is a shortage of comparative researches of the growth phases that born global companies go through and further analysis of those stages in comparison with ones described by the classical models. Thus, the significant contribution of this research is the comparative analysis of the born global and the traditional internationalization processes as well as strategies that companies use at each stage of development.

2.6. Research Question and Objectives of the Thesis

Many scholars who study modern theories of internationalization note that traditional internationalization models have lost their relevance (Cavusgil, 1994; Rennie, 1993; Knight and Cavusgil, 1996). Cavusgil (1994) even wrote on this matter that “gradual Internationalization is dead." The main research objective of this thesis is to understand whether the internationalization process of born global companies is entirely different from the process described by traditional theories (mainly Uppsala model) or they have rather much in common.

The following research questions guide this thesis:

1. To what degree is born global internationalization approach innovative?

2. How does the born global phenomenon challenge traditional internationalization models? Is gradual internationalization dead?

3. What factors and strategies are the most important at each stage of internationalization (compare born global Internationalization process with MNE's traditional path)?

At this stage, from the discussion above, it can be assumed that having high technology in combination with an innovative product, companies can access any market and that the order of market expansion is not important at all. This hypothesis will be checked using the empirical study. The research will focus explicitly on the evolutionary processes of internationalization and strategies involved at each stage. Such an aspect as how companies choose the first internationalization vector; how they receive internationalization knowledge; and when they switch from one entry mode to another will be studied.

3. Literature Review

Literature Review will be used as a starting point of this research. Firstly, classical internationalization theories will be discussed, which will follow by introducing the existing, most significant works in modern accelerated internationalization theory. The most popular researches who work in this area and to whom the most often references are made will be chosen. This will help to develop a knowledge base and to make an analytical generalization to come up with the research model for the empirical part of the study that will be discussed further.

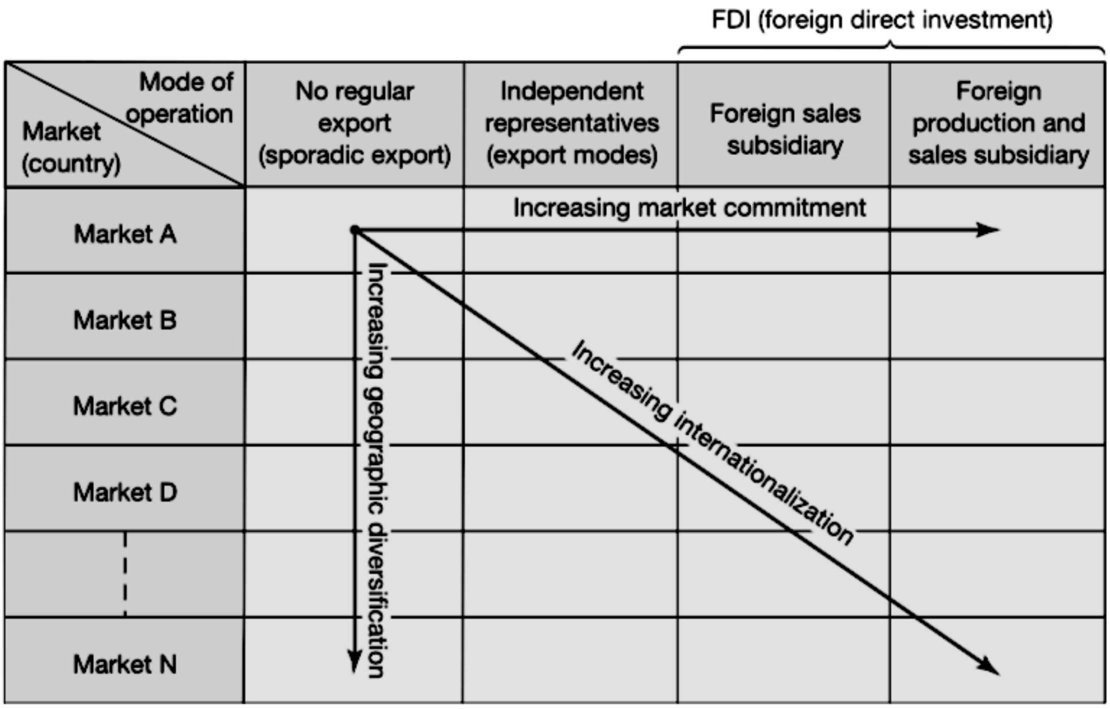
3.1. Classical View on The Internationalization Process

3.1.1. <u>The Uppsala Model of Internationalization</u>

When researchers talk about the classical internationalization model, they usually refer to the Uppsala model, which describes a gradual internationalization process of firms. The model is based on an empirical study of Swedish manufacturing MNEs that had established either sales or production subsidiaries abroad. The main idea of the model is that a company gradually increases its commitment to the foreign markets as its knowledge and experience of internationalization and market itself grow. Under the concept of commitment, the authors mean a level of investment that a company makes in the foreign market: the higher investment implies less flexibility, consequently higher commitment to the chosen market. The same is true for the number of resources located in a specific market, especially those resources that cannot be quickly sold or modified to be used for another market. Companies from the study rarely performed foreign direct investment without several years of operating through agents in the same market (Johanson and Vahlne, 1977; Johanson and Wiedersheim-Paul, 1975).

Another important pattern that the authors distinguish is that companies very often start internationalizing to markets that are close to domestic markets in terms of so-called psychic distance. This factor played a highly important role when a company decided upon the first internationalization steps. They tended to choose either neighboring countries and/or those countries that have an understandable environment, for instance, similar language, education level of population, "business practices, culture, and industrial development" (Johanson and Vahlne, 1977, p.24). Hofstede's model (1983) that describes the cultural

Figure 2: Uppsala model representation



Source: adapted from Hollensen, S. (2011), p.75

proximity of nations can also help to understand the psychic distance of markets. The model gives scores to six dimensions of national cultures such as power distance, uncertainty avoidance, individualism, masculinity, long-term orientation, and indulgence. Nations with similar scores have more proximate cultures and values (Hofstede, 1983). Eventually, only after a company gradually gained some level of experience and developed policies and procedures of establishing and managing subsidiaries abroad, they attempted to enter more distant markets. By doing this, they tried to decrease the risk of failure and optimize their costs.

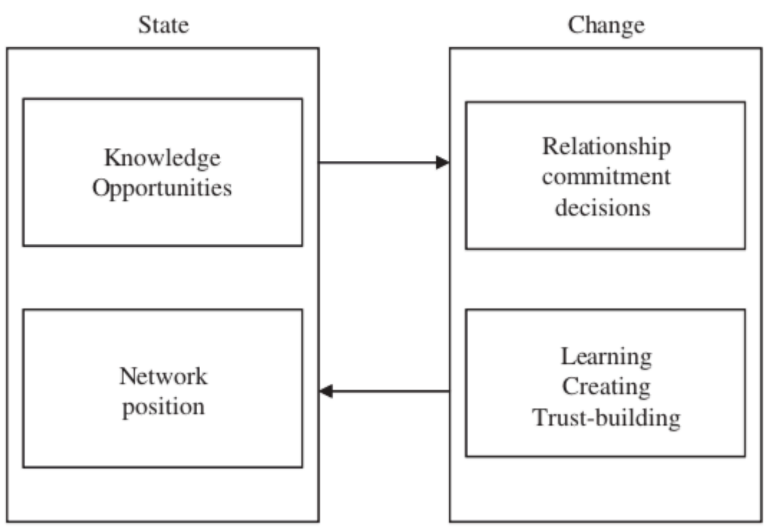
As a result, Johanson and Wiedersheim-Paul (1975) distinguish between four market entry modes that imply different levels of commitment to the foreign markets. The majority of companies from the Uppsala study usually go through all four steps while internationalizing (Figure 2). The first mode with the lowest level of commitment is a sporadic export when the company probes a market through irregular export. When a company sees potential in the market, it switches to export via an independent representative (agent), the level of commitment at this stage is higher than at the first one, but still quite low. When sales start growing, they tend to switch agents to the establishment of foreign sales subsidiaries, which involve high investments and imply a higher commitment to the chosen market. Eventually, the highest level of commitment coincides with the establishment of a foreign production/manufacturing subsidiary. In this case, a company allocates a lot of resources and investments to the chosen market and cannot easily exit it without big losses.

The authors consider such an incremental process as the most rational way of internationalizing since they assume that learning and commitment take time. They are interdependent as "experience builds a firm's knowledge of a market (learning process), which influences decisions about the level of commitment and the activities that subsequently grow out of them. It leads to the next level of commitment, which engenders more learning," and the cycle repeats (Johanson and Vahlne, 1977, p.1412). Thus, in order to lower the risks and costs, a company that supposes to make rational decisions should start with the modes that require a lower level of commitments and those markets that are less remote in terms of psychic distance. Furthermore, only when knowledge progresses to grow, it can switch to modes that involve a higher level of commitment and enter more distant markets (Johanson and Vahlne, 1977). Later the authors introduce work that revises the original model in light of modern scientific trends.

3.1.2. Revised View on the Uppsala Internationalization Model

In their later work, the authors reconsider the model proposed in the year 1977 and add some changes to the mechanism of learning and commitment building, taking into consideration new researches that have been done in the theory of internationalization. The revised model acknowledges the importance of the factors that support companies' internationalization, similar to once used in the accelerated internationalization theories, which will be discussed in the next part. The authors add such factors as 'network' and 'relationships' to the original 'market commitment' aspect and 'recognition of opportunity,' which mostly based on 'serendipity' to the original 'knowledge' aspect (Figure 3). All of these factors make two flows of theories more comparable.

Figure 3: Internationalization process model in Uppsala theory



Source: adapted from Johanson and Vahlne (2009), p. 1424

The authors state that prior experience of personnel plays a vital role in traditional internationalization theory because it provides necessary experiential knowledge. Researchers in modern internationalization theories also underline the importance of this attribute. To the concept 'knowledge', they add the importance of ‘recognition of opportunities' or so-called 'serendipity’ (Figure 3, left-hand box of the model), which in the literature of born global internationalization often calls 'intuition of a founder.' This intuition allows a person to see opportunities in the market. "Opportunities constitute a subset of knowledge. By adding this variable, we intend to indicate that we consider opportunities to be the most important element of the body of knowledge that drives the /internationalization/ process” (Johanson and Vahlne, 2009, p. 1424).

Another significant aspect that the authors add to the model is a ‘network relationship,' which is considered to be a significant driver for accelerated internationalization of born global companies (will be discussed further). According to the network research perspective, close business relationships with stakeholders help to overcome a large psychic distance, as companies inside the network have “privileged access to information” (Johanson and Vahlne, 2009, p. 1419) from the relationship partners. In the revised model, “internationalization is seen as the outcome of firm actions to strengthen network positions, a reciprocal commitment between the firm and its counterparts” (Johanson and Vahlne, 2009, p. 1423).

Thus, the updated model considers that knowledge of opportunities – the state variable (Figure 3, left-hand box of the model) allows a company to change its commitment level – the change variable (right-hand box of the model) within a current network. As with the knowledge increase, the uncertainty level decreases, the willingness to commit to the foreign market rises. A new commitment level causes more knowledge acquisition and trust-building (right-hand box of the model). As the company proceeds to increase its knowledge, it gains a new position in the established network. The authors summarize the whole cycle saying: “experience builds a firm’s knowledge of a market, which influences decisions about the level of commitment and the activities that subsequently grow out of them. It leads to the next level of commitment, which engenders more learning" (Johanson and Vahlne, 2009, p. 1412).

3.2. Modern Internationalization Theories

This part will be concentrated on the main aspects of modern internationalization theories, on drivers of the accelerated internationalization and on the types of born global internationalization models that were recently developed. The discussion will start with the preconditioning factors that accelerated the internationalization of born global companies. Further, modern internationalization models will be reviewed. In conclusion, a comparison of two flows of theories (classical and modern) will be made, and a comparative model for the further empirical part will be proposed.

3.2.1. Drivers of the Accelerated Internationalization

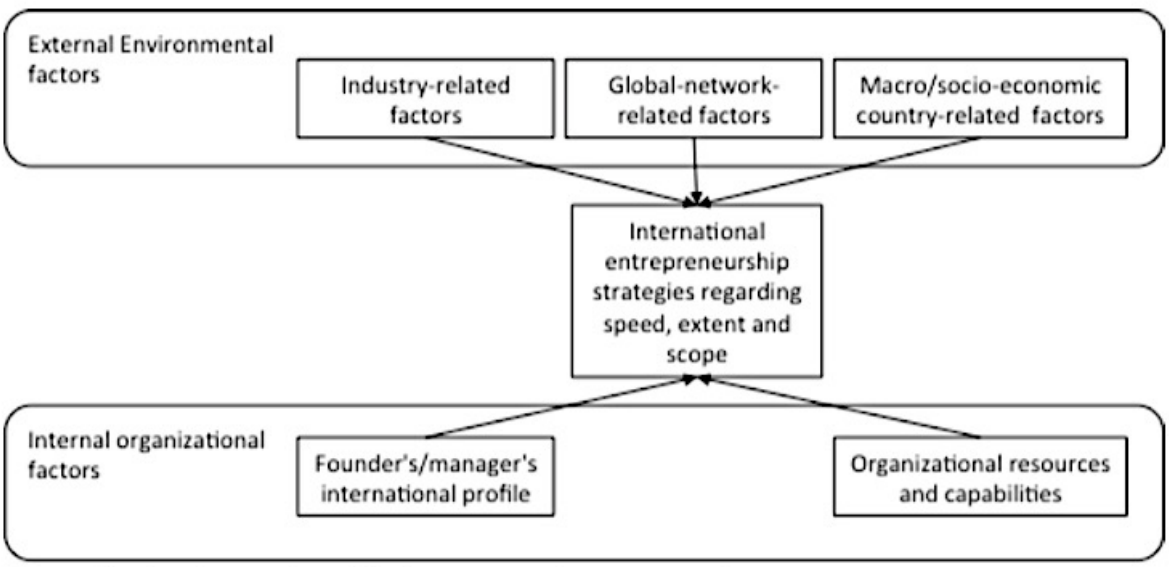
Trying to answer the question of why the accelerated internationalization appeared, Madsen and Servais (1997) specifically highlight three main factors. The first factor is the new market condition. Here, they refer to the development of the niche market when companies can produce very specific spare parts or components that will be further sold to bigger manufacturers or complete some very narrow type of services. Besides, born global companies usually have a high level of competency in their sphere and can complete the tasks using limited recourses. Due to the specificity of the products, sooner or later, such enterprises have to go international as the demand for such products is very limited at the domestic market, so they have to search for new channels of distribution in foreign markets (Madsen and Servais, 1997, p. 565). Oviatt and McDougall (1997) tell in this regard about the homogenization of international markets due to globalization, which made it easier even for smaller firms to compete in the international arena. They argue that such factors as the existence and the growing importance of global networks and alliances, the global nature of the contemporary business as well as homogenization of buyers' needs allow companies to follow customers abroad and expand to different markets in the very accelerated pace (Oviatt and McDougall, 1997).

The second and the most crucial precondition for accelerated internationalization is technological development, which caused globalization in the first place. Oviatt and McDougall (1997) tell that improvement in international transportation, and communication due to progress in technology, makes the process of internationalization much more obtainable and opens access to worldwide customers and networks even for the small business. Madsen and Servais (1997) point out that improvement in the production process also allows small-scale producers to be profitable and competitive with large-scale businesses. E-business allows lower fixed costs for SMEs and increases the profitability of even small projects. All these factors led to the fact that MNEs lost their competitive advantage of being the only companies that could internationalize. Now even small enterprises can expand abroad if they have something to offer to the global market.

Finally, the last factor that Madsen and Servais (1997) emphasize is the more sophisticated capabilities of people, particularly founders who start born global companies. They note that people become more mobile and have more significant international experience than before, especially entrepreneurs that are attracted to international business. Such mobility increases cultural exchange and understanding of foreign mentality. By this, people's behavior and preferences become somehow similar internationally, which leads to the homogenization of markets. Due to borders elimination, it is easier to receive learning from overseas and to tap into leading-edge technologies and the networks of people globally.

Now, when the preconditions that led to accelerated internationalization are known, it is important to identify what competitive advantages allow born global

Figure 4: **Multi-stimuli model of international entrepreneurship**



Source: adapted from Rask, M., and Servais, P. (2015), p 247 companies to internationalize at the early stage after inception and what motives make them do so. Here the reference to a multi-stimuli model of international entrepreneurship developed by Rask and Servais (2015) should be made (Figure 4). In the model, the authors differentiate among external and internal factors.

Among external factors that motivate and help companies to internalize are:

- the inadequacy or non-existence of the domestic market for a product or service (London Business School, 2008). Thus, internationalization for some companies is not a matter of choice but is vital for a company's survival;
- liberalization of the global trade that increases competition at the local market as foreign producers come, this what happened with New Zealand companies, so the firms had to go global (Chetty and Campbell-Hunt, 2004);
- the home environment should be “conducive to the companies developing a competitive advantage, strong enough to compete internationally” (London Business School, 2008);
- “the need to serve global or multinational customers (big companies that already operate globally), which are prevalent in high-technology industries” (London Business School, 2008);
- facilitating institutions, which provide international funding for projects or international technology transfers.

Among internal factors that allow companies to be competitive in a global arena, the most popular are:

- a unique and innovative product or service, which would be difficult to imitate. Born global companies very often are discussed in the context of innovativeness;
- knowledge and technology development that gave the SMEs tools to be competitive with MNEs, so the size of the business stopped to be a decisive factor;
- entrepreneur perspective (what knowledge and international background does founder has, his international vision and availability of personal and business networks);

- availability of some tacit knowledge;
- flat company hierarchy of the small business. The advantage of being a small company lies in quicker response time, flexibility, and adaptability to the changing environment.

In the literature about born global organizations, internationalization of such companies very often explained based on the triggering factors that gave them a competitive advantage (Madsen and Servais, 1997; Oviatt and McDougall, 1997), some of those factors were mentioned above. After categorization of those factors, authors either emphasize the importance of an entrepreneurial perspective (such as founder's knowledge, vision, international experience and availability of personal networks) or they discuss the importance of organizational perspective, which is the availability of unique product or services, unique resources as well as an international business network. When they emphasize external environmental factors, they tell about the importance of industry at which the company operates, country of origin, or some political factors (i.e., the Chinese policy of supporting export). Finally, while discussing the strategic perspective, they tell about the importance of choosing the right market entry strategy as well as a competitive strategy that would help SMEs to overcome the lack of resources (Andersson, Danilovic and Hanjun, 2015).

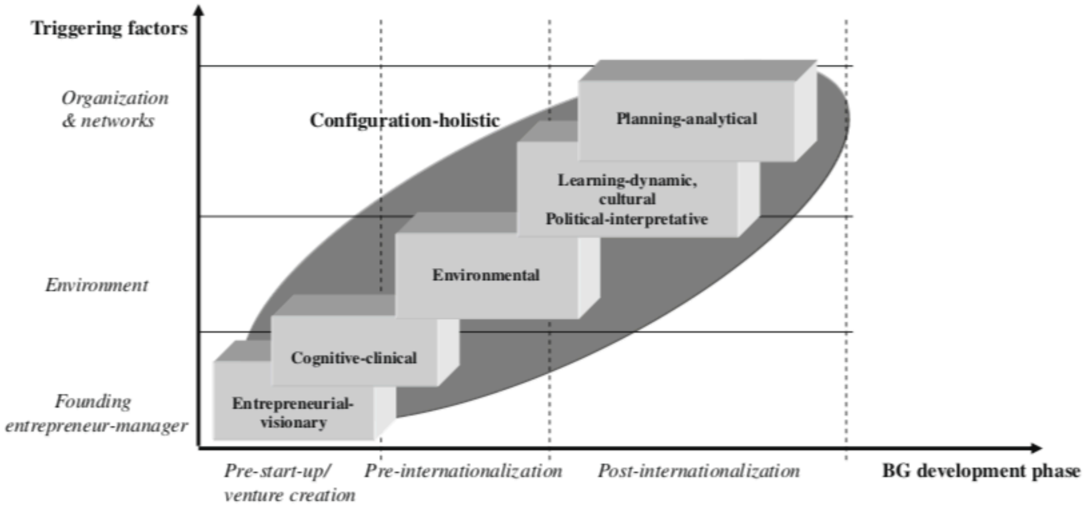
3.2.2. Strategic Internationalization of Born Global Enterprises

a. *Configuration-holistic Approach to Born Global Firms' Internationalization*

For the purpose of this thesis, it is important not just to consider triggering factors and motives of internationalization performed by born global companies but rather to find studies that describe the evolutionary process of the accelerated internationalization. The first theory that will be used is a work of Rialp-Criado, Galvan-S´anchez, and Su´arez-Ortega (2010), who apply exactly such a process-oriented theory approach. In their model, they consider three development stages of born global companies, (1) pre-startup/new venture creation; (2) pre-internationalization; and (3) post-internationalization (Figure 5).

(1) Pre-start up and new venture creation phase:

Figure 5: Development stages of born global companies



Source: adapted from Rialp-Criado, A., Galvan-S´anchez, I., Su´arez-Ortega, S. (2010), p. 115

At the initial stage of venture creation, entrepreneurial qualities of founders play a key role in a company’s success. “Such factors as previous international and business experience, academic training, ambition and motivation levels, risk perception, global vision, and leadership seem to influence critically in the emergence and rapid development of born global firms” (Rialp-Criado, Galvan-S´anchez, and Su´arez-Ortega, 2010, p.113). Therefore, according to the authors, the entrepreneurial-visionary and the cognitive-clinical approaches become the most relevant for the company's strategy formation at this initial stage.

According to the first entrepreneurial-visionary approach, the strategy of a born global new venture should be based on the entrepreneur’s or leader’s accumulated knowledge and experience, guiding capabilities, and intuition. “The most important thing for the leader is to turn intuition into reality for the firm” (Rialp-Criado, Galvan-S´anchez, and Su´arez-Ortega, 2010, p.116). The second approach is the cognitive-clinical one. In this case, the strategy process is also developed according to the main actor's experience and his/her prior subjective knowledge. The great importance is attributed to qualitative data such as managerial experience, and trial-and-error techniques should be applied according to this approach.

(2) Pre-internationalization phase:

According to the authors, it is the relatively short and mostly exploratory phase of the company's development and usually lasts from two to three years after inception. The environmental approach should predominate at this stage, which means that "the strategy should be focusing on the faster reaction and better adaptation to the rapidly changing environmental factors, such as new market conditions and radical technology developments" (Rialp-Criado, Galvan-S´anchez, and Su´arez-Ortega, 2010, p.117). The authors conclude that a company will be successful at this stage if its strategy formation process can be aligned with the environmental approach.

(3) Post-internationalization phase:

Finally, after successful initial internationalization, developing an international network relationship becomes extremely important for born global companies. They need to continuously interact back and forth with their key counterparts, such as foreign suppliers, intermediaries, distributors, customers, and competitors, in order to establish a stronger network that will help them to make the uncertain foreign environment less confusing. It, in turn, helps them to overcome the problem of limited recourses, which is one of the biggest weaknesses of the born global enterprises.

To establish a stronger network, born global companies should use the political approach. This approach states that the strategy is a result of a company's negotiations with its interest groups or stakeholders. Which means that "strategic decisions are not just planned to achieve the organization's goals rationally, but a result of an interactive negotiation between individuals and/or collectives trying to reach their own interests in which different partnering firms can cooperate – bargaining the interests, culturally socialize, and mutually learn from each other" (Rialp-Criado, Galvan-S´anchez, and Su´arez-Ortega, 2010, p.117).

Another approach that can play an important role at this stage is the planning-analytical approach, which is somehow controversial. On the one hand, companies that already achieve some level of development need to plan and systemize their actions as their structure becomes more complex than it was at the beginning. On the other hand, the environment at which born global companies operate is usually very turbulent; that is why they need to be highly flexible to survive. Based on the empirical study the authors conclude that "the deeper the embeddedness in international business/social networks and the greater the accumulation of organizational learning at the international level by a born global firm at the post-internationalization phase" (Rialp-Criado, Galvan-S´anchez, and Su´arez-Ortega, 2010, p.117), the more chances that the company used approaches that were described above, including controversial planning-analytical approach.

b. <u>Phases of Born Global Firms Development</u>

The configuration-holistic approach that was used in theory above is an important method for understanding how born global companies develop their strategies in different stages of their development. As the next step, it is important to understand how they choose markets to enter during the internationalization process and which growth stages they go through in general. For this purpose, a theory created by Gabrielsson (2008) that describes the evolutionary process of born global firms in the high-technology business area will be used.

The authors distinguish between three main stages of International new venture's development (Gabrielsson, Kirpalani, Dimitratos, Solberg and Zucchella, 2008):

(1) introduction and initial launch phase;

(2) growth and resource accumulation phase;

(3) break-out to independent growth as a major global player phase.

The further a company goes through the process of internationalization, the more advanced position in the global market it gets. Eight successful born global companies in four different countries were investigated through the study, where the authors analyzed the transition of the companies from one stage to another.

Phase 1: Introduction and initial launch phase

Like in the configuration-holistic approach described above, the authors stress the importance of the entrepreneurial characteristics of the founders and the team at this initial stage of a company's development. The main challenge at this period that they face is financing because a company usually already have money spent on product development, but sales do not start yet. They only try to build relationships with potential customers and gain the attention of possible investors. As a result, the channels for rapid growth usually come either from the networking and the Internet or from the partnering with a large MNEs (Gabrielsson et al., 2008).

The authors also stress that the source of international financing plays an essential role in choosing further internationalization vector, which means that born global companies usually first internationalize to markets where their investors locate and from where they got financing (Oviatt and McDougall, 1995). The authors conclude that “the more aggressive the global expansion targets of the BGs, the more global the financing structure needs to be" (Gabrielsson, Kirpalani, Dimitratos, Solberg, and Zucchella, 2008, p. 395). Besides fundraising factors, operation, and market strategies that usually are formulated by an inspirational leadership in more advanced companies support born global companies’ extensive international expansion. Also, organizational learning and foreign experience should be acquired in a high-speed mode in such types of enterprises, which either comes from the founder’s international experience or from partners and employees in foreign subsidiaries.

Phase 2: Growth and resource accumulation phase

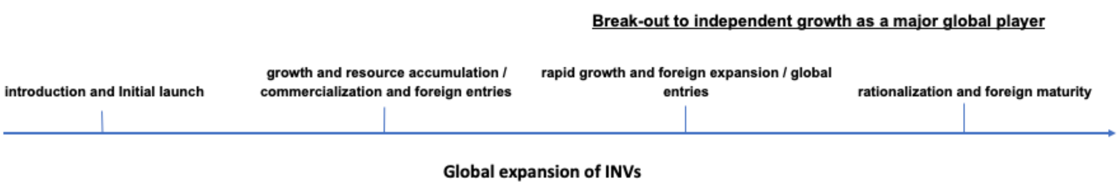
According to the authors, the main triggering factor of a born global company at this stage is the product itself. Its uniqueness and exclusivity, as well as the ability of the company to place it on the global market, play a vital role in a company's success. Serving a global market niche should become a priority of a company, which should be able to listen very accurately to the customers’ needs and provide them with a unique product that can satisfy those needs and requirements. Only such a tactic can help a company to price its product with a high margin and to get financing internally. In order not to be swallowed by the leading player in the network, a born global enterprise should normally quit it in the early stage (usually after three to five years). This is a critical strategic decision for a company that allows it to proceed to the next level (Gabrielsson, Kirpalani, Dimitratos, Solberg, and Zucchella, 2008).

Phase 3: Break-out to independent growth as a major global player phase

The separation from the network is an important decision for a company that permits it to break-out to the next level of development and to continue evolving as an independent unit. To afford it, a born global firm should already be financially independent and have its own recourses that will allow it to continue operating without support. Besides unique products or services, it should possess advance technological and marketing skills that will help to place its products on the global market. It can continue operating partially as a sub-constructor for a bigger producer, but it is essential to develop and promote its own brand internationally. A company at this stage can even undertake an IPO and turn to normal internationalized MNE (Gabrielsson, Kirpalani, Dimitratos, Solberg, and Zucchella, 2008).

In 2013 Gabrielssons continued research on this topic. In their new work, they differentiated between even four different growth stages of born global organizations, where they subdivided internationalization to foreign expansion (within a continent) and global expansion (all over the World). The first stage, as previously mentioned, is the introduction, where, according to the authors, a company should develop a potentially successful product, secure financing, and develop the domestic market. At the second stage of commercialization and foreign entries, it must start to enter foreign markets and increase revenue to secure self-financing. The third stage of a foreign expansion is characterized by

Figure 6: Growth Stages of internationalization

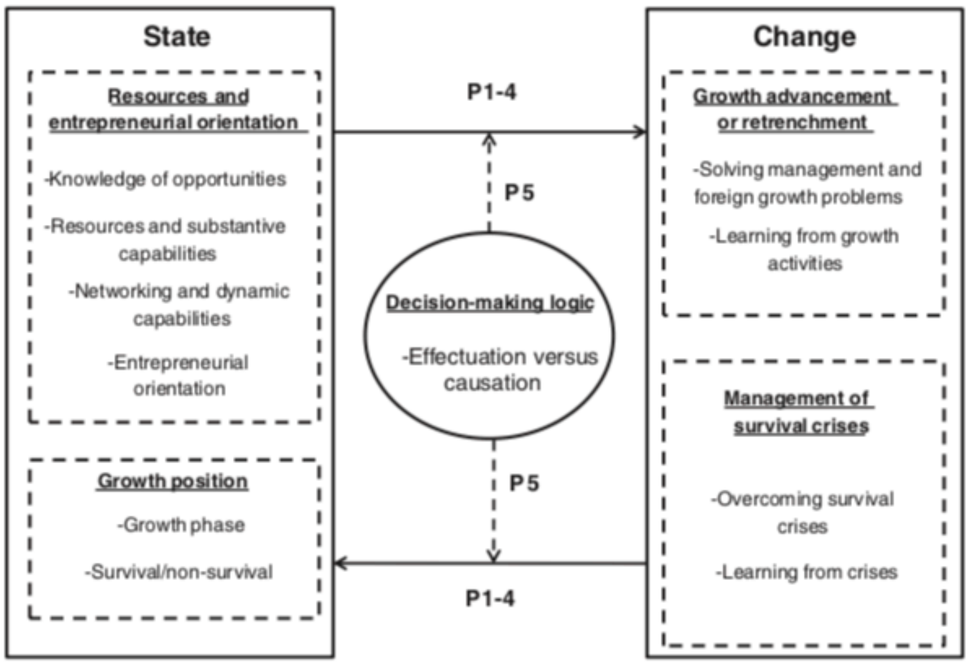


Source: adapted from Gabrielsson, M. and Gabrielsson, P. (2013), p. 1362 penetrating the already existing markets and starting the global invention, by expanding to the new continents. Finally, at stage four of a foreign maturity, it should align operations and marketing to reach global synergies and become a completely successful and independent global player (Gabrielsson and Gabrielsson, 2013).

c. The Dynamic Model of Growth and Survival of Born Global Enterprises

Similar to the model of Johanson and Vahlne (2009) about knowledge and commitment growth for traditional internationalization theory (Figure 3), Gabrielssons (2013) created a dynamic model for born global organizations (Figure 7), in which they tried to describe a decision-making logic for companies

Figure 7: Internationalization process model of born global companies



Source: adapted from Gabrielsson, M. and Gabrielsson, P. (2013), p. 1367

that internationalize at the accelerated mode. In the model, “the ‘state’ component consists of the configuration of the INV’s growth phase and the survival status with a set of opportunities, resources, and entrepreneurial orientation. The ‘change’ component consists of growth advancement or retrenchment decisions, solving management and foreign growth problem and survival crises as well as learning from these activities” (Gabrielsson and Gabrielsson, 2013, p.1367).

The cycle is identical to the original model where the knowledge of opportunities, resources, and networking capabilities, as well as entrepreneurial orientation, directly affect such change variables as the decision of growth advancement or retrenchment (Gabrielsson and Gabrielsson, 2013). The knowledge that a company receives at the process of growth, problems overcoming, or even surviving an existential crisis helps it to get a new growth position. Similar to the original model of Johanson and Vahlne (2009) for traditional companies, Gabrielssons state that knowledge of opportunities and learning are the most important factors for born global company’s international growth. They differentiate between two learning mechanisms: exploitative received from the utilization of existing resources; and explorative received from experimentation and innovation. Moreover, they stress that a company must find the right balance between these two mechanisms in order to successfully survive and grow (Gabrielsson and Gabrielsson, 2013).

The authors, unlike many researchers in this area of study (Cavusgil, 1994 and et al.), have an opinion that it is too early to say about the death of the conventional internationalization theory. They argue that it describes a very natural path that companies go through on the way to mature global enterprises (Gabrielsson and Gabrielsson, 2013). Born global firms from their researches also went through gradual internationalization; the only difference from the traditional theory was that the stages took a shorter time, and the whole process was much faster. Consequently, researches have different opinions upon the nature of accelerated internationalization of born global companies. In this thesis, five cases of mature born global firms of type iv (Oviatt and McDougall typology) will be analyzed, and their internationalization process will be compared with the one proposed by the traditional Uppsala model.

4. Methodology and Research Approach

4.1. Research Methodology

The research for this work is based on a comparative analysis of the case studies of successfully internationalized born global companies and the classical internationalization model. The starting point of the analysis was to understand the internationalization process in its classical representation. For this, classical models of internationalization were discussed in the previous part. Further, the literature review of the born global internationalization theories was introduced. Theoretical review from the previous part will help to make a generalization and to propose a research model. For this, internationalization processes of MNEs described in Uppsala model (Johanson and Vahlne 1977) and born global organizations described by Gabrielssons (2013) will be compared to find out their differences and similarities, but not in terms of timeframes or triggering factors but rather in terms of their evolutionary process of internationalization.

In the preceding literature review, the classical and accelerated models of internationalization were introduced. As it can be seen, there is no consensus among researches regarding the relevance of the old models due to the changed business conditions and globalization. Therefore, to answer the research questions, a comparative analysis of the Uppsala model with the internationalization process of several born global enterprises will be used, which will help to see whether there is a big difference between the two. As the Uppsala model uses qualitative measures to describe internationalization of the classical MNEs, the qualitative method will be used to describe the born global accelerated internationalization. While researches in this area often use single case studies to describe triggering factors and competitive advantages of the quickly internationalized organizations, for this thesis, it is more important to make a comparative analysis of the internationalization process described in old and newly developed theories.

In order to come to the constructive conclusion, a sample of five successfully internationalized companies will be used, and qualitative parameters will be specifically analyzed. Secondary data research, such as analysis of documents, archival analysis, surveys, and interviews (Rowley J., 2002), was chosen as a method of data collection. This method gives the possibility to cover many cases within less timeframe and helps to find the patterns. It, in turn, allows to make an analytical generalization and to build the model for comparison. As the sample includes modern high technological companies, in addition to the classical sources, founders' podcasts and companies' web pages will be used to complete the cases.

Each company is selected as the unit of analysis, where the internationalization process is the main point that will be observed. Such variables as internationalization degree, a year of internationalization, key entry strategies, and internationalization vector will be closely studied. The whole internationalization process of the born global companies in the sample will be divided according to Gabrielssons (2013) to four stages: introduction, growth and recourses accumulation, foreign expansion, and foreign maturity. Further, the stages of the accelerated internationalization model will be assigned to the stages of the Uppsala model. The time concept of each stage will be omitted, and attention will be paid only to the characteristics of each stage. At the final step, the results of the empirical part will be analyzed, and a comparison between the two models will be carried out.

In Appendix I, a Model for the empirical part of the research is presented, the 'Introduction and initial launch' phase in the accelerated internationalization model corresponds to the 'Introductory' phase in the Uppsala model. In the empirical part, it will be important to check whether the home base market is critical for the born global companies from the sample. This factor is essential in the Uppsala theory. At the same time, it is argued that the development of the home market base in the first place is not essential for accelerated internationalization, and companies can skip this step. The second stage of 'Export via independent representative' in the Uppsala model corresponds to the 'Growth and recourse accumulation' in the modern theory. At this stage, MNEs in the classical theory try to enter psychically close markets without making direct investments. Whereas, in the accelerated internationalization theory, the authors argue that the psychic distance does not play a big role, and companies internationalize simultaneously to several markets. That is why special attention will be paid to the vector of internationalization at the empirical part to see the importance of the psychic distance for the born global companies in the sample. In the third stage, the point of close attention will be the motives of the companies from the sample to establish foreign subsidiaries. In the Uppsala model, MNEs start to increase their commitment to a foreign market by establishing sales subsidiaries. The motives for the increasing commitment of both groups of companies will be analyzed and compared. Eventually, at the fourth stage, the maturity of the born global companies in the global arena will be examined. In the Uppsala model, this stage is dedicated to establishing foreign production subsidiaries. As born global companies from the sample provide services, any type of subsidiary for them can be considered as both sales and production that is why the third and the fourth stage in the Uppsala model will be considered as one.

4.2. Data Collection and Sample

As it was mentioned earlier, the research for this work will be performed using secondary data, namely books, articles, reports, interviews, podcasts, case studies, and information from websites. The companies' strategy analysis and business model analysis will be taken from the analytical portals such as Excellent WebWorld and Crunchbase. The gathered information will be summarised in stand-alone case studies, and a comparative analysis will be carried out in the discussion part.

The starting point of selecting potential companies for the sample was the identification of successfully internationalized born global organizations following the definition in the second part of the research. To achieve a result comparable to the Uppsala model, the sample should be comprised of mature (type iv) firms that went through all four stages of internationalization and landed among successful global enterprises. That is why the study focuses on companies that started as privately held start-ups, turned to Unicorns, which are the start-ups with a valuation of over $1 billion (Chen J., 2020). However, even the higher level of the company's maturity was chosen for the study, namely those companies that became public and whose shares were listed on a stock exchange.

For this work, the fact that a company became publically traded is a signal of its maturity and success. Below is the list of some of the requirements that companies should meet to apply for listing (Hall, 2020):

- The company should have predictable and consistent revenue;
- The company should have a significant amount of money for Initial Public Offering (IPO), as it is a costly procedure;
- The company should have strong earnings on the moment of making the offer;
- The company should also have lots of proven capacity to grow in the future;
- The company should be one of the top players in the industry, to be meaningful for the investors;
- The company should have a strong management team in place;
- The company should go through a financial audit by a trusted audit company;
- The company should have robust business processes in place;
- The company should have a low debt-to-equity ratio, which decreases the risk of default;
- The company should have a long-term business plan with financials spelled out for the next three to five years.

Due to the complexity of the requirement, it can be assumed that only mature and prosperous companies can successfully go public. Other important requirements for the sample is the variety of firms' locations, type of international activities, number of foreign markets, and its role in the value chain. Due to the developed venture capital financing, the majority of start-ups originate from the United States. However, to make the sample more representative and meaningful for the study purposes, born global start-ups from three different continents were chosen. As the companies have different countries of origin, it is not possible to evaluate their internationalization success in some absolute figures and percentages, because as it was discussed previously, numbers may well vary depending on the company's country of origin (Gabrielsson, Kirpalani, Dimitratos, Solberg and Zucchella, 2008).

5. Empirical Study

As it was discussed before, five big unicorns that were created as start-up companies and became global MNEs will be used for the study. As it was previously stated, it was important to include the companies from different regions; that is why American, European, and Chinese start-ups were included in the sample. All the companies were created as small entrepreneurial businesses, which started to internationalize at the early stage from inception and became successful global MNEs.

5.1. Case Study 1: Airbnb – the USA

5.1.1. Historical Background

In his interview at Stanford University class, one of the Airbnb founders, Brian Chesky, was telling how he had quitted his stable job as an architectural designer in Los Angeles and moved to his university friend Joe Gebbia to San Francisco to start some company together. At the moment, they did not have any idea which business to run, but they needed to pay rent for the flat where they lived and did not have enough money to do that. By chance, there was a designers' conference held in San Francisco at this period, and all the hotels were sold out for the event. In order to earn some money, two friends decided to rent out some sleeping spaces for designers who wanted to come to the conference. As they did not have any regular beds available, they could offer only air beds and breakfast to their guests (that is how the company's name appeared). They created a simple advertisement on the Internet and got three guests who paid $80 each. They were very fascinated by the result, so the idea of letting people rent out the one's apartment or even bed the same way as hotels did with their rooms appeared. The Airbnb company was founded by Brian Chesky, Joe Gebbia, and Nathan Blecharczyk (a person responsible for a technical part) in San Francisco in the middle of 2008 (Greylock Partners, 2015).

5.1.2. Internationalization Steps and Strategies

At the first 'Introduction and initial launch' stage (Brian Chesky called it a survival stage), no investor or venture capitalist believed the idea. It was nonsense for people to believe that somebody would let a stranger enter his own house and, vise versa, that somebody would rent a room from a stranger in a foreign country. That is why during the first year of the company's existence, they tried to find people that would love their idea and be the generator of the demand for the product. They flew door to door to meet personally every single host who used the platform at that time. They lived with them, heard their problems, made professional photos of the apartments to post them at their platform, and wrote the first reviews about their stays. The idea was to increase the number and variety of rental apartments that, in turn, should have increased the demand for the service. Thus, they were building a very new and unique product up until April 2009 when they eventually got the first funding of $600 thousand by Sequoia Capital through the Y Combinator (Greylock Partners, 2015).

Airbnb became popular according to founders due to the strong network of people that they had built. At this stage, they were operating only in the United States and were testing the product domestically. They were meeting personally with many hosts and educated them on how to build a rental business and make their apartments more attractive for tourists. By doing this, they got a network of people who were highly loyal to the product. Moreover, through the word of mouth marketing from people who truly loved the product and also good PR campaigns, the company got growing in a fast mode (Greylock Partners, 2015). Consequently, the network for Airbnb was not the business connections with some big corporations, what is usually expected when talking about networks for start-ups, but working closely with the key counterparts. They educated landlords so they could increase their revenues, which in the end would increase the popularity of the product.

At the ‘growth and resource accumulation' stage (the founders called it firefighting stage), Brian Chesky personally employed all the initial staff and made orientation for each new employee. He believed that people and the company's culture were the essential assets for the business to be successful. They continued to work very closely with their stakeholders (employees, guests, hosts, and governments) to ensure business growth. At this time, the business stopped to be local, and foreign users also started joining the platform. As the turnover increased, they opened new offices in the United States (Greylock Partners, 2015).

As the number of international end-users of the platform was increasing, the company opened a German office in summer 2011, that is when the international expansion of Airbnb started. At this 'growth and foreign expansion' stage (called by founders existential crisis), the company started to scale the business in a high-speed mode. To some extent, it was a necessary measure because as the company became successful, a lot of competitors (Samwer brothers, Yelp, etc.) tried to copy their business model. There was a risk that those bigger companies with significant investments could drive them out of the market. Thus, by opening the office in Europe, they were fighting for the key European market to stay in the business; as Chesky said, they went through the existential crisis. They needed to learn fast how to internationalize, and in 2011 they opened more offices in Europe in particular in London, Hamburg, and Berlin (Greylock Partners, 2015). It continued internationalization to more distant countries, and in 2012 they entered new markets: France, Italy, Spain, Denmark, Russia, and Brazil (Airbnb, 2019).

Not only physical internationalization was a topic. As Jonathan Golden, the former Director of Product at Airbnb, wrote in his blog addressing lessons learned while scaling Airbnb, to respond to the pressure of competition, the company had bought top-level domains for nine countries to localize their international business. They assembled a global translation team to translate the site into main languages, adjusted user interface, which allowed the platform to support different languages. They created an application that allowed to catch new information that was posted and had to be translated, since each new listing on the site had to be translated into nine languages (Golden, 2017).

After becoming knowledgeable in internationalization, the company continued its international expansion to Australia by opening an office in Sydney in November 2012 and to the Asian market by establishing headquarter office in Singapore in December 2012. However, the company started really targeting the Chinese market only in 2015, by localizing the platform and closely working with the Chinese government (Tsang and Mozur, 2015). In the same year, it successfully expanded to the popular touristic destination - South African market (Unathi, 2018). The company launched its platform in India in 2016. Currently, Airbnb services are available in more than 100 thousand plus cities in more than 220 countries all over the world. It also has offices in 34 cities in every vital region whose primary purpose, apart from the administrative operation, is to localize their international business (Airbnb, 2019). Although the founders did not think right from the beginning that the company had the potential to operate globally, they understood at the early stage the urge to scaling the business internationally in order to survive. As a result, now, Airbnb is known as the most successful global start-up in the world.

It is the only company in the sample that did not go public yet. However, in 2019 Airbnb announced that they were going to become publically traded during 2020, and Bloomberg named it the most anticipated public listings of the current year (Carville, 2020).

5.1.3. Challenges and Fails

The biggest challenge of Airbnb due to the scale of its business is legality issues for hosts in 100 thousand plus cities in different countries all over the world. Many governments see a threat in Airbnb's activities, thinking that they create an unregulated hotel business and even increase the problem of the housing shortage. In some cities (e. g. Berlin, Santa Monica, San - Francisco, Paris, and New York), governments had passed strict housing regulations, after which the listings at Airbnb at these cities significantly dropped. In Japan, a change in the housing law forced Airbnb to cancel thousands of bookings and establish a fund of $10 million for inconvenienced customers (Carson, 2018).

In order to overcome these challenges, the company tries to build partnership relations with the cities and governments. For instance, they released in 2015 a Community Compact, where they established their commitment to work with local governments of those countries in which they operate. In the framework of this commitment, they help their hosts to be legally educated by providing legal information about each country at their platform and promoting responsible home-sharing. They also promise to be transparent and share information with local governments about business activities that they have in each particular country or city. With some countries, the company has tax agreements and, for instance, in the United States, they collect a tourist and hotel taxes on behalf of hosts and pay them to the government directly (Airbnb, 2019 – Company Policy).

5.2. Case Study 2: Uber – the USA

5.2.1. Historical Background

The first idea of Uber, according to the legend, appeared in the minds of its future founders in 2008. Travis Kalanick and Garrett Camp could not find a taxi on a cold winter night in Paris and thought that it would be nice to have a taxi on-demand. Later, in March 2009, Uber was launched in San Francisco, where the company's headquarter is located now. Two entrepreneurs developed a smartphone application that let people tap a button and get a ride, so the idea turned into the reality (Uber, 2020). The uniqueness of the Uber was in the fact that it was not a simple taxi service but the opportunity for drivers to start their businesses. Uber did not employ its taxi drivers but rather gave the individuals a platform where they can register after gong through several checks and provide the taxi services as independent entrepreneurs. They received an opportunity to be flexible and control the time and manner they work. The innovativeness of the idea has allowed the company to gain rapid growth and internationalize in a very rapid manner.

5.2.2. Internationalization Steps and Strategies

Originating from the United States, the company was developing its domestic market and testing its product locally for the first three years. As described in Gabrieslssons' model at their first 'Introduction and initial launch' stage, the main goals of the creators were to develop a unique product and secure financing. The platform that Uber created simplified a taxi ordering process and allowed two parties – customer and self-employed driver – to make a commitment about a ride in a very convenient manner, where both parties were aware of conditions and price before taking the deal, and it was done just with one button click. The product appeared to be in huge demand, and the start-up was able to raise its first $1.25 million of venture capital in October 2010 from the First Round Capital (Blystone, 2019a).

At the second 'growth and resource accumulation' stage as predicted by the model, Uber underwent intensive learning, trying to find a free niche that it could occupy. At its initial stage, the company tried to serve elite class only. As the demand in this particular niche was not enough, the company started targeting the more prominent market, such as the whole middle class of the United States. In the process, they got much knowledge about customers' differences and preferences. As a result, they introduced different products as UberX, UberXL, UberPOOL, UberBLACK, etc. for each of their targeted group of customers, where they could choose the most suitable price/comfortability composition that they preferred (Panchal, 2019).

The company also worked hard to increase its revenue and ensure its internal source of financing. It intensively used the high technology software, so-called predictive demand algorithm, to establish such a pricing mechanism that would allow it to maximize the revenue. The software predicted demand and supply for services (location and time based), and by pricing normal or increased charge, according to its algorithm, it helped the company, from one hand, to be more profitable and, from the other hand, to balance supply-demand ratio at particular location in a specific time frame. Uber still uses the software and, in general, it is a very high technology-oriented company that always searches for innovative solutions.

The company's first internationalization debut happened in December 2011 in three years after its inception. After raising $11 million in series A round and $37 million in series B round, they launched Uber in Paris in the same city where the idea was born three years earlier (Uber Technologies Inc., 2020). From this point on, they started to acquire knowledge about internationalization and gain experience in scaling the business abroad. They created strategies to overcome obstacles while getting into new markets. One of the approaches that they used at this stage was a network approach. They created some tie-ups with big corporates with a large staff of employees who were their first guaranteed customers at each new market that they entered. It helped the company to cover its running costs before they could reach a common public (Panchal, 2019). In July of 2012, Uber launched its service in London and was gradually increasing its international expansion.

The third stage of rapid ‘growth and foreign expansion' of Uber happened in August of 2013 after raising $258 million in series C round and expending to South Africa and India. Further, after raising $1.2 billion in series D round, in 2014, it launched the business in China, Nigeria, and Laos. China became the largest Uber's market after it localized its services by adopting the local payment system Alipay and Baidu map for geolocation (Panchal, 2019). The company reported that in June of 2018, it was operating in more than 21 countries across five continents, 173 trips and deliveries were starting simultaneously all over the World (Uber Technologies Inc., 2020). The company went public in May 2019 and raised at least $8.1 billion, which happened to be the biggest IPO in that year (Newcomer, 2017).

5.2.3. Challenges and Fails

While internationalizing, Uber tried to apply the same model as it used in the United States for all other markets, which did not always work. It was banned in several countries in Europe due to regulatory reasons as drivers without a license could not perform taxi services in several European countries. "In 2017, the European Court of Justice ruled that any European country can legally ban some of the Uber's products" that do not comply with local legislation (Shead, 2019). Uber also had to exit from the Chinese market in 2016 due to fierce competition with local companies that caused the company big financial losses (Kharpal, 2016).

5.3. Case Study 3: Spotify - Sweden

5.3.1. Historical Background

Daniel Ek and Martin Lorentzon founded Spotify in 2006 in Stockholm, Sweden. The service appeared in response to a big problem in the music industry – piracy. The music record companies of that time were losing millions of revenue each year, and according to the company's founder Daniel Ek, there was no trust in the industry, the connection between artists and fans was interrupted. Being a great programmer himself, he and his team created a platform that could potentially help music labels to sell artists' albums to the public and earn money from that. However, as it is often the case with the missioners, there were many doubts around the product as nobody believed that people would be willing to pay for the music, which they could download for free at illegal platforms. Eventually, in 2008, Spotify went to the market with the product that allowed music fans legally listen to their favorite musicians for free if they could tolerate some portions of the advertisement. Alternatively, they could purchase a premium membership for a minor fee and upgrade to the ad-free subscriptions. According to the company's data, there are currently 124 million users who pay the subscription fee that allows them to use some additional features such as streaming music off-line and creating own playlists for better convenience (Spotify, 2018; BBC news, 2018).

5.3.2. Internationalization Steps and Strategies

At the first ‘Introduction and initial launch' stage, the founders worked very hard to create a unique product. As was previously mentioned, there was no trust in the industry, and nobody believed that music fans would voluntarily pay for music. Because of that, no one in the industry thought about creating a tool similar to Spotify. The creation of the platform was an idea of Daniel Ek himself as he saw an opportunity in this confrontation between record companies and their artists with the music fans. Spotify allowed people to legally stream millions of quality tracks that they should neither download nor somehow save on their devices. The main advantage of the platform was the speed that allowed users to listen to a track in milliseconds after the play button had been pushed while using pirate programs usually took a much longer time and occupied a lot of memory on the device (Spotify, 2018).

However, developing an innovative platform was not enough. The main difficulty for the owners was to raise the trust in the industry and somehow make all the parties to see opportunity in the product, meaning that they should assure labels to upload the music to platform and end-users to pay for the service that they had for free before. To gain the trust of the record companies, Spotify offered them paying the royalty for the music they upload. To gain the trust of the end-users, they offered their service free of charge for an extended period. It made the listeners get used to the product and served the purpose of motivating them to stay with the company in the future. Spotify always tried to add value to the product. For instance, they bought a company that created specific playlists for platform users for every type of activity (sport, studying, sleeping, etc.), they added interview streams about different educational topics and even made it possible to stream off-line. Also, the music sharing, when a user can share his or her playlists with other users, was an important social tool that made service so unique (Spotify, 2018).

After opening, the company officially launched first all over Europe (in the UK, Germany, France, Italy, Spain, Finland, Norway, and Sweden). It was working in a testing regime, so-called a private beta period, for a longer than a year. It served the purpose of controlling the initial costs and carefully studying the early users' experience (Brown, 2015). Lately, it was possible to join the platform only through an invitation from the current users, which helped the company to control the growth of the demand side and make improvements in the product, which supposed to help the users to have the best music experience. It was the way the company smoothly went to the second 'growth and resource accumulation' stage. They learned that this beta period is a very well working entry model for expending the product to the new markets (after it was tested in the European market), they started to use it whenever they entered new countries. They first gave access to the services to local influencers and new adopters (pop-stars, celebrities, and music experts), who advertised the product through their channels. After the application was getting a big hype, they started working in the regular regime. Those beta users were the company's network through which they were getting end-users awareness about the product in each particular market (Lu, 2016a). "The first no-invitation-required free accounts were launched in the UK" (Brown, 2015).

The company also accumulated financial resources; the founders rose the first $21 million in series A round and $50 million in series B round in the years 2008 and 2009, respectively. According to the article in Financial Times, Spotify also raised small investment for development in 2010 from a Founders Fund. The board member of the fund Sean Parher assisted the company with the growth strategies (Bradshaw and Menn, 2010). The company rose in total $2.7 billion in 22 funding rounds and successfully went public in April of 2018 on the New York Stock Exchange (NYSE) through the direct listing with above the "reference price" of $132 per share (Pisani, 2018).

At the third stage of rapid 'growth and foreign expansion' in 2011, the company went to another continent to the United States. By this time, they had more than 6.67 million users, "one million of whom were paid subscribers" (Brown, 2015).

“Within a year, the company had gained more than 3 million US users, 20% of whom were paid subscribers” (Brown, 2015). In February 2017, the company even moved the main office to the United States as, according to the founders, Swedish policies and professional resources were not enough for the company's ability to compete in a global economy. In 2012, the company expanded to Australia and New Zealand (McCarty, 2018). In 2013 Spotify launched in Mexico – “its first push into the huge Latin American market” (BBC News, 2018). In the same year, the start-up, “which had more than 24 million active users at that moment, also gone live in Asia - in Hong Kong, Malaysia, and Singapore” (BBC News, 2018), followed in 2014 by Taiwan and the Philippines and even a difficult market to get in - Japan (Lu, 2016b). Spotify is currently available in 79 markets, including Europe, the United States, India, part of Asia and Africa, Australia, and New Zealand (Spotify — Company Info, 2020).

5.3.3. Challenges and Fails

Spotify has not yet launched its product in China due to government censorship of music content, as well as market oversaturation with local music providers. Although the Chinese market is an attractive destination for the company, the risk of failing in this market is too high (Jones, 2017).

5.4. Case Study 4: Adyen – Netherlands

5.4.1. Historical Background

A lot of sources name Adyen one of the biggest and most successful entrepreneurial start-up stories in Europe. The company was created in Amsterdam in the year 2006 by the Netherlands’ entrepreneurs Pieter van der Does (CEO) and Arnout Schuijff (CTO) along with other entrepreneurs, with whom they previously had worked together at developing another payment system. "Adyen is a fast-growing company that offers a global payment platform, which enables merchants and businesses to process payments online, mobile, and point-of-sale systems with payment methods including card schemes, mobile wallets, and other local methods" (Seeking Alpha, 2019). The main goal of the founders was to create a product that would help the merchants to meet the need of today's fast-growing global business and allow them to decrease their transaction costs. To reach the goal, Adyen created such a product that allows the company to control the whole process, including checkouts, fraud detections, and working with card companies and banks (Adyen, 2020).

5.4.2. Internationalization Steps and Strategies

According to the company's timeline, it went through considerable development from 2006 to 2010, from creating the product to signing the first big client - Groupon. This period coincides with the first and second phases in the accelerated internationalization theory - 'Introduction and initial launch' phase and 'growth and resource accumulation' phase. In his interview with the 'Startup Juncture' online journal, Ayden's CCO Roelant Prins told that at the beginning, they were working very hard at building a very reliable payment platform. It took them ten-month of hard work to finish the platform and allowed the first payment to be processed in December 2007. According to Prins, the main goal was to build a very reliable platform that would be able to process a high volume of transactions at once. In this period, they also expanded product offering to include the value-added risk management tool to their list of services, which allowed them to differentiate their product from competitors (Otterloo, 2014).

During the second 'growth and resource accumulation' phase, they attracted merchants with the innovative and smart system that used non-standard algorithms for payments checking (e. g. system provided insights into shoppers and their spending habits as well as a country of origin). This innovation helped better distinguish genuine clients from scammers and allowed to decrease the time of processing operation as well as to increase the number of approved payments, which positively influenced the merchants' profitability. On the customer side, Adyen tried to reduce the complexity of logins and creating a user-friendly application interface that would allow people to enjoy online purchases more (Clawson, 2018). It took them one more year to attract customers and build the marketing around the product that allowed the platform to take off. During these stages, the company already operated all over Europe, and the founders made sure that they secured internal financing (the company is profitable since 2011) before starting the global expansion. At the time, they signed up for such prominent clients as Airbnb and Uber, which helped the company to succeed and internationalize further (The Business Times, 2019).

At the third stage of rapid ‘growth and foreign expansion’ Adyen entered the first global market - the United States. According to Pieter van der Does, this was a necessary measure as “a Netherlands-only payments company could only have been small” (Isaac, 2017). Thus, it was a necessary step for the company in order to survive due to the small domestic market. One of the strategies that the company also used was following its global customers abroad, giving them one payment solution that they could use globally. For instance, they started partnering with Uber to cover their Netherlands transactions in 2012 and later expanded with the company to more than 50 markets all over the world. They were able to do that by "adapting to regional variations in regulations and payment infrastructure, and by leveraging payment data across its portfolio” (Adyen, 2015). Consequently, networking with prominent global companies helped Adyen to become successful internationally.

In the year 2012, Adyen opened the second foreign office in the United States in San Fransisco to cover the American market. Due to the time difference between the two continents (around six hours), it was difficult to process the American part of the business from Europe (Prins, 2014), that is why a new processing unit was needed. As the business rose dramatically, new European offices were also opened in London, Paris, and Stockholm, and new staff was hired to cover the growing transactions. In the same year, the company also acquired the first European banking license, which allowed them to "have direct technical conversations with the issuers” (Hocking, 2018). In 2014 Adyen raised its first fund from General Atlantic in the amount of $266 million, which helped them to finance their further expansion into the United States (Childs, Shen, Song und Vukelic, 2019; Adyen, 2014).

After raising more funds from Iconiq Capital in 2015, Adyen expanded into Australia (Childs, Shen, Song und Vukelic, 2019; Adyen, 2014). It opened an office in Sydney to cover the region in supporting its payment solution (Adyen, 2013). The Asia Pacific region (APAC) became a priority for the company as it had and continues to have tremendous potential for the Internet and mobile payments increase. In 2017, Adyen announced the “expansion of its current payment processing offerings in Singapore via a direct credit card acquiring license for Visa and Mastercard" (Adyen, 2017). They have opened the Asian office in Singapore to serve China and Japan in language and timewise (Prins, 2014). With the addition of Singapore, Adyen already had three offices in the APAC region, including Shanghai and Sydney. However, as Jussi Lindberg (Adyen's SVP of Business Development in Northern Europe) noticed in his interview with FinTech online magazine: "No business without a local Chinese-based corporation is allowed to sell or offer Chinese payment methods. Adyen and other payment vendors cannot sell or target Chinese companies. On the other hand, we can help Chinese companies that want to sell outside of China, such as in the United States, with this payment method" (Sturman, 2019). This means that the company could not enter Chinese market directly, but was able to serve the Chinese customers outside their home country. In 2016, Adyen added "WeChat Pay to its portfolio of local payment methods, enabling businesses that used the company's services to access 300 million Chinese shoppers" (Adyen, 2016).

In June 2018, Adyen went public at the Euronext Amsterdam stock exchange and raised $1.1 billion "with an implied market capitalization of €7.1 billion" (Childs, Shen, Song und Vukelic, 2019). As of November 2018, Adyen's share price more than doubled, and the company riched a market value of €16.7 billion (Childs, Shen, Song und Vukelic, 2019). The company announced an expansion to the major African markets in the year 2019 (Adyen, 2019). Currently, Adyen has 21 offices in 17 countries worldwide (Adyen, 2020).

5.4.3. Challenges and Fails

Although Adyen entered into a partnership with Alipay, which is the biggest payment service in China, as it was mentioned earlier, it cannot operate inside the country. It can only serve the Chinese population with their transactions outside their home market (Sturman, 2019).

5.5. Case Study 5: Alibaba - China

5.5.1. Historical Background

Alibaba company was established in the year 1999 by a motivational entrepreneur Jack Ma, who convinced 18 other people at the meeting in his apartment to follow his vision of developing an e-commerce business in China. Two hours later, they gathered $60 thousand, and Alibaba company was born in Hangzhou, province Zhejiang in China (Jung, Ugboma and Liow, 2015; O'Connell, 2020). The company's founder Ma believed that SMEs were the driving force of the Chinese economic development and was inspired by the idea of providing people an opportunity to develop their small and medium-size businesses not only inside the country but all over the world. He created the company with a vision to make it global, that is why the name Alibaba, which is familiar all over the world thanks to the fairy tale 'One Thousand and One Nights', was chosen (Fannin, 2008; O'Connell, 2020). Currently, the main business of Alibaba is e-commerce. It provides business-to-business (B2B) sales through Alibaba.com platform, as well as business-to-consumer (B2C) and consumer-to-consumer (C2C) sales through Taobao and Aliexpress platforms (Blystone, 2019b). The company also created an electronic payment system Alipay that was specially developed to support Alibaba's e-commerce (Jung, Ugboma, and Liow, 2015).

5.5.2. Internationalization Steps and Strategies

Having a global vision, the founders started an e-commerce marketplace in English for global trade called Alibaba.com. Later, they had to launch a Chinese-language wholesale marketplace for domestic Chinese trade among small businesses (U.S. Securities and Exchange Commission, 2014). At the first stage, they continuously worked at developing the product. The company was the first e-commerce start-up in China; that is why it faced many challenges due to the undeveloped infrastructure. As transportation was a big problem for China, the delivery service was very slow and unreliable, especially in rural areas. Alibaba started working only with companies in big cities (Jung, Ugboma, and Liow, 2015). Due to the lack of trust between buyers and sellers (buyers did not want to pay before they received a product, and sellers wanted the payment in advance), the company had to introduce the payment system Alipay, which offered an escrow service as a solution to the problem. They also launched a personal instant messenger Aliwangwang that facilitated text, audio, and video communication between buyers and sellers (U.S. Securities and Exchange

Commission, 2014). All of those measures helped to increase the trust between customers and buyers.

The company also secured financing from the third parties, “after accepting investment offers from a group of firms, including the Goldman and Sachs Group in 1999, Alibaba was able to raise $5 million-plus $20 million from Softbank, the largest global investor in Internet business at that time” (Jung, Ugboma and Liow, 2015). With this capital, after just one year from inception, they even tried to enter the United States market back in 2000 by acquiring 11 Main.com - an e-commerce boutique site, but they failed and sold it later (Bo, Li, Quinlivan, and Cline, 2019). As former Vice President (VP) of the company Porter Erisman said in one of his interviews: “We were bragging about our U.S. operations back in 2000," while in the meantime, Alibaba was "hardly creating any revenue in overseas markets.” He said that the reasons for this were the undeveloped domestic market in China, as well as lack of internationalization experience. They highly underestimated the importance of cultural distance. As a result, the company almost went bankrupt and had to come back to China to recover and build a solid home market first (Walraven, 2009).

After the first unsuccessful internationalization in the United States, Alibaba tried to re-enter the market ten years later in 2010 with its e-commerce platform Aliexpress. It also acquired two B2B US companies Vendio and Auctiva, that should supposedly attract American businesses to sell to the Chinese customers through Alibaba's e-commerce platforms. In 2005, Yahoo bought a 40% of Alibaba’s stake for $1 billion (Havinga, 2016). The company also was able to raise $25 billion through IPO in the United States at the NYSE in September 2014, which should have been opened the gate to the Western market. Although Alibaba has built some C2C business in Europe and the United States, it is still unknown to most Americans and Europeans (Kharpal, 2018). Alibaba is not popular at these markets as it should compete there with such giants as Amazon and eBay in the US (which Alibaba drove out from the Chinese market), and Zalando in Europe. Those are the powerful and innovative brands with a very loyal community. Thus, it is less likely that Alibaba will gain some considerable attention at these markets in the nearest future (Jung, Ugboma, and Liow, 2015).

Unlike in western countries, Alibaba has more significant success in the southeastern region of Asia. It entered Korea in 2008 and offered logistic services and online payment systems. By partnering with a Korean bank (Hana Bank), Alibaba made Alipay available in the market, facilitating online payment for at least 400 South Korean companies (Jung, Ugboma and Liow, 2015). In 2015, in order to enter the Indian market, Alibaba and its subsidiary Ant Financial made a raw of investments totaling to about $ 900 million into One97-Paytm, which was an Indian e-commerce payment system. Thereby, they entered through the direct investment as a Paytm company was the largest and most popular mobile payment company in India that helped Alibaba to localize its product. Alibaba owns about 40% of the company's shares now. After that, the company was very active in the market, investing in logistics companies, online food portals, and online grocery stores. They also invested in Indian's UCWeb browser, which was very popular in the market and took up to 40% of the market share. It allowed the company to gather data about the local population to use it for the development of its local business (CB Insights Research, 2018).

As China historically had a flourishing business relationship with Australia, Alibaba opened its first headquarters there at the beginning of the year 2017 in partnership with the Australian government. The company mainly was targeting Chinese tourists who were traveling to Australia to make their experience seamless. For this, they built the cloud services for its payment system Alipay and partnered with local banks and companies to use their payment system that allowed Chinese people to pay through it while they were traveling in Australia (CB Insights Research, 2018). Alipay also formed an agreement with the Commonwealth Bank of Australia, so it could use the bank’s digital payment infrastructure that would allow Australian customers to make payments at Alibaba’s e-commerce web sites (Bindi, 2017). Alibaba also promoted the usage of its e-commerce platforms among Australian businesses. At the moment of opening the headquarter in Australia, “Alibaba had 1,300 Australian and 400 New Zealand businesses” that were selling through their platforms. They steadily took from third to fifth place on selling volumes to Chinese customers among all worldwide sellers (CB Insights Research, 2018).

In 2016, Alibaba acquired a controlling share of Southeast Asian e-commerce operator Lazada Group, which opened an access to six markets in this region, including Indonesia, Malaysia, Philippines, Singapore, Thailand, and Vietnam (CB Insights Research, 2018; Bindi, 2017). In 2019, the company took the first step to the African market by signing bilateral agreements with local governments (Hsu, 2018). Currently, besides China, Alibaba has offices in the US, Europe, the UK, India, Japan, Australia, and New Zealand (Alibabagroup, 2020).

5.5.3. Challenges and Fails

Several well-known European brands such as Mango, Benetton, and Spanish fashion group Tendam refused to sell their products through Alibaba's platforms as they believed that it was associated with the chip and low-quality goods. A lot of American and European companies do not feel the platform describing it as "a work in progress" inconvenient tool (Dowsett and Yu, 2020). The business model that Alibaba has created appears to be more suitable for the less developed countries with a chaotic environment. Whereas, in the European and US markets, the model does not work properly. Besides, Alibaba should compete there with the powerful first movers, which have a big competitive advantage of being the first to the respective markets and having a better understanding of them.

6. Discussion

The case studies presented in the previous part observe internationalization paths of the born global companies and allow seeing a pattern in their accelerated internationalization process. While in the literature of born global companies, it is often said that this type of enterprise globalizes in an instant (Chetty and Campbell-Hunt, 2004), the results of this empirical study (Appendix II) support the Gabrielssons' theory (2013) of stage internationalization. The companies from the sample went through three stages of development, which were precisely described in the third part of this thesis.

The study demonstrates that for the companies in the sample, the key priority at the first stage was to develop a unique product or service that had the potential to occupy a specific global market niche. It was usually an innovative and high tech solution. Another critical strategy at this stage was developing a solid home market base before expanding abroad. In the case of Alibaba, it can be seen how the company tried to start internationalizing right from its inception without developing a home market base, and it almost costed the company bankruptcy. It can be assumed that having high technology tools and enough financing, a born global company can enter whatever market it targets. But the study shows that a company should seriously prepare before entering each new market, and only the experience and knowledge acquired through gradual internationalization can help to make the process more effective.

The essential part of the study was to see how the companies chose markets for internationalization. The US companies from the study were testing the products locally and internationalized only at the second stage. The first market that they usually penetrated was Europe, which can be explained by Hofstede’s model (Figure 9), as European culture and environment are more understandable for the US companies than Asian ones. Generally, at this stage, they accumulated knowledge and international experience and, as a result, created procedures and strategies for internationalization. The study showed that a company should seriously prepare for entering each new market. Minimum work that software-based companies should make is to prepare IT infrastructure, proper user interfaces, localize products by translating the content, and involving proper customer service for each market. Additionally, a company should deal with different legislations at each market, as well as proper product marketing and product design should be chosen.

While American companies internationalized at the second stage, the European part of the sample started internationalization process at the first stage. Due to the size and compactness of the European market, the companies first internationalized regionally (to the countries with small psychic distance) before going to psychically and physically distant markets. As each European market individually is very small, it was essential for the companies’ survival to go abroad. In the Adyen case, the founder noticed that if they would not globalize their business, the company could not survive. An important observation from the study is that the European companies from the sample started global expansion in the second stage after they acquired the first internationalization knowledge and experience regionally. The market that they chose at this stage was the US, which, according to Hofstede’s model (Figure 9), was more understandable in terms of culture and environment than Asian or African ones.

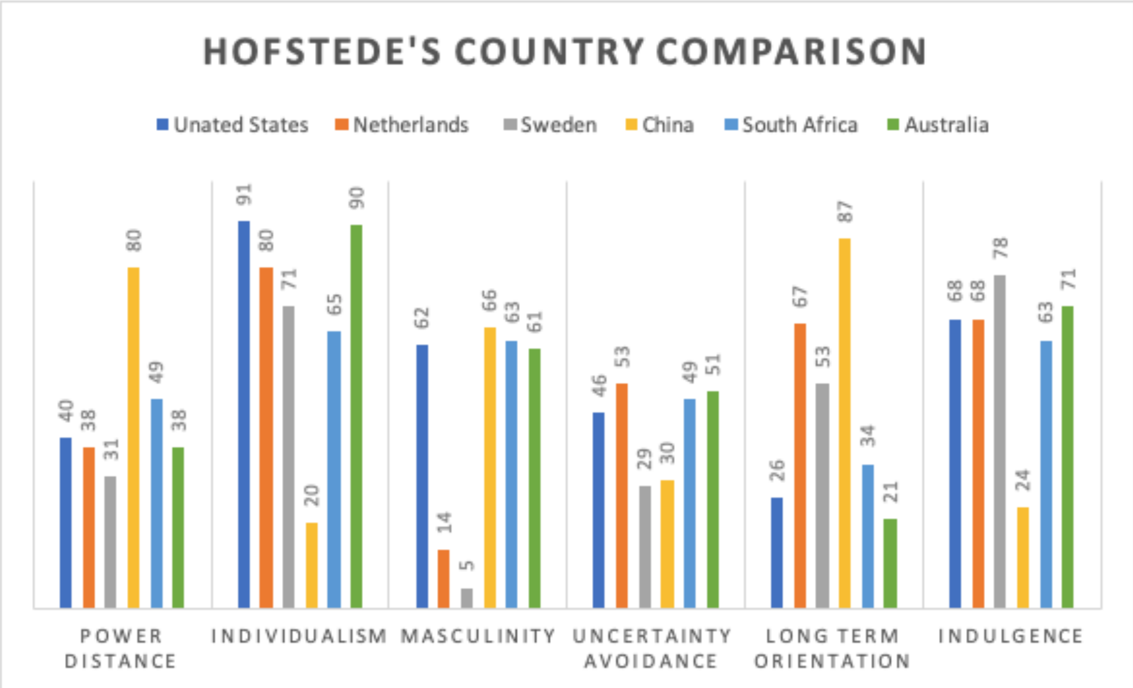
After unsuccessful internationalization to US market at the first stage, the Chinese company from the sample concentrated on developing the home market base. Having a big population of potential customers and being at the same time the first mover in the market, it took Alibaba quite a long time to develop the home market base. All the challenges that the company came through helped it to create a business model that they later used in the foreign markets. In the second stage, after the solid home base was built and the company became extremely successful at the Chinese market, it accurately tried to enter other Asian markets.

In the third stage, all the companies in the sample tried to expand to more distant countries. The US and European companies entered the Australian market, which is physically distant, but psychically is closer to the American one (Figure 9). All four companies tried very hard to target the Asian market, especially China, which is an attractive destination due to the high level of population, e.g., potential customers. As a result, one company was able to enter and continue to work in the market, agreeing to the conditions of the Chinese government. All others either failed to get into the market directly or were able to make agreements with Chinese partners to serve the Chinese population outside their home country.

In the case of the Asian company, in the third stage, it also took globalization steps, trying to enter European and US markets. Although Alibaba managed to build a small C2C segment of the business with western partners, it failed to conquer big market shares, due to the presence of powerful competitors as well as an inappropriate business model for the developed countries. At the same time, the company's business model succeeded in other Asian markets such as India and Southeast Asia. The company also successfully internationalized at this stage to Australia and New Zealand, which geographically more proximate markets to China, and some regions of Africa, as the company's model well suited underdeveloped markets.

Despite the global nature of the businesses described in this thesis, the study shows that the main operations of the born global start-ups is still geographically limited. It can be particularly seen on the example of the on-line e-commerce services, where Amazon operates primarily in the United States, Zalando mainly occupies European market, and Alibaba is more oriented towards developing markets. The study demonstrates that China still has a closed economy, and it is difficult for foreign companies to get into the market.

Figure 9: Hofstede's model



Source: cp. Hofstede, G., Hofstede G. J., and Minkov, M. (2010)

7. Conclusion

This thesis was aimed at comparing two streams of internationalization theories, classical and modern ones, and investigating whether the born global internationalization concept is purely innovative or has common characteristics with the Uppsala model. The results show that it is too early to talk about the death of the gradual internationalization that was described by the Uppsala theory. Although the born global enterprises now have tools that allow them to internationalize in the accelerated pace, they still need to go through the growth stages that allow them to get required internationalization knowledge and experience. As the study shows, similarly to the Uppsala model, successful born global companies need to build a solid home market base in the first place and gradually internationalize from the psychically closer to more distant markets.

It was assumed at the initial stage of the thesis that born global companies, having access to high technology tools and the Internet, can enter any number of markets simultaneously, and market distance is not important at all. The empirical part of the thesis demonstrates that it is not the case. A company should seriously prepare for entering each new market, and having internationalization knowledge and experience before committing to the distant markets is a crucial success factor. Besides, born global companies open physical subsidiaries only in the most successful markets, increasing by this action commitment to the chosen region, like MNEs in the Uppsala theory. The study results are consistent with Chetty and Campbell-Hunt's (2004) conclusion that born global internationalization is not a genuinely new phenomenon but uses the already described in classical theory mechanisms. They are just adapted to the modern realities of the globalized world and available technological progress.

8. Limitations

There are several limitations of this study that will be discussed in this part. The first one is that it suffers from a small sample used for qualitative analysis. There are not a lot of manufacturing companies among successfully internationalized born global enterprises. This complicates comparison with the Uppsala model, which describes the internationalization of the MNEs that work in manufacturing industries. However, it offers interesting results for further studies related to the influence of psychic distance to SMEs' successful internationalization. More emphasis could be made in finding successfully internationalized non-service born global organizations and compare their growth stages with those of the Uppsala theory. Nonetheless, the findings are valuable for understanding the internationalization strategies of companies that use accelerated internationalization path.

9. Appendix I: Model

	Introductory No Regular Export Activities	Pre-internalization Export via IR	Foreign Direct Investment (FDI) Sales Subsidiary	 Overseas Production
Traditional internationalization (MNE) Uppsala model	- gain a solid domestic market base - check a product success at the domestic market first - gain market knowledge and market opportunities; experience	- enter psychically close markets first - gain institutional market knowledge and opportunity in foreign market - gain experience in a foreign market - proceed to distant markets - low degree of commitment	- establishing foreign sale subsidiary if the market was successful at the previous stage - start from psychically close markets - gain knowledge and experience - proceed to remote markets - higher degree of commitment	- establishing foreign production subsidiary if it is cost effective
	Introduction and Initial Launch	Growth and Resource Accumulation	Break-out to Independent Growth Rapid Growth and Foreign Expansion	 Rationalization and Foreign Maturity
Born-Global Internationalization (Type iv) Gabrielssons model	- secure financing - develop market (build a relationship with potential customers and investors) - develop a unique product or service	- close interaction with company's stakeholders - choosing and establishing a global market niche - intensive learning - establish an internal source of finance (margin rise) - enter foreign markets	- separation from the network, developing independent company - brand awareness on a global market - possess knowledge: advance technological and marketing skills - penetrate existing markets - expand to new continents	- align operations and marketing to reach global synergies

10. Appendix II: Results

		Introduction and Initial Launch	Growth and Resource Accumulation	Break-out to Independent Growth: Rapid Growth and Foreign Expansion	Break-out to Independent Growth: Rationalization and Foreign Maturity
Born-Global Internationalization (Type iv) Gabrielssons model		- secure financing - develop market (build a relationship with potential customers and investors) - develop a unique product or service	- close interaction with company's stakeholders - choosing and establishing a global market niche - intensive learning - establish an internal source of finance (margin rise) - enter foreign markets	- separation from the network, developing independent company - brand awareness on a global market - possess knowledge: advance technological marketing skills - penetrate existing markets - expand to new continents	- align operations and marketing to reach global synergies
Case1: Airbnb					
Industry	**Hospitality Services**				
Year of creation	**2008**				
Country of origin	**USA**				
Size of the company	**12,736 employees**				
When it took IPO	**Expected in 2020**				
Internationalization degree, year, market, key strategies		- developed a unique two-sided marketplace for apartments rent, which was innovative product - developing market for the product through close networking with the customers - secure financing through fund rising - acting in the USA, the product was tested locally	- 2011: new foreign office in Germany is opened due to the increasing number of European end-users - late 2011: new 3 European offices were added - high-tech tools were added to translate platform to local languages - rapid learning of internationalization - talented human resources accumulation	- penetration of the existing European market, more offices added - 2012: entering new markets (Russia, Brazil and Singapour) - 2014: expending to Chinese market - 2015 launched in South Africa - 2016: expending to Indian market - product localization strategy is used	
Case2: Uber					
Industry	**Taxi industry**				
Year of creation	**2009**				
Country of origin	**USA**				
Size of the company	**22,000 employees**				
When it took IPO	**May 2019**				
Internationalization degree, year, market, key strategies		- developed a unique two-sided marketplace for taxi service, which was innovative product - secure financing through fund rising - acting in the USA, the product was tested locally for 3 years	- 2011: internationalization debut in the Europe - Increased variety of services for each specific target group - continued product development - high-tech tools were added to the platform to calculate the proper price - rapid learning of internationalization - networking with big corporations to enter new markets	- penetration of the existing European market, more offices added - 2013: expending to South Africa and India - 2014: entered China, Nigeria, and Laos markets	

Case3: Spotify				
Industry	**Music Industry**			
Year of creation	**2006**			
Country of origin	**Sweden**			
Size of the company	**4,500 employees**			
When it took IPO	**April 2018**			
Internationalization degree, year, market, key strategies		- created a unique platform and application for music streaming - closely worked with music record companies to get trust and awareness - first worked in testing regime in Europe - first internationalization experience within Europe - used a freemium business model to get loyal customers	- 2011: global expansion to the USA, first in testing regime then in normal - constantly developed the product, adding new features to the platform - rapid learning of internationalization - created the strategies for new market entries	- penetration of the existing markets - 2012: entered Australia and New Zealand - 2013: launched in Latin America, Hong Kong, Malaysia, Singapore, Africa - 2014: entered Taiwan and Philippines - 2017: moved the head office to the USA
Case4: Adyen				
Industry	**Payment Processing Industry**			
Year of creation	**2006**			
Country of origin	**Netherlands**			
Size of the company	**1,100 employees**			
When it took IPO	**June 2018**			
Internationalization degree, year, market, key strategies		- created a reliable payment platform - value-added risk management tool added, innovation in the industry - unique high-tech tools for checking the payments - first internationalized regionally within Europe - secured internal financing	- penetration of the existing European market, more offices were opened - 2012: opened an office in the USA; penetrating global expansion to the US market - strategy of following its global customers 'abroad was used	- 2014: secure financing through fund risisng - 2015: expanded to Australia, opened office in Sydney - 2017: expanded to Singapore, opend office Asian market - 2019: expanded to Africa
Case5: Alibaba				
Industry	**e-commerce, retail**			
Year of creation	**1999**			
Country of origin	**China**			
Size of the company	**102,000 employees**			
When it took IPO	**September 2014**			
Internationalization degree, year, market, key strategies		- founder's global vision - created e-commerce market space in English - launched e-commerce market space in Chinese, innovative for the local market - created escrow payment services for Chinese platform - secured financing through fund rising - 2000: first unsuccessful entry to the US market	- 2008: entered the Korean market - invested in local companies to improve infrastructure - constantly developed the product, adding new features to the platform - after unsuccessful internationalization have being building a solid home base	- 2010: re-entered the US market, a small C2C segment - 2012: entered European market, a small C2C segment - 2015: entered Indian market - 2016: entered Southeast Asia - 2017: opened foreign office in Australia, to cover Australian and New Zealand markets - 2018: entered African market - worked with governmental travel agencies - targets Chinese population travelling abroad

11. Appendix III: Abstracts

Title of thesis Born global phenomenon: a comparative study of born global and traditional internationalization strategies

Degree program Master's degree in International Business

Thesis advisor Univ.-Prof. Dr. Josef Windsperger

Number of pages 64

Language English

Objectives of Research

This thesis is aimed at comparing two streams of internationalization theories, classical and modern ones, and investigating whether the born global internationalization concept is purely innovative or has common characteristics with the Uppsala model.

Method of Research

The research for this work is based on a comparative analysis of case studies of successfully internationalized born global enterprises and the process described in the Uppsala model. To come to the constructive conclusion, a sample of five successfully internationalized companies was used, and qualitative parameters were specifically analyzed. Secondary data research such as analysis of documents, archival analysis, and interviews, founders' podcasts, and companies' web pages was chosen as a method of data collection.

Findings and Conclusions

It can be concluded from the study that it is too early to talk about the death of the gradual internationalization. Although the born global enterprises now have tools that allow them to internationalize in the accelerated pace, they still need to go through the growth stages. Similarly to the Uppsala model, successful born global companies need to build a solid home market base in the first place and gradually internationalize from the psychically closer to more distant markets.

Titel der Arbeit Born Global Phänomen: Eine vergleichende Studie über Born Globale und traditionelle Internationalisierungsstrategien

Studiengang Masterstudium Internationale Betriebswirtschaft

Berater für Mastersarbeiten Univ.-Prof. Dr. Josef Windsperger

Seitenzahl 64

Sprache Englisch

Forschungsziele

Diese Arbeit zielt darauf ab, zwei Strömungen von Internationalisierungstheorien, klassische und moderne, zu vergleichen und zu untersuchen, ob das Born Global Internationalisierung Konzept innovativ ist oder gemeinsame Merkmale mit dem Uppsala-Modell aufweist.

Methode der Forschung

Die Forschung für diese Arbeit basiert auf einer vergleichenden Analyse von Fallstudien erfolgreich internationalisierter Born Global Enterprises und dem im Uppsala-Modell beschriebenen Internationalisierung Prozess. Um zu einer konstruktiven Schlussfolgerung zu gelangen, wurde eine Stichprobe von fünf erfolgreich internationalisierten Unternehmen verwendet und qualitative Parameter wurden speziell analysiert. Als Methode zur Datenerfassung wurde die sekundäre Datenrecherche wie Analyse von Dokumenten, Archivanalyse und Interviews, Start-ups Podcasts und Unternehmenswebseiten ausgewählt.

Ergebnisse und Schlussfolgerungen

Aus der Studie kann geschlossen werden, dass es zu früh ist, um über den Tod der schrittweisen Internationalisierung zu sprechen. Obwohl die Born Global Unternehmen jetzt über Instrumente verfügen, mit denen sie sich schneller internationalisieren können, müssen sie noch die Wachstumsphasen durchlaufen. Ähnlich wie beim Uppsala-Modell müssen erfolgreiche Born Global Unternehmen in erster Linie eine feste Heimatmarktbasis aufbauen und schrittweise von den psychisch näheren zu weiter entfernten Märkten internationalisieren.

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