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# A study of the enablers of non-sequential internationalization process among small and medium-sized firms

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***Abstract***

The question addressed in this paper is: Is non-sequential internationalization process solely technology enabled or a product of mutually interdependent forces? It is shown in this paper that even though the sequential approach in the process model is intuitively appealing, not all firms follow such a path. This void is filled by explaining how the international market entry process has changed with respect to the sequential approach. Data collection entails 60 Swedish SMEs operating in other countries and foreign SMEs operating in Sweden that tends not to develop in incremental stages with respect to their international. Findings include: that the sequential model is by no means reflective of, or appropriate for all firms' approaches to international business; the usefulness gained by using an international relationship approach to study the international activity of a firm; and the interplay between the identified driving forces behind a non-sequential internationalization process. Knowledge acquired from the empirical study is used to develop an integrated framework which aptly depicts that non-sequential internationalization process is not solely enabled by technology, as commonly envisaged in literature, but a product of mutually interdependent forces. Implications include: all firms are exposed to irrecoverable transaction costs that hamper their behaviours and complicate export supply responses in international markets. However, the magnitude of the costs and speed of internationalization is dependent on the ability of the firms to take advantage of the enablers of non-sequential internationalization pattern. This is particularly important for firms to and from developing countries and emerging markets and their propensities to succeed in their internationalization endeavours.

**Keywords:** non-sequential, Born globals, Uppsala internationalization model, transaction costs, relationships and networks

## 1 INTRODUCTION

Internationalization – the process of increasing involvement in international operations across borders (Welch & Luostarinen, 1988) – comprises both changed perspectives and changed positions. Thus internationalization is a major dimension of the ongoing strategy process of most business firms (Melin, 1997). With the development of behavioural internationalization models (Johanson & Vahlne, 1977, 1990; Hedlund, & Kverneland, 1985; Babichenko, 2006; Ruzzier et al., 2006), an unprecedented corpus of work in the internationalization process of the firm has been produced in the last three decades. Thus the export behaviour and internationalization processes of firms have received tremendous attention in extant literature involving different and complementary research fields, from international business to international marketing and – more recently – international entrepreneurship (Evans et al., 2000; Hutchinson et al., 2006; Evans & Bridson, 2005; Servais & Rasmussen, 2004). Since the mid-1970s, two distinct streams of research have emerged, one in Europe, e.g. (Johanson & Vahlne, 1977, 1990), and one in North America, e.g. (Bilkey, 1977; Cavusgil, 1980). Both research traditions conceptualize export development as taking place in gradual and sequential stages (learning sequences involving feedback loops), based on a series of incremental commitment decisions depending on perceptions, expectations, experience, managerial capacity, etc. The firm is assumed to build a stable domestic position before starting international activities.

The Uppsala model (Johanson & Vahlne, 1977, 1990) has its theoretical base in the behavioural theory of the firm (Cyert & March, 1963; Aharoni, 1966). The origin of the behavioural approach and its role in a firm's growth path is found in the theory of the growth of the firm (Penrose, 1959). The basic assumption in Johanson & Vahlne's (1977) model is that the outcome of one decision - or more generally one cycle of events – constitutes the input of the next. This internationalization model is considered a process in which a firm's international engagement is believed to increase gradually. The process evolves in the interplay between the development of knowledge about the foreign markets and operations, and an increasing commitment of resources to those markets (Johanson & Vahlne, 1990; Johanson & Associates, 1994). The central issues of the model are how organizations learn and how their learning affects their investment behaviour (Forsgren, 2002). Another important aspect of the Uppsala model is that it is a dynamic model; it describes the internationalization of a firm as a gradual process. However, the number of people with extensive experience of international trade has also grown, meaning that firms can easily hire the competence they require rather than creating it themselves (Hollensen, 2001; Hill, 2003; Wild et al., 2003). In an evolving international economy dominated by growing global integration, emerging fragmentation of traditional markets into global niches, and the birth of new competitive spaces thanks to technological developments, the steps and modes of foreign markets entry could experience significant deviations compared to the internationalization patterns of firms characterized by a series of incremental decisions, experiential learning and risk aversion, as envisaged in the traditional sequential models (Luostarinen, 1994; Cavusgil, 1980; Bilkey & Tesar 1977; Leonidou & Katsiekas 1996; Johanson & Vahlne, 1977, 1990). As the stage models imply internationalization in stages in countries with little psychological distance, it is not particularly applicable to those types of firms that tend to skip certain stages of the process in order to accelerate it. A review of extant literature gives the impression of a fragmented view of the driving forces behind the rapid internationalization process encountered by many small and medium size firms today.

The basic research question to answer in this paper is: Is non-sequential internationalization process enabled by single independent factors (e.g. technology, networking ability, business specific or globalisation factors) as commonly envisaged in literature (Lindqvist, 1991; Saarenketo et al 2004; Coviello and Munro, 1997; Chetty and Blankenbourg Holm, 2000; Jolly et al., 1992; Bell, 1995; Keeble et al., 1998; De la Torre and Moxon, 2001; Dunning and Wymbs, 2001; Autio et al, 2000), or a product of mutually interdependent forces?

In other words, this paper aims to show that even though the sequential approach in the process model is intuitively appealing, not all firms follow such a path. This void is filled by explaining how the international market entry process has changed with respect to the sequential approach. The findings from the empirical study of firms that tend not to develop in incremental stages with respect to their international activities, and therefore start international activities by entering very distant markets and multiple countries right from birth without prior experience, is used to develop an integrated framework.

The rest of this paper proceeds with a presentation of internationalization models that can be used to explain the rapid internationalization process encountered by many small and medium size firms today, followed by a description of the research context and presentation of the findings. The knowledge gained from the empirical studies is then used to develop a framework that links the driving forces behind the non-sequential approach to internationalization. The paper closes with concluding remarks and implications. In this paper, stage models and Uppsala model are synonymous and both models used to depict sequential process of internationalisation.

## 2 THEORETICAL FRAMEWORK

Three models for explaining the internationalization process form the basis for the theoretical framework. Transaction Cost Approach suggests that the most efficient choice of internationalization pattern is one that will help minimise production and transaction costs (see Table 1). In contrast to series of incremental decisions, experiential learning and risk aversion envisaged in Uppsala Internationalization model, extant literatures suggest that a network perspective can be used to study the rapid internationalization of SMEs.

The point of departure of the corpus of writings on internationalisation of firms is general marketing theories. The Penrosian tradition (Penrose, 1959; Prahalad and Hamel, 1990), for example, reflects the traditional marketing focus on the firm's core competences combined with opportunities in the foreign environment (cf. Hollensen, 2007). The cost-based view of this tradition suggests that the firm must possess a "compensating advantage" in order to overcome the "cost of foreignness" (Kindleberger, 1969; Hymer, 1976; Dunning, 1980, 1988). This led to internationalisation being dealt with as the choice between exporting and Foreign Direct Investment (Dunning, 1980, 1988; Leonidou, and Katsikeas, 1996; Buckley et al 1998) Later on, technological and marketing skills were identified as the key success factors in foreign entry (Jolly et al 1992; Bell, 1995; Bennett, 1997; De la Torre and Moxon, 2001). During the past decade there has been increased focus on internationalization in networks, by which the firm has different relationships not only with customers but also with other actors in the environment (Axelsson and Easton, 1992; Håkansson and Johanson, 1992; Hadley and Wilson, 2003; Boari et al., 2004, Johanson and Mattsson, 2006; Johnsen, 2007).

### Uppsala Internationalization (Stage or Sequential) Model

The main consequence of the Uppsala Internationalization Model (Johanson and Wiedersheim-Paul, 1975; Johanson and Vahlne, 1977) is that firms tend to intensify their commitment towards foreign markets as their experience grows. The core antecedents of the Uppsala Internationalisation Model are experiential learning and risk aversion. Together, the two issues explain why firms typically adopt an incremental and sequential approach to internationalization, while the different stages describe how the process occurs (Chetty, 1999; Zucchella, 2004; Servais & Rasmussen, 2004). The Uppsala model thus describes, and to some extent predicts, the internationalization process of firms (Cavusgil, 1980; Bilkey & Tesar, 1977; Leonidou & Katsiekas, 1996; Johanson & Vahlne, 1977, 1990). Its basic premise is that the outcome of one decision – or, more generally, one cycle of events – makes up the input of the next. In the model, a distinction is made between the static and the changing aspects of the variables of internationalization. Commitment of resources to the foreign markets (market commitment), and knowledge about foreign markets and operations, are the two main components of the static aspects. Decisions to commit resources and conducting current business activities are the main variables of the change aspects. Market commitment and market knowledge are believed to influence the decisions about commitment of resources to foreign markets and how current activities are conducted. Thus internationalization is seen as causal of cycles.

### Transaction Cost Approach (TCA)

The foundation for TCA was made by Coase (1939). He argued that analysis should focus on the costs of entering into transactions (see Table 1). The internalization perspective is closely related to the TCA (Williamson, 1975). The paradigmatic question in internalization theory is that, upon deciding to enter a foreign market, should a firm do so through internalization within its own boundaries (a subsidiary) or through some form of collaboration with an external partner (externalization)? The internalization and TCA are both concerned with the minimization of Transaction Cost and the conditions underlying market failure (Williamson, 1979; Horaguchi & Toyne, 1990; McNaughton, 2002; Dunning, 1980, 1988). The intention is to analyse the characteristics of a transaction in order to decide on the most efficient, i.e. Transaction Cost minimizing, governance mode. The internalization theory can be considered the TCA of the multinational corporation (Rugman, 1986; Madhok, 1998). For example, when a firm is going to internationalize, it may find the search costs for a nearby and familiar market more acceptable than those for a market further away. And, if it finds that it is cheaper to organize the internationalization through an intermediary, it will externalise.

**Table 1: Three models for explaining the internationalization process**

| | **Uppsala Internationalisation Model** (Johanson & Wiedersheim-Paul, 1975; Johanson & Vahlne, 1977, 1990, 1993; Cavusgil, 1980; Bilkey & Tesar, 1977; Leonidou & Katsiekas, 1996. Forsgren, 2002. servais & Rasmussen, 2004; Anderson, 1993; Babichenko,2006). | **Transaction Cost Analysis) Model** (Williamson, 1975, 1985; Buckly & Casson, 1976; Rugman, 1986: Madhok, 1998; Kogut, 1988; Contractor & Lorange, 1988), Hollensen, 2007; Donaldson & O`Toole, 2007; McNaughton, 2002; Borgensen, 2006; Horaguchi and Toyne, 1990) | **Network Model** (Johanson & Mattsson, 1988,1992; Johanson & Associates, 1994; Johanson & Vahlne, 2003; Håkansson & Johanson, 1992; Ford et al. 1986; Turnbull & Valla, 1986; Axelsson &Easton, 1992; Chetty & lankenburg-Holm, 2000; Mattsson & Johanson, 2006; Chistokhvalova, 2004; Ford et al., 1986; Tikkanen, 1998; Havila et al. 2004) |
|---|---|---|---|
| **Unit of analysis** | The firm | The transaction cost approach focuses on costs and how these costs affect a firm's choice of market and mode of entry. | Draws on theories of social exchange and focuses on firm behaviour in the context of interorganizational and interpersonal relationships. |
| **Assumptions about firm's behaviour** | Internationalization is linked with managerial learning - a key element for a firm moving from one stage to another. Internationalization is defined as a step-by-step process from the simplest form (export) to manufacturing abroad (This process combines getting experience and knowledge and increasing resource commitment to a foreign market. | Transaction cost analysis proposes that analysis should focus on the costs of entering into transactions. It views organisational structure as one important arrangement for establishing and safeguarding transactions and reducing transaction costs between participants and across organisational boundaries. Hence it is useful to classify transaction costs into: costs of searching for information about markets, products, buyers and sellers; negotiation costs; and monitoring (enforcement) costs. | The 'glue' that keeps the relationships together is based on technical, economic, legal and especially personal ties. It emphasizes the role and influence of social relationships in business transactions. According to the network perspective, a relationship involves the control of resources, the implementation of activities, or the link between resource and activity. A firm does not act alone in relation to other actors in a market. Through interactions, the various actors build knowledge about mutual trust, which leads to a strong commitment. |
| **Explanatory variables affecting the process development** | Internationalization is seen as causal of cycles. Further market commitment occurs in small steps – with three exceptions: The consequences of commitment are small when firms have large resources. Firms with surplus resources are therefore expected to take larger internationalization steps; Relevant market knowledge can be gained in ways other than through experience if market conditions are homogeneous and stable. | However, in the real world there are transactional difficulties between buyer and seller. This friction is mainly caused by opportunistic behaviour: the self-conscious attention of the single manager. Transactional difficulties and transaction costs increase when transactions are characterized by: Asset specificity; Uncertainty (internal and external); Frequency of transaction. | Long-term relationships between business actors and the context in which the firm operates have the explanatory value in the description of the internationalization of firms. Hence the network in which the firm is active enables the internationalization. All the actors in a network are interdependent and interact with each other in one way or another. This makes it possible for a firm to have a high degree of internationalization without a high degree of assets in a specific foreign market. Another assumption in the model is that a firm is dependent on other firms' resources within the network, for example, customer and supplier relationships. |
| **Normative implications for international Businessmen** | Additional market commitments should be made in small incremental steps: Choose new geographic markets with small psychic distances from existing markets; Choose an 'entry mode' with few marginal risks. | Firms should select the organizational form/location for which transaction costs are minimized. A firm will expand its operations until the cost of making an extra transact-ion within the firm is equal to the cost of making similar transaction elswhere. The firm will continue to grow internally, internalise, until external sources have a cost advantage, and then externalise. | Network relationships are critical avenues for the acquisition of resources and knowledge necessary for foreign development of firms. The relationships of firm in a domestic network can be used as bridges to other networks in other countries. Such direct or indirect bridges to different country networks can be important in the initial steps abroad and in the subsequent entry of new markets. |

**Network Approach**

Table 1 shows that the basic assumption of the network approach is that the international firm cannot be analysed as an isolated actor but has to be viewed in relation to other actors in the international environment (Turnbull and Valla, 1986; Johansson and Mattsson, 1988; Forsgren, 2002; Butel & Watkins, 2006). Many trends in the international business environment of today are providing fertile conditions for the use of relationship to cement and develop international business. Hence, a growing number of scholars advocate the adoption of a network perspective to understand and explain the rapid internationalization of young firms (Coviello & Munro, 1997; Chetty, & Campbell-Hunt, 2003; Hadley & Wilson, 2003; Johnsen, 2007). According to Szarka (1990) the small firm is particularly dependent on the nature and quality of its relations with other firms and with the external world. These relations can be conceived in terms of exchange networks, communication networks and social networks. Boari et al (2004) illuminated the role of social inter-organizational networks in facilitating internationalization process. They extended the network approach to include the social networks theory (Lin et al, 2001), thereby affirming that social competence available in firms enables the internationalization process. A common denomination in the definition of social capital offered by Nahapiet and Ghoshal (1998) and Lin et al. (2001) is their definition of social capital construct as resources embedded in a social structure, which are accessed and/or mobilized in purposive actions, and it is considered a heterogeneous resource that consists of structural, relational and cognitive components.

It is pertinent to mention that many firms no longer develop in incremental stages with respect to their international activities (Aspelund et al., 2007; Andersson and Evangelista, 2006; Svensson, 2006; Knight et al. 2004). Firms are often reported to start international activities right from their birth, to enter very distant markets right away, to enter multiple countries at once, to form joint ventures without prior experience, etc. Such firms have been labelled International New Ventures (Oviatt & McDougall, 1994), High Technology Start-Ups (Jolly et al., 1992), and Born Globals (Cavusgil, 1994; Knight & Cavusgil, 1996; Madsen & Servais, 1997; Autio et al, 2000) Born-again global firms (Bell et al. 2001); New generation of small European exporters (Moen, 2002); International entrepreneurship (Mort and Weerawardena, 2006).The explanation for this new picture of internationalization of firms is claimed to be increasingly global conditions, new developments in transportation and communication technologies, and the rising number of people with international experience, networking and entrepreneurial capabilities of the owners of the firm. Consequently, these variables (business-specific factors, networking magnitude, entrepreneurial prowess, and global mindset) are extracted from extant literature. The variables are used as yardstick to operationalise the research problem stated in this paper.

## 3 RESEARCH METHODOLOGY

The following criteria were used to identify the firms that tend not to develop in incremental stages with respect to their international activities, and therefore start international activities right from their birth, to enter very distant markets right away, to enter multiple countries at once without prior experience, etc., are the following: 1) The firms have been operating internationally for no more than five years; 2) The firms are engaged in international operations and therefore maintain an international presence, with at least 50 percent of sales volume from abroad; 3) The firms are not only exporters but also importers; 4) The firms encompass all sectors, including high-tech, food products, entertainment, fashion, medical services, indeed, all business sectors; 5) They are small and medium-sized firms (SMEs) with a total workforce of no more than 10. The data banks of the Swedish Trade Council and the Gävleborg and Stockholm counties' Chambers of Commerce were utilized to locate the firms. The empirical study entails analysis of **new exporters** from among the small and medium-sized firms. This means that the focus was not only on new – entrepreneurial – firms, but also on firms that have recently begun to export to Sweden and from Sweden, as well as on firms with growing exports in the five years prior to the survey – the so-called **emerging exporters**. In this way, sporadic exporters were excluded from the survey, along with firms that were highly international. 90 emerging exporters were identified and, of these, 60 answered the questionnaire and were also interviewed. Since the survey encompasses Swedish SMEs operating in other countries and foreign SMEs operating in Sweden that meet the above-stated five criteria, the findings (review of extant literature and empirical data reported in this paper) are transferable to other geographical contexts.

During the data collection process, the majority of the companies requested anonymity. The characteristics of the investigated firms are summarized in Table 2, which lists variables such as business-specific factors or line of business, niche focus, networking attitude and magnitude, entrepreneurial prowess or organizational capabilities, and geographical coverage or global mindset. The above characteristics were measured against performance parameters rated as Strong (based on a score of > 85%), High (a score of >75%), Average and Weak (a score of <75% and <25%, respectively). Precocity implies the number years from inception to first foreign sales. "0" implies that the firm was global from day one and without sales in the domestic market. In this study, business networks are defined as a set of interconnected business relationships, in which each exchange relation is between firms conceptualized as collective actors (Anderson et al., 1994; Håkansson & Johanson, 1992), which has shown that establishment and development of lasting business relationships are important elements in improving the effectiveness and efficiency of firms.

Entrepreneurial prowess, in this study, assessed the role of entrepreneur along the dimension of vision, innovativeness, and organizational capabilities in international growth. The frame of reference to operationalize the entrepreneurial prowess and managerial factors in this study originates from Zucchella's (2004) recommendations. Entrepreneurial prowess and managerial factors are operationalized against the background of the changing economic landscape in the business environment which has led to the emergence of a new breed of entrepreneurs and managers with a higher education than their predecessors, and a stronger international vision (thanks to intense use of Information and Communication Technology (ICT), frequent travel, studies abroad, better knowledge of foreign languages). The relevance of business-specific factors (niche orientation) in explaining early and fast international growth has been underlined. It is assumed that niche orientation could be a driver of early and accelerated internationalization processes, because micro-segmenting potential markets are by definition a world-based process (Zucchella, 2004). This implies that global scope (Nummela, 2004) is the natural outcome of a deep niche focus. Deep niche firms, although small in size, can be leaders in their market segment on a global scale (Malaksedh & Nahavandi, 1985). For the purpose of this study, opting for a deep niche focus is predominantly a matter of entrepreneurial drivers, competences and vision, with a strong impact on the firm's international performance. For this reason, the argument will also be considered under entrepreneurial factors.

## 4 ENABLERS OF NON-SEQUENTIAL INTERNATIONALIZATION PROCESS

Table 2 below shows findings from survey of 60 small and medium-sized firms (SMEs). The criteria for selecting Swedish SMEs operating in other countries and foreign SMEs operating in Sweden entail firms that tends not to develop in incremental stages with respect to their international activities is available in the previous section. In Table 2, **global** in terms of geographical mindset implies that the firm operates in one form or the other in at least three continents. **EU** implies that the firm has international activities in at least eight of the European Union member countries. **Europe**: if the firm is operating in some EU nations and at least two European states that are not members of EU. **Americas** includes North and South America. The firm is regarded to have operation in the Americas if it conducts business in at least five Latin American nations and some states in USA. **Asia** implies that the firm is operating in at least eighty Asian countries. The summary in Table 2 shows that non-sequential internationalization processes are common and typically include the features of born globals and in some cases leapfrogging. A majority of the firms showed strong international vision and organizational capabilities, despite the absence of international experience. The knowledge gap was filled by employing export consultants, and the Swedish Trade Council as well as Chambers of Commerce proved to be valuable in this regard. All the investigated firms fit into the born global characteristics: global orientation within two years of its inception, niche focus, non-sequential entry modes, global mindset irrespective of psychic distance, greater proportion of sales abroad, and in some cases no domestic sales at all (Mort & Weerawardena, 2006; Moen, 2002; Rasmussen et al., 2001). The salient features of an integrated framework where the main drivers of non-sequential internationalization process are integrated are depicted in Figure 1.

**Figure 1: Integrated framework of the enablers of a non-sequential internationalization**

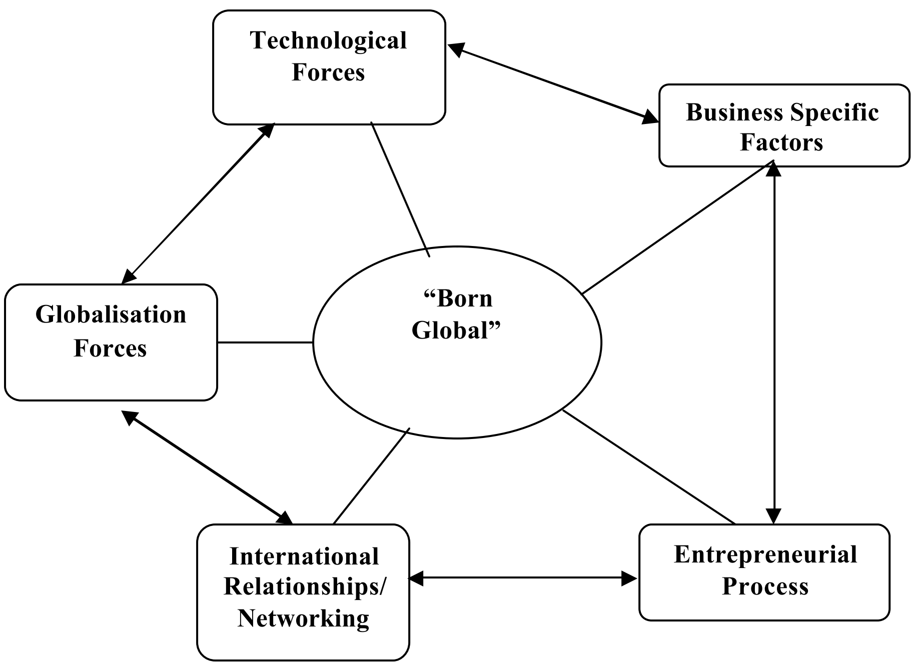

**Table 2: Findings from survey of 60 Swedish and foreign small and medium-sized firms (SMEs).**

| Firms | Business sector | Entry modes | %foreign sales to tot. sales. | Preco-city | Global mindset Geographical coverage | Entre-preneu-rial prowess | Relation-ship Netwo-rking | Dependency on Techno-logical tools |
|---|---|---|---|---|---|---|---|---|
| 1 | Medical high tech | JV (Joint venture) | 90% | 2 | Global | Strong | Strong | High |
| 2 | Foodstuffs | Export | 70% | 2 | Global | Strong | Strong | High |
| 3 | High tech | JV, production plants | 100% | 0 | Global | Strong | Strong | High |
| 4 | Foodstuffs | Exports | 50% | 1 | EU, Asia, USA | Strong | Strong | High |
| 5 | Music | Export, concerts, www | 90% | 0 | Global | Strong | Strong | High |
| 6 | Online gaming | Website | 50% | 1 | Asia, EU, USA | Strong | Strong | High |
| 7 | Ecological clothing | FDI (Foreign direct investment) | 80% | 1 | Global | Strong | Strong | High |
| 8 | Foodstuffs | Export, JV | 60% | 2 | EU, Asia, USA | Strong | Strong | High |
| 9 | High tech | FDI | 100% | 0 | Global | Strong | Strong | High |
| 10 | Electronics | Sales subsidiary | 100% | 0 | Global | Strong | Strong | High |
| 11 | Online music | Export | 70% | 1 | Global | Strong | Strong | High |
| 12 | Software | FDI | 95% | 0 | Global | Strong | Strong | High |
| 13 | Precision mechanics | Export, JV, FDI | 80% | 2 | Global | Strong | Strong | High |
| 14 | Mechanical parts | Export, sales subsidiary | 75% | 2 | Global | Strong | Strong | High |
| 15 | Clothing/fashion | World Wide Web | 95% | 0 | Asia, EU, USA | Strong | Strong | High |
| 16 | Health foods | Export, sales subsidiary | 80% | 1 | Global | Strong | Strong | High |
| 17 | Health foods | Export, agents | 85% | 0 | Global | Strong | Strong | Average |
| 18 | Home electronics | Export, World Wide Web | 70% | 0 | Global | Strong | Strong | High |
| 19 | Fashion/clothing | Export, FDI | 100% | 0 | Global | Strong | Strong | High |
| 20 | Leather products | Export, FDI | 80% | 1 | Global | Strong | Strong | High |
| 21 | Hides & leather | Export | 98% | 0 | Global | Strong | Strong | High |
| 22 | Cosmetics | Export, FDI | 78% | 2 | EU, USA, Russia | Strong | Strong | High |
| 23 | Whitefish roe | Export, website "hits" | 80% | 1 | Global | Strong | Strong | High |
| 24 | Jeans/clothing | Export, agents | 90% | 0 | EU, Asia, USA | Strong | Strong | High |
| 25 | Music | Export, concerts | 88% | 1 | Japan, China, EU | Strong | Strong | High |
| 26 | Organic foods | Export, agents, website | 100% | 0 | Global | Strong | Strong | High |
| 27 | Video communities | Website | 100% | 0 | Global | Strong | Strong | High |
| 28 | Fashion/clothing | Export, website | 92% | 1 | EU, Asia, USA | Strong | Strong | High |
| 29 | Music videos | Website | 100% | 0 | Global | Strong | Strong | High |
| 30 | Traditional foods | Website, agents, export | 100% | 0 | Global | Strong | Strong | High |
| 31 | Traditional foods | Agents, export | 80% | 1 | Global | Strong | Strong | High |
| 32 | Fashion/clothing | Website, JV (Joint Venture) | 100% | 0 | Global | Strong | Strong | High |
| 33 | Health foods | Website, Export | 100% | 0 | Global | Strong | Strong | High |
| 34 | Ecological clothing | Website, Export | 100% | 0 | Global | Strong | Strong | High |
| 35 | Music | Export, online concerts | 90% | 2 | Global | Strong | Strong | High |
| 36 | Online gaming | Website | 70% | 1 | Asia, EU, USA | Strong | Strong | High |
| 37 | Hides & leather | JV, FDI | 100% | 1 | Americas, Australia, Europe | Strong | Strong | High |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| 38 | Jeans/clothing | Export, JV, FDI | 60% | 2 | EU, Asia, USA | Strong | Strong | High |
| 39 | Fermented herrings | Export, agents | 100% | 0 | Global | Strong | Strong | High |
| 40 | Fermented herrings | Website/online sales | 100% | 0 | Japan, China | Strong | Strong | High |
| 41 | Cosmetics | Export, sales subsidiary | 86% | 1 | Europe, Australia | Strong | Strong | High |
| 42 | Whitefish roe | Online sales, Agents | 100 | 0 | Asia, Americas | Strong | Strong | High |
| 43 | Ginger biscuits | Export, website | 80% | 2 | Global | Strong | Strong | High |
| 44 | Crisp bread | Export via online sales | 90% | 2 | Global | Strong | Strong | High |
| 45 | Clothing/fashion | Online sales | 95% | 0 | Asia, EU, USA | Strong | Strong | High |
| 46 | Health foods | Export, sales subsidiary | 90% | 0 | Global | Strong | Strong | High |
| 47 | Cosmetics | Sales subsidiary, WWW | 95% | 2 | Europe, Americas Australia, Asia | Strong | Strong | Average |
| 48 | Smoked salmon | Online sales | 100% | 0 | Asia, Australia, USA | Strong | Strong | High |
| 49 | Music | Concerts, in store sales | 80% | 1 | Japan, China, EU | Strong | Strong | High |
| 50 | Glassware | Export, online sales | 90% | 0 | Europe, Asia, Americas | Strong | Strong | High |
| 51 | Interior design | Export, online sales, JV | 98% | 1 | Global | Strong | Strong | High |
| 52 | Interior design | Agents, JV | 90% | 0 | Global | Strong | Strong | High |
| 53 | Souvenir articles | Web site, sales subsidiary | 100% | 0 | Global | Strong | Strong | High |
| 54 | Circular saw blade | Sales subsidiary, JV, FDI | 90% | 2 | Asia, Americas, Africa | Strong | Strong | High |
| 55 | Diamond sawblade | Sales representatives, FDI | 100% | 0 | Africa, Americas | Strong | Strong | High |
| 56 | Traditional foods | Online sales, agents | 100% | 0 | Global | Strong | Strong | High |
| 57 | Hi-tech products | Web site, Agents, JV | 90% | 0 | Global | Strong | Strong | High |
| 58 | Electronics | Sales subsidiary, JV | 98% | 1 | Global | Strong | Strong | High |
| 59 | Music videos | WWW, online | 100% | 0 | Global | Strong | Strong | High |
| 60 | Swedish glassware | Sales subsidiary, online | 100% | 0 | Global | Strong | Strong | High |

**The Non-sequential Internationalization Process**

Findings presented in Table 2 aptly depict that firms did not follow the traditional stages pattern in their internationalization process. This is a sharp contrast to the sequential model of internationalization (Johanson and Wiedersheim-Paul, 1975; Johanson & Vahlne, 1977, 1990, 2003). Such firms have been termed *born globals* by Mort & Weerawardena (2006), Knight and Cavusgil (1996) and Madsen & Servais (1997); *global start-ups* by Oviatt & McDougall (1994); *high technology start-ups* by Jolly et al. (1992) and Keeble et al. (1998); *infant multinationals* by Lindqvist (1991); and *international new ventures* by McDougall et al. (1994). The term *born globals* refers to firms that aspire to a rapid international growth from early on in their lives, firms that implement a global strategy from inception (McDougall et al., 1994; Oviatt & McDougall, 1994). Thus, the majority of the firms presented in Table 2 exhibit the characteristics of born globals because many of them did not establish domestic sales before starting international sales. Furthermore, in their choice of international market entry, the majority of the firms ignored psychically close markets.

The concept, "born global" was introduced in academia by Cavusgi (1994): "There is emerging in Australia a new breed of exporting companies, which contribute substantially to the nation's export capital. The emergence of these exporters though not unique to the Australian economy, reflects two fundamental phenomena of the 1990s: 1) Small is beautiful. 2) Gradual internationalization is dead" (p. 18). The main drivers of the non-sequential internationalization process model (see findings reported in Table 2) consist of those that are firm-specific, executive management-specific, and those specific to environmental forces following globalization. Among such factors are information technologies, which constitute the backbone of globalizing economies and societies (Kobrin, 1991). From the firm's perspective, IT supports real-time information flows, increasing and speeding up access to global sources of information and to global business opportunities, and makes possible the management of international value chains (Quinn, 1992; De la Torre & Moxon, 2001).

The growth of born globals can also be explained by the increased importance of niche markets (Moen, 2002). Customers in mature markets demand specialized and tailor-made products because as global markets grow increasingly efficient, competition no longer takes place between individual businesses, but between entire supply chains (Sahay, 2003, p. 76). All the small firms presented in Table 2 have no other choice but to specialize within a niche because competition is so fierce both domestically and abroad. Such firms often achieve success through fast access to the market as their products undergo continuous innovation and improvement. In other words, they are dependent on the speed offered by technological developments. This creates good conditions for born globals. Thus, a number of factors play a role in the development of born globals, which also do business in markets where cultural differences and psychological distance are of decreasing relevance (Knight & Cavusgil, 1996; Rasmussen et al. 2001). As the Uppsala model implies internationalization in stages in countries with small psychological distance, it is not particularly applicable to those types of firms that tend to skip certain stages of the process in order to enter markets faster.

**Changed environmental conditions following globalization**

The globalization concept is something different from the idea of worldwide homogenization of preferences, structures, etc (Otlacan & Otlacan, 2006). Globalization is a highly dynamic process that leads to a growing worldwide interdependence, both accompanied and boosted by a growth and interconnection of systems, geography, firms and individuals (Wild et al., 2003). The findings reported in Table 2 demonstrate that the globally networked economy creates potentially new ways in which firms can create and capture value from being quick to respond to changes in the market and in the environment (Brandenburger & Nalebuff, 1998; Eisenhardt, 1989), to being able to profit from information scanning and intermediation (Evans & Wurster, 1999; Otlacan and Otlacan, 2006) and from knowledge creation and exploitation (Dunning, 2000). All firms presented in Table 2 aim at international markets and the global market right from birth. Nordström (1991), however, believes that differences between countries are beginning to diminish, leading to less psychological distance in an increasingly homogeneous world. This circumstance, he suggests, leads to a situation in which start-up companies will be increasingly willing to enter markets that were previously far away in terms of psychological distance. This may be a result of the increased globalization taking place at present (Hill, 2003; Wild, 2003). Consequently, there is not the same need to create knowledge within the company either, as it is relatively easy to source externally, for example because of the increased international focus of education. The number of people who have experience of international trade has increased, meaning that firms can hire the competence they need rather than creating it themselves (Saarenketo et al., 2004). The ongoing market globalization removes barriers between markets and enables knowledge to be transferred easily across large distances.

Against this background, born global phenomenon is not limited to just a few firms; it applies to the majority of newly established exporting firms. "Furthermore, in terms of global orientation, export strategy, competitive advantages and market situation – the newly established, highly-involved exporters possess similar characteristics to the old global firms. Also, newly established low level involvement exporters resemble old low level involvement exporters. Examining the differences between newly established firms with high or low export involvement levels revealed that a decision maker's global orientation and market conditions (home and export markets) are important factors" (Moen, 2002 p. 156). Consequently, this study supports findings by Moen (2006) that since a firm is either "born global" or "born local", the relevance of internationalization process stage models, as described in previous research, must be questioned.

**The role of technology in the internationalization process**

According to Li et al. (2007), the first Internet boom started in the mid-1990s, and it quickly led to a dot.com bubble on the stock markets, which eventually burst in 2001. However, the market recovered very rapidly and by 2005 there was already talk of a second Internet boom, which is much more robust than the first one. "Continuous rapid developments in Internet and related technologies, infrastructure, services and applications are leading to new opportunities and challenges that could not even be envisaged only a few years ago" (Li et al. 2007). Key benefits of Internet technology frequently mentioned by the firms listed in Table 2 are that it lowers the cost of internationalization (see Quelch & Klein, 1996; Sterne, 1995; Hoffman & Novak, 1996). Specific savings were gained in market research

(Hamill & Gregory, 1998), and simplified order processing (Bennett, 1997). Internet technology reduces the cost of transactions for most businesses (Afua, 2001; Gong et al., 2007) because it is easier to give the right offer to the right person at the right time. Thus, the ensuing lower resource requirements serve to level the playing field so that financial resource constraints no longer inhibit the internationalization of small firms to the extent suggested by some earlier small business internationalization literature (Buckley et al., 1998; Hansen et al., 1994). Hence, small firms are expected to benefit from the advent of the Internet (Kozinet, 1999) since information technology has been viewed as a facilitator of internationalization (de la Torre & Moxon, 2001; Dunning & Wymbs, 2001).The connections between the simultaneous rise in the number of born globals, accelerated/serial international growth paths, and the spread of globalization processes, with their typical time and space compression features, shrinking transportation and communication costs (Hofstein, 1992), and better accessibility to information and knowledge (Czinkota & Ronkaininen, 1995; Nordström, 1991), seem in fact substantial (Knight & Cavusgil, 1996). The findings from this study support Quelch & Klein's viewpoint (1996) that the Internet may help firms to capitalize on global niche opportunities. International business literature proposes global niche opportunities as a route for small, resource-constrained firms to internationalize rapidly (Hollensen, 2007; Wild. et al., 2003). The findings reported in Table 2 demonstrate that the Internet enables small firms to compete globally because they can contact foreign customers without expensive and time-consuming travel. Sellers can demonstrate their products to prospective customers inexpensively and rapidly via video teleconferencing. Home office managers have closer, more rapid, and less expensive contact with their overseas operations by using e-mail. Consequently, changes in the technological environment are one of the drivers leading firms to globalization of their operations (see Table 2 above).

**Business-specific factors**

Business-specific factors are operationalized in this study as the characteristics or nature of the product being sold (Malaksedh & Nahavandi, 1985; Zuccella, 2004). The feature of the globalizing economy pushes towards early and fast internationalization of a growing number of activities and firms, but this occurs much more massively and intensely in certain industries, where the impact of globalization dominates or even shapes the business itself. The digital economy led to the progressive dismantling of barriers between industries, creating new competitive arenas where previously separated industries converged, progressively, mainly due to technological advances (Hamel & Prahalad, 1994). In these enlarged arenas, there is room for smaller niche firms, innovative and capable of dominating their specific sub-arenas. To do this successfully, firms included in this study developed, from their inception, a global orientation. The findings in Table 2 are supported by viewpoints by Preece (1988); Bell et al. (2001) and Blomstermo & Sharma (2002). Preece et al. (1988) outline three basic conditions that draw these firms into an early international expansion: 1) The tendency to organize within a narrowly-defined market niche, which leads to an international market horizon in order to break even, since the domestic one – at a small niche level – does not permit the to reach adequate sales volumes; 2) The high development costs typical of most businesses in digital space; 3) The speed of competition and product obsolescence, which leads firms with short product lifecycles and intense competitive dynamics to simultaneous domestic and international market penetration.

With reference to Table 2, an increasing number of SMEs, encompassing both tangible products (clothing, foodstuffs, music, electronics, etc.) and intangibles (health care, music concerts, travel, etc.), are getting involved in international activities more rapidly and intensively than they have historically. Evidence from this study is not in agreement with commonly held views that the non-sequential internationalization process is attributed solely to high-tech firms. On the contrary, the findings demonstrate that a non-sequential internationalization exists in all industries, but is most common among high-tech firms in the IT sector. The importance of executive management is emphasized due to the fact that their view of the world plays a major role. These views are also related to views expressed by Borgersen (2006) that firm-level factors are more important determinants of export behaviour than factors related to industry. The importance of firm characteristics seems especially true for industries dominated by SMEs, as they represent a myriad of different production technologies and their industry characteristics are hard to detect.

**Entrepreneurial prowess**

According to Butel & Watkins (2006), entrepreneurs operate in conditions of dynamic uncertainty; identifying and exploiting opportunities presented by the business environment. Opportunistic search is core to entrepreneurial activity. Findings reported in this study regarding entrepreneurial abilities show that the executive managers of born globals are often greater risk-takers than managers in traditional firms. They are also more innovative and have an explicit global vision, making no distinction between the domestic and international markets. The whole world is viewed as a single marketplace. The typical born global executive manager also has experience of an international market and has often previously worked in an international firm; such managers are thus more capable of initiating a successful international market entry as they have already built a network. Their common denominator is speed. The above findings are in agreement with those of Saarenketo et al (2004). Moen (2002) also found that the strategic choices and personal network of the entrepreneur are crucial, but that many questions about the transfer of visions, leadership and knowledge remain unaddressed.

Firms that belong to the category reported in Table 2 were found to be more flexible in their decision-making process. For example, they were quick to adapt to the demands and standards of international markets. The owners of these firms have a global mindset. This finding is also in line with that of Nummela (2004). Another societal trend that influences the growth of born globals is the increasing relevance of global networks (Blomstermo et al, 2002). Successful international business is facilitated to a great extent by partnerships and collaboration with international firms, including, for example, suppliers and trade associations. According to Sahay (2003), collaboration can provide the competitive edge that enables all the business partners in a supply chain to prevail and grow. In addition, inexperienced managers can increase their chances of international success if they take their time to build long-term and mutually profitable alliances with international companies (Hollensen, 2001; Elmuti & Kathawala, 2001; Todeva & Knoke, 2005). Successful international trade also increases through the creation of partnerships with international players, such as distributors, trading companies and traditional buyers and sellers (Blomstermo & Sharma, 2002). One way for small firms to achieve international sales successes and at the same time suppress competition is, as mentioned earlier and in Table 2, by entering into alliances with other firms. This observation is in agreement with extant literature on strategic alliances and collaboration (for a review see: Elmuti & Kathawala, 2001; Todeva & Knoke, 2005).

**International Networking and relationship conceptualization**

In the network context, internationalisation means that the firm develops business relationship in networks in other countries through international extension, penetration or international integration (Johanson and Mattsson, 1988; Coviello and Munro, 1997). The network approach is particularly important in turbulent, high technology industries (Johanson and Vahlne, 1990). The definition of network utilized in this paper, which is presented in the literature review and in the methodology section above, is based consistently on a framework of international entrepreneurship researchers (Anderson et al., 1994; Oviatt & McDougall, 1994; Coviello & Munro, 1997; Bell, 1995; Johanson & Vahlne, 2003; Mattsson & Johanson, 2006), and considers that relationships develop gradually when firms learn from interacting with each other and make a stronger commitment to the relationship (Anderson, 1993). In other words, firms use their networks to gain access to resources, to improve their strategic positions, to learn new skills, or to gain legitimacy (Gulati, 1995; Boari & Associates, 2004). In this approach, networks are always analysed as a process (Coviello & Munro, 1997), because markets are depicted as a system of relationships among a number of different players, and strategic action is rarely limited to a single firm. Thus, the nature of interorganizational networks established with actors in the market influences and often dictates future strategic options concerning the internationalization process of firms (Coviello & Munro, 1997).

According to Mort & Weerawardena (2006), by operating in international networks, firms may enjoy a “learning advantage” abroad and find it easier to go abroad than firms whose exchange partners are domestic firms. Firms investigated in this study have shown to be successful without having a reliable and stable domestic market. They have achieved success without gradually building an international market. It is evident from Table 2 above that the founders’ networks were a vital enabler of the pattern of internationalization indulged in by the majority of the firms. Many studies (Havila et al., 2004; Rutashobya & Jaensson, 2004, Mattsson & Johanson, 2006) have shown the importance of international networks, both on a personal level as well as on an organizational level, in understanding a firm’s international development. However, some born global firms studied are founded without any international network of the founder being involved (see also Rasmussen et al., 2001). To born globals, international market entry is exploratory in nature, as they utilize their networks and contacts to spread their products in the international market through partnerships and joint ventures. Because they lack their own competencies and resources for international market entry, networks are vital. The firms initially conduct their sales activities through a network, in which they seek partners that complement their own competencies. The network perspective (Mattsson & Johanson, 2006; Ford et al., 1986; Tikkanen, 1998) takes into account many different types of relationships that may exist between the parties involved. By being part of a network, a firm’s internationalization process will proceed more rapidly. It has been shown that entrepreneurs in this area have a large network (Hollensen, 2001).

Strategic alliances, according to Todeva & Knoke (2005), can be an effective way to diffuse new technologies rapidly, to enter a new market, to bypass governmental restrictions expeditiously, and to learn quickly from the leading firms in a given field. It is confirmed in Table 2 above and in Todeva and Knoke (2005) that using a well-managed strategic alliance agreement enables companies to make gains in markets that would otherwise be uneconomical. Considerable time and energy must be put forth by all involved in order to create a successful alliance.

## 5 CONCLUSIONS AND IMPLICATIONS

To create successful export strategies, international market experience of exporters, or the lack of it, must be considered as a starting point. The market entry costs show how both experience and firm-level factors matter for export behaviour and export structures. Transaction or market entry costs (Hollensen, 2001; Williamson, 1979; Donaldson & O`Toole, 2007), in this regard, consist of searching for information about products, prices, inputs and buyers or sellers, negotiation costs, and monitoring (or enforcement) costs. Borgersen (2006) provides a partial argument in relation to optimal industry structure by taking into account the entry costs firms in developing countries face in international markets. The importance of trade costs and market entry costs are of particular importance for developing countries.

It was mentioned earlier in this paper that the emergence of a growing literature body on the non-sequential internationalization process led to increasing criticism (Anderson and Forsgren, 2000; Forsgren, 2002; Autio, 2003; Saarenketo, 2004) of stage models and their core assumptions, i.e. that the process is path-dependent. Empirical findings and the review of relevant work reported in this study support the growing relevance of non-sequential growth paths. However, this does not necessarily contrast with some basic assumptions of Johanson & Vahlne's (1977, 1990, 1992 & 2003) model because, according to Figure 1, which aptly depicts the main drivers of the non-sequential internationalization process, at least two basic outcomes of the traditional model – experiential learning (Forsgren, 2002; Johanson & Vahlne, 2003) and international networking (Mattsson & Johanson, 2006; Mort & Weerawardena, 2006) – seem to maintain a crucial validity in the non-sequential internationalization process as well. According to Mainela (2003), a functioning network is immensely important. Thus, if an international collaboration is to work well over a longer period of time, the executive management of a firm must be able to develop and utilize social relationships with many actors.

According to Boari et al (2004), the use of the network approach in explaining the internationalization process has important implications. This paper shows that the speed of internationalization of the firms is, among other things, a result of its development of relationships with customer resources, which enabled the non-sequential internationalization process. In this respect, networks can be a question of survival, particularly for small firms. This implies that personal relationships are fundamental to a network because it is the relationships that bond the network and give it its character. The trust created by the relationships is also important, with the network developing as the social dimension and trust develop (Hunt & Morgan, 1994; Håkansson & Johanson, 1992; Tikkanen, 1998; Sahay, 2003; Mattsson & Johanson, 2006). Networks are value-based as they cannot survive by themselves. Autio et al (2000) also emphasized the importance of networks and the influence of relationships on the internationalization process, as demonstrated in the findings reported earlier in this study. These findings are in line with what network researchers have advocated, for example, that firms with large international social capital (Evans & Carson, 2005) learned more from the internationalization and that this also increased their sales. Boari & Associates (2004) and Osarenkhoe & Bennani (2007) suggest that a firm should cultivate its networks and work to gain a good reputation, as customers are the key to learning. Similar view was expressed earlier by Sahay (2003). Contrary to the findings presented in this study, the traditional sequential approach (Luostarinen, 1994; Cavusgil, 1980; Bilkey & Tesar 1977; Leonidou & Katsikeas, 1996; Johanson & Vahlne, 1977, 1990) gives the impression that the market entry decision is taken by firms acting on their own. It also tends to recommend the following: assessment of products in the foreign markets (choosing the target product/market), setting objectives and goals, choosing the entry mode, designing the marketing plan, and checking for performance. These stages are iterative but clearly based on the assumption of a firm acting independently.

As discussed earlier in this paper, firms are exposed to irrecoverable entry costs or transaction costs in international markets (Willianson, 1979; McNaughton, 2002; Gong et al 2007). In addition to hampering their behaviour in international markets, the market entry costs complicate export supply responses (Borgersen, 2006). On the basis of this, it seems entry costs/transaction costs in international markets may be an obstacle for firms with similar characteristics as the ones studied in this paper.

However, the magnitude of the costs of internationalization is dependent on the ability of the firms to take advantage of the enablers of non-sequential internationalization process outlined in Figure 1 and discussed in the previous section. For example, entrepreneurial ability and social competence/networking may serve as tools to reduce transaction costs, thereby removing obstacles that may hamper the speed of internationalization. Based on the preceding discussion of the salient features of the integrated framework of the enablers of the non-sequential internationalization process (see Figure 1) that emanated from the empirical study, it is hereby underlined that the non-sequential internationalization pattern is a relevant phenomenon. However, even though market entry patterns of firms investigated in this study demonstrate a non-sequential internationalization process, they are still within the general theoretical framework where the basic assumption of the sequential internationalization model can maintain its validity.

Boari and Associates (2004) suggest the importance of enlarging the network model of internationalization through the social capital theory (Coleman, 1990), according to the idea that firms are embedded in social networks with other actors and that social relations shape economic action. Boari and Associates further suggest that there is a need for a theoretical model that explicates the influences of social capital on the firms' foreign growth, in order to devote more attention to the social content of relationships between partners, rather than on the structural properties of networks (Borgatti et al., 1998). Consequently, according to Boari & Associates (2004), the use of the social capital approach suggests that a start-up's international growth process is contingent on the nature and structure of its social relationships (Granovetter, 1985). Other implications of this study are that the development of strong levels of social capital (Coleman, 1990) can become a profitable source of competitive advantage abroad. Thus, while firm-level social capital has been increasingly studied in the context of domestic relationships (Borgatti, 1998; Coleman, 1990; Gulati, 1995; Nahapiet & Ghoshal, 1998; Lin et al., 2001; Evans & Carson, 2005), the findings from this study and those of Boari & Associates (2004) demonstrate the importance of its deepened application also in international settings.

It is shown in this paper that a firm that rapidly becomes international, gains an international identity, picks up new technology, and has the potential for exponential growth. It gains access to a larger market at an early stage and has a larger number of markets to rely on. This has an impact on the learning of the firm in a larger perspective. It becomes easier for the firm to appropriate new knowledge, which is important in today's knowledge-intensive society. As mentioned earlier in this paper, knowledge allows companies to transform business ideas to business opportunities (Bhatt, 2001). Knowledge is an enabler that allows the application of information in a useful context (Osarenkhoe and Bennani, 2007). This is essential for any upstart in any market, including a born global. The Internet in some sense lowers the entry barriers of a market, although an upstart may find it difficult to overcome network externalities created by established competitors. The foundation of any successful business rests within a company's ability to place its trust in potential business partners (Sahay, 2003). This is a problem for Internet-based solutions since trust is a complex process, which demands interaction between the partners. This interaction is not easy to facilitate in an Internet-based situation, therefore the conclusion is that Internet is an enabler of market presence and not a deciding factor for market success. It is worthwhile for future study to critically address in a large scale study market entry costs for firms with similar characteristics as the ones studied in this paper in order to determine whether or not entry costs constitute an obstacle for all categories of firms as commonly envisaged in extant literature such as Anderson and van Wincoop (2004), Borgersen (2006), Leonidou and Katsikeas (1996).

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