

Master's Programme in International Strategic Management

INTERNATIONALIZATION OF IT BORN  
GLOBAL FIRMS  
A NEW APPROACH

by

Daniel Carlsson & Maxim Meixger

May 2017



**LUND UNIVERSITY**  
School of Economics and Management

Supervisor: Tomas Hellström

Globalization has changed us into a company that searches the world, not just to sell or to source, but to find intellectual capital - the world's best talents and greatest ideas.

- *Jack Welch*

## **ABSTRACT**

The emergence of born global firms in the last decades has led to a growing interest in the internationalization processes of such companies. Despite the existence of traditional internationalization frameworks, we seek to understand how internationalization process of IT born global firms deviate from traditional theory and what key factors play a role in their internationalization process. To develop a more integrated framework that encompasses key internationalization factors from different traditional theories and a case company, we used template analysis on the IT born global firm Eurosender. We find that in contrast to traditional theory, born global firms start operating in multiple countries from the outset, rather than following a sequential process. Besides technical advantages of IT, we show that the importance of finance, personnel, and networks is core to the internationalization success of IT born global firms. We develop a new model that has its theoretical relevance in providing a framework that encompasses factors from multiple traditional theories and can be used by aspiring entrepreneurs to get practical advice on what factors have found to be essential to internationalization success of born global firms.

Keywords: internationalization, eclectic paradigm, uppsala model, born global firms, market entry, internationalization theories, information and technology

## ACKNOWLEDGEMENTS

We would like to thank everyone who has supported us in completing this Master Thesis. We are grateful for all contributions, regardless whether appreciated comments or valuable brainstorming sessions, helpful inputs, thought-provoking impulses or just coffee that was provided to us.

First, we would like to express our deepest gratitude to our dear professor and supervisor Tomas Hellström. Since the first lecture in research methods until the very last meeting, he has had a profound influence on our learning and writing process. We are thankful for his passion, support and critique that he has given us during this period. Without the productive meetings, his engagement and desire to help us achieve outstanding results, this thesis would have remained a dream. We consider it an honor to have worked with him and hope to continue our good personal relationship in the future.

Furthermore, it is with immense thankfulness that we acknowledge the support and help of Tim Potočnik and Jan Štefe. We are appreciative for giving us the opportunity to work with Eurosender, and we cannot thank them enough for their flexibility and kindness in giving us insights into their company. Without the open and trust based interviews, inputs, and encouragement we would not have been able to complete this Thesis. We wish them all the best for their personal and professional future.

Moreover, we share the credit of our work with our families who were patient and supportive at all times, giving us strength and confidence during the Thesis.

Thank you all,

Daniel and Maxim

# TABLE OF CONTENTS

<b>1</b>	<b>Introduction.....</b>	<b>1</b>
1.1	Background .....	1
1.2	Born Global Firms.....	2
1.3	Problematization.....	3
1.4	Purpose and Research Question .....	5
1.5	Delimitations .....	5
<b>2</b>	<b>Literature Review .....</b>	<b>6</b>
2.1	Market Entry Modes.....	6
2.1.1	Exporting Modes.....	7
2.1.2	Contractual Modes .....	7
2.1.3	Investment Modes .....	7
2.1.4	Control .....	8
2.1.5	Dissemination Risk .....	8
2.1.6	Resource Commitment.....	8
2.1.7	Flexibility and Situational Factors .....	9
2.2	International Business Theories .....	9
2.3	Internationalization Theory .....	11
2.4	Eclectic Paradigm.....	12
2.4.1	Ownership Advantages (O).....	13
2.4.2	Location Advantages (L) .....	14
2.4.3	Internalization of Ownership Advantages (I).....	15
2.5	Incremental Internationalization and Psychic Distance .....	16
2.5.1	Sequence of Market Entry Modes.....	17
2.5.2	Foreign Market Selection.....	17
2.6	Network Theory .....	20
2.6.1	Business Networks.....	20
2.6.2	Networks and Internationalization .....	21
2.7	Preliminary Framework.....	23
2.7.1	Internal Dimension.....	24
2.7.2	External Dimension .....	25
2.7.3	Network Dimension .....	26

<b>3</b>	<b>Methodology .....</b>	<b>28</b>
3.1	Research Approach.....	28
3.2	Research Design .....	28
3.3	Data Collection Method .....	29
3.4	Data Analysis .....	30
3.5	Validity and Reliability .....	30
<b>4</b>	<b>Results .....</b>	<b>32</b>
4.1	Logistics Industry Analysis .....	32
4.1.1	Background .....	32
4.1.2	European Logistics Market .....	33
4.1.3	Industry Developments .....	33
4.2	Company Introduction.....	35
4.3	Interview Results.....	37
4.3.1	Internal Dimension.....	38
4.3.2	External Dimension .....	43
4.3.3	Network Dimension .....	45
4.4	Case Summary.....	47
4.4.1	Internal Dimension.....	47
4.4.2	External Dimension .....	48
4.4.3	Network Dimension .....	48
<b>5</b>	<b>Discussion .....</b>	<b>50</b>
5.1	Sequence and Market Entry Modes.....	50
5.2	Internal Dimension .....	51
5.2.1	Financial Resources .....	52
5.2.2	Human Capital .....	53
5.2.3	Need for control .....	55
5.2.4	Risk Profile .....	56
5.3	External Dimension .....	57
5.3.1	The domestic-foreign market perception .....	58
5.3.2	Psychic Distance .....	60
5.3.3	Economic Factors.....	60
5.3.4	Cultural Factors.....	62
5.3.5	Political Factors .....	63

5.3.6	Geographical Factors .....	64
5.4	IT Born Global Internationalization Framework.....	64
<b>6</b>	<b>Conclusion .....</b>	<b>68</b>
<b>7</b>	<b>Bibliography .....</b>	<b>71</b>
<b>8</b>	<b>Appendix.....</b>	<b>78</b>

## **TABLE OF FIGURES**

Figure 1.	Eurosender Business Model and Value Chain .....	35
Figure 2.	IT Born Global Internationalization Framework.....	66

# 1 INTRODUCTION

## 1.1 Background

Since the Second World War, trade liberalization, deregulation and privatization have opened up national economies to a globalized market. Consequently, new businesses that aim at deriving value across borders have emerged (Gilpin, 2002). Ever since, international expansion patterns of firms concerning foreign market entry and foreign market selection have received considerable attention in the research literature. Since Ronald Coase's theory of the firm in 1937, researchers have developed and relied on many different theoretical frameworks that explain the complexity of internationalization processes of firms. The pioneering and most prominent branches of research on this topic are the Internationalization Theory (Buckley & Casson, 1976), Dunning's Eclectic Paradigm (1977) and Johanson's and Vahlne's Incremental Internationalization Framework (1977). Since these frameworks were first presented, a plethora of reviews, alterations and contributions have tried to account for the changes in the geopolitical and international business environment over the past decades (Rugman, 2010; Dunning & Lundan, 2009; Narula, 2010; Eden, 2003; Coviello & Munroe, 1995, 1997; Johanson & Vahlne, 2009; Laufs & Schwens, 2014). One of the frameworks that have been developed most significantly is Johanson's and Vahlne's Uppsala Model, which in the latest version of 2009, has been adjusted for the recent development of network theory and the importance of social capital (Johanson & Vahlne, 2009). The adjustments were a necessity as the emerging globalization and development in information and communication technology has fundamentally influenced the way of doing business. Barriers to information about customers, market trends, competitors as well as countries have become significantly lower, and moreover, communication technology allows ambitious entrepreneurs to develop new IT based business models and to build up vast networks all over the globe. One of the most interesting business forms that have emerged are IT born global firms, companies that internationalize early and rapidly and that make use of the contemporary globalized and digitalized world to develop a unique competitive advantage across borders. As such enterprises operate in different countries from the very start, there are indications that the internationalization process of such companies might differ from traditional theory and thus, may represent a particular case of internationalization.



## 1.2 Born Global Firms

With recent advancement in globalization and technological developments, the phenomenon of born global firms has been drawing an increasing amount of attention, both in the business world as well as in theoretical research. Those companies have been raising in numbers rapidly in the last decade. In 2012, Eurofound estimated that about one-fifth of new enterprises in Europe can be considered born global firms. Eurofound also projected that born global firms are going to have an increasing influence on the economy and the labor market in the near future (Eurofund, 2012).

There are two primary definitions of born global firms, one stated by Knight and Cavusgil in their frequently cited paper of 2004, the second one established by Oviatt and McDougall (1994). Knight and Cavusgil (2004) define born global firms as “entrepreneurial start-ups that, from or near their founding, seek to derive a substantial proportion of their revenue from the sale of products in international markets” (p.4). Furthermore, they state that born global firms are characterized by their lack of experience and resources, both tangible and financial, as well as their small scale and young age (Knight and Cavusgil, 2004; Laufs & Schwens, 2014). The second definition of born global firms stems from the work of Oviatt and McDougall (1994), two authors that also have been significant to this line of research. They define these types of firms as “business organizations that, from inception, seek to derive significant competitive advantage from the use of resources and the sale of outputs in multiple countries” (Oviatt & McDougall, 1994, p. 49). Whereas both definitions focus on young start-up firms, Knight and Cavusgil set the firm as the unit of analysis and emphasize that born global firms employ exporting as the primary internationalization mode, whereas Oviatt and McDougall consider a variety of value chain activities and stress that born global firms can apply various market entry modes. Besides the consideration of young businesses and the international aspect that are mentioned by both approaches, we are following the general definition of Oviatt and McDougall because "derive significant competitive advantage" allows for a wider definition and therefore includes advantages throughout the entire value chain. Furthermore, Oviatt and McDougall do not limit the market entry mode to exports.

In their most recent paper of 2015, Cavusgil and Knight reflected on contributions to the born global literature by other authors since their 2004 article. Those include:

- Products and services of born global firms tend to be driven by technology, innovation, differentiation, and design.
- The leadership is usually driven by the founder or a small set of employees with a very entrepreneurial orientation whose mission is to evoke engagement and excitement around the offering and the export initiative. The same leadership realizes the feasibility and benefit of reaching an international client base early and rapidly and the fact that their firm may even depend on it.
- Born global firms usually show strong skills when it comes to building and nurturing networks and collaborative relationships with actors such as suppliers, customers, distributors and sales agents, on which they leverage on.
- Domestic markets that are small tend to facilitate a relatively large proportion of born global firms.

While following the precise definition of Oviatt and McDougall, we further take the specific company characteristics described above as the primary attributes for born global firms. The definition and the characteristics of born global firms will be followed throughout the entire paper and serve as a filter in the literature review, preliminary framework as well as the findings and discussion. In the course of defining born global firms, it becomes evident that there are distinct differences between traditional companies and born global firms. As born global firms tend to be young, international and entrepreneurial-driven businesses that derive their competitive advantage from operations across borders from the very start, there are indications that traditional theories might be failing in explaining the internationalization process of such firms.

### **1.3 Problematization**

In the older line of literature, existing theories discuss internationalization within their framework. For example, in the Uppsala Model, internationalization is a gradual process in which firms act risk-averse and thus, only engaged in foreign markets once they had been established in the domestic market and when they had gained enough knowledge about the international market. Although the theory includes multiple types of entry modes, it assumes a predefined entry

sequence of internationalizing manufacturing firms (Johanson & Vahlne, 1977). Other theories such as the International Product Life Cycle Theory by Raymond Vernon (1966) also solely focused on physical products and exclusively discussed the exact timing to engage in Foreign Direct Investment (FDI) as market entry mode, while neglecting services and alternative market entry modes. Other literature that proceeds from older internationalization theories tend to focus on larger, experienced and resource heavy firms that either focus on firm level or market level (Dunning, 1980, Buckley & Casson, 1976, Hymer, 1960).

As indicated above, the foreign market entry approach of IT born global firms might be evidently different, where increasing worldwide demand, technological developments, efficient and affordable distribution solutions, a rising living standard, and widening global networks allows firms to expand early and rapidly, and to many different countries simultaneously (Knight and Cavusgil, 2004, 2015; Oviatt & McDougall, 1994.) Although older internationalization theories have been revised and altered and albeit there has been a growing body of research on the topic of IT born global firms, it is still a relatively new field in internationalization research. Cavusgil and Knight (2015) present the areas they deemed to be predominately desirable and valuable in regards to further research of early and rapid internationalization. From these, we have derived the current gaps in born global research that struck us as particularly interesting and promising.

According to Knight and Cavusgil (2015), there is a need to develop the knowledge regarding what role factors such as managerial competencies, internal resources, product characteristics, partner networks and external aspects play in the internationalization of IT born global firms. Although both the traditional and newer theories on internationalization touch upon such factors to some degree, no theory encompasses multiple factors in one model. Much of the existing research on IT born global firms relies on a single theoretical framework to explain early and rapid internationalization, such as the Uppsala Model or the Network Theory perspective. As examining the influence of different factors in the internationalization of IT born global firms is still a novel approach in born global research, Knight and Cavusgil (2015) emphasize that a more integrated theoretical framework that derives the most important factors from different research branches could assist in understanding the IT born global firms. There is also a dispute among scholars whether traditional internationalization theories apply to the born global phenomenon of today, and if so, what aspects of these theories are the most prominent for such firms.

Consequently, examining a more holistic set of factors that may affect and influence the early and rapid internationalization of IT born global firms, by developing a framework that integrates factors from both traditional and newer internationalization theories in the light of IT born global firms, would help to advance the state of knowledge in this field. This paper examines the internationalization process of the born global firm Eurosender to gain a deeper understanding of the factors that affect the internationalization of such companies.

#### **1.4 Purpose and Research Question**

The purpose of the research is to, through the means of exemplification, illustrate how internationalization of IT born global firms can deviate from traditional theory and to develop a framework that highlights a set of factors that most notably influence their internationalization process. By creating this framework, we aim at contributing to the born global literature by suggesting a more integrated model that encompasses factors from different internationalization theories as well as the findings from a born global company case. The research seeks to understand:

1. How internationalization of IT born global firms might deviate from key internationalization factors of traditional theory
2. What factors most notably influence the internationalization process of IT born global firms

#### **1.5 Delimitations**

In this thesis, we focus on internationalization processes of IT born global firms within Europe. The area of this inquiry deals with IT based born global businesses and does not discuss product based born global companies. However, we believe that our findings can also be generalized to product based born global firms within certain limitations. Furthermore, we discuss differences in the internationalization process of such companies in comparison to traditional theory. In this thesis, we do not cover R&D outsourcing, innovation processes, knowledge-sharing, organizational structures or internal governance and do not give insights into specific value chain activities or investigate the business model in more detail. Although the core piece of the thesis deals with internationalization, we have only looked at the initial internationalization within Europe. Consequently, any further internationalization efforts that happen at later stages and outside of Europe might be subject for further research.

## **2 LITERATURE REVIEW**

The following literature review constitutes a summary of a specially selected body of existing research on the topic of the internationalization of firms. This section recapitulates and describes traditional theories and concepts that are relevant and crucial for the purpose of the research. Although the internationalization literature is vast and diffused, we have selected the theories and concepts that embody a prominent position in this topic of research. These theories and concepts have been chosen according to their dominance, theoretical relevance, the amount of citations and references in papers within the internationalization literature as well as their applicability to the purpose of the inquiry. The literature review will set the foundation for the development of a preliminary framework that subsequently will be matched with a case study to give holistic insights into the internationalization process of IT born global firms.

The literature review begins with a description and explanation of the most common market entry modes and their characteristics. Thereafter, the most prominent internationalization theories, concepts and the contributions that have been made to those theories over the past years will be reviewed and analyzed. Those theories are Buckley and Casson's Internationalization Theory, Dunning's Eclectic Paradigm, the Uppsala Model as well as the Network Theory. After each theory, we will give some attention to the characteristics of IT born global firms and how such companies might deviate in their internationalization process. We chose to integrate the born global discussion underneath each internationalization theory to continuously remind the reader of the relevance of the new phenomenon to juxtapose the more traditional theories that are being discussed.

### **2.1 Market Entry Modes**

Market entry modes refer to the predominant options firms can choose from to enter foreign markets. Driscoll (1997) distinguishes between three different categories of mode choices:

1. Exporting modes
2. Contractual modes
3. Investment modes

### **2.1.1 Exporting Modes**

Exporting modes as the first group focuses on export and import activities. Within this group, products are being produced in one location and then shipped to a foreign market (Driscoll, 1997). Exporting modes are considered to be low risk, as they do not require any investments in facilities or partnerships, and orders can only be executed once they are received. The simplicity and low risk of exports make it the most common first international engagement of firms (Wach, 2014). Exports are a consequence of company growth, related to the limited potential at home, the prospect of increased sales abroad and the possibility to increase the volume of production to reach economies of scale. Exporting modes distinguish between direct and indirect exports. Whereas the direct exporting firm sells directly to customers, agents and distributors, companies engaged in indirect exports use intermediaries such as trading companies and export houses to undertake these activities (Driscoll, 1997).

### **2.1.2 Contractual Modes**

Contractual modes constitute the second group of internationalization options and refer to cooperative relationships with mostly manufacturers, including forms such as management and turnkey contracts, franchising, licensing, non-equity joint ventures and technical, know-how or co-production agreements. Contractual arrangements are chosen if companies are unable to benefit from their competitive advantage abroad themselves, but can transfer intermediate goods such as knowledge or property rights to incumbents in the host country. Contractual modes usually require medium investments as the firm has only a little involvement in the production process, but at the same time holds increased dissemination risk (Wach, 2014; Driscoll, 1997).

### **2.1.3 Investment Modes**

Investment modes represent the final group of entry modes that require FDI, resulting in physical presence and increased control of the entity in the host country. FDI can be created either by brownfield investments such as mergers and acquisitions (M&A) and Joint Ventures (JVs) or by greenfield investments that refer to investments in new facilities. Investment modes bear high financial risks and represent the entry mode with the strongest commitment as well as need for control. In some countries, investment modes can be required by the host government as market

entry criteria. M&As, as well as JVs, are seen as fast access to international markets and to already established networks by acquired companies or partner firms (Wach, 2014, Driscoll, 1997).

In choosing the most suitable entry mode, companies consider the relevance of four underlying dimensions. Those dimensions influence the market entry mode depending on the importance firms place on each dimension (Driscoll, 1997). Those dimensions are:

1. Control
2. Dissemination risk
3. Resource commitment
4. Flexibility

#### **2.1.4 Control**

Control means authority over operational and strategic decision making, ranging from control of inputs, quality control and marketing activities in the target market (Dunning, 1988). Different market entry modes require different grades of control: exports need low-level control, contractual modes require a medium level, whereas investment modes are characterized by the highest level of control (Wach, 2014, Driscoll, 1997).

#### **2.1.5 Dissemination Risk**

Dissemination risk represents the grade to which a firm perceives that contractual partners will expropriate the knowledge-based firm-specific advantages and thus, threaten the survival of the enterprise (Driscoll, 1997). The higher the dissemination risk, the more likely a firm will enter markets through investment or export entry modes and avoid contractual modes (Wach, 2014).

#### **2.1.6 Resource Commitment**

Resource commitment is the degree to which a firm deploys human, financial and physical resources to the market entry (Driscoll, 1997). The higher the resource commitment, the greater the risk for the company and thus, plays a major role in the market entry mode choice. Investment modes require a significant amount of resources, whereas contractual modes only require low to medium due to a certain amount of resource sharing. In consequence, exports require the least resources, as it represents one method of disposing of a company's production surplus (Driscoll, 1997).

### **2.1.7 Flexibility and Situational Factors**

Flexibility refers to a firm's capability to change the selected entry mode at minimal expenses and thus, is inversely related to resource commitment (Driscoll, 1997). The lower the resource commitment, the easier for a company to adjust to evolving circumstances and vice versa.

Besides the three market entry modes and the four dimensions of mode choice, Driscoll (1997) has defined seven situational factors that impact on the entry mode selection. Those factors are divided into two broad categories of firm-specific advantages and location-specific advantages. Firm-specific advantages include product differentiation, tacit know-how, and international experience, whereas locational advantages cover government intervention, market attractiveness, socio-cultural distances and country risk (Driscoll, 1997). Such firm-specific locational advantages have been derived from different international business theories and will be described in the following sections.

The next part will give an overview of the history and background of international business theories before discussing some in detail.

## **2.2 International Business Theories**

Multinational Enterprises (MNEs) have undoubtedly shaped the present global economy more than any other single entity since the end of the Second World War (Buckley, 2015). MNEs decision to invest in specially selected regions and the corresponding flow of knowledge and products strongly influenced the contemporary geopolitical landscape shape of the global economy (Dicken, 2003). Consequently, international business theories rotate around the question of why MNEs emerged and why companies engage in FDI.

Internationalization theories firstly appeared when Ronald Coase published his 1937 paper "The nature of the firm", which was later complemented by Oliver Williamson's "markets and hierarchies" approach in 1975 (Coase, 1937; Williamson, 1975). Basic principles of the transaction cost approach played a significant role in the further development of internationalization theories. The central aspect of transaction cost theory is the decision between using the firm or the market to perform business activities, determined by the cost that will emerge from each decision. Such transaction cost considerations and the decisions to turn to the market can be seen as the first step to go beyond company boundaries, including foreign markets. From an internationalization theory



perspective, the decision to internationalize arises at the point where the costs of the local market have increased, and cost advantages of the foreign market exceed the cost of internalizing (Sachse, 2012).

One of the most useful attempts to explain the internationalization of companies has been taken within Karl Marx's theory of the capitalist system of the economic circuit of capital (Dicken, 2003). Marxist writers have argued that the emergence of MNEs and company internationalization is just an extension of the exploitation of labor and class struggle to a global scale (Dicken, 2003; Palloix, 1977). Until the establishment of Corporate Social Responsibility (CSR) and the corresponding ideals of corporate citizenship and philanthropy (Ragan, Chase & Karim, 2012; Porter & Kramer, 2006, 2011), firms were considered to be purely capitalist enterprises with the only goal to increase profits (Friedman, 1970). As profits were regarded as the primary determinant of company performance, they had to be increased or at least defended (Dicken, 2003). In order to do so, firms could, *ceteris paribus*, either enhance their revenues, reduce their costs or aspire a combination of both. Local businesses quickly realized that increasing their sales areas and by producing cheaper in other locations will enable them to sell more whilst reducing costs. Hence, an MNEs focus is to go beyond national boundaries to make use of locational differences such as natural resources, capital, labor or state policies to optimize their bottom line (Dicken, 2003, Dunning, 1980).

Besides Marx's macro-economic circuit of capital, other authors such as Stephen Hymer, Buckley and Casson as well as John Dunning have taken a more micro-level approach by explaining internationalization as firm-specific driven instead of being the result of a general system (Dicken, 2003). Before the international business theory pioneer Stephen Hymer (1960) had come up with a firm-level approach to MNEs, investments in global production via FDI was just an alternative to Marx's international capital theory (Dicken, 2003). By considering industrial organization theory instead of international trade, Hymer has set the foundation for Buckley and Casson's Internationalization Theory as well as John Dunning's Eclectic Paradigm, both of which represent cornerstones of the existing theory of the MNE (Rugman, 2010). Subsequently, we will first discuss Buckley and Casson's Internationalization Theory before moving into Dunning's Eclectic Paradigm.

## 2.3 Internationalization Theory

Buckley and Casson (1976) developed the firm-level Internationalization Theory, which is mainly based on ownership of firm-specific advantages (FSAs). The theory states that MNEs utilize full control over essentially knowledge-based intangible advantages and other assets such as brand advantage, organizational efficiency and managerial competencies that are unique to the company (Rugman, 2010). In consequence, internationalization of enterprises either leads to monopoly-based or knowledge-based financial gains (Buckley & Tian, 2017). In contrast to Hymer's monopolistic competition approach, Buckley and Casson (1976) believed that the principal determinant of the growth of MNEs is not primarily market power but dynamic innovation based on knowledge. They further noted that FDI represented an internal substitute for the external knowledge diffusion caused by market imperfections and buyer uncertainty (Buckley, 2015). The knowledge FSA of an enterprise has its foundation in transaction cost economics, where knowledge as a public externality is remedied by the internal hierarchy of business (Rugman, 2010). In transaction cost economics, backward integration rotates around managers "make or buy decisions", whereas forward integration deals with the control over its distribution. The primary focus of Buckley and Casson lies on the forward integration of knowledge dependent Research and Development (R&D) to the production in foreign markets. As a consequence of the internationalization of firms, Buckley and Casson state that MNEs improve their welfare by replacing imperfect external markets with better internal ones, but at the same time, yielding benefits by limiting its competition (Buckley & Casson, 2009). Although a firm can choose to internationalize through FDI and therefore to control knowledge-based FSAs, internationalization theory also allows for other forms of entry despite the knowledge dissipation risk. As elaborated by Rugman and Verbeke (2003), Internationalization Theory is about exploring the dangers of different entry modes in regards to dissipation risk.

Buckley and Casson's Internationalization theory has an adamant firm-level focus, which at first sight, seems to contrast the wide-reaching globalization and network characteristics of born global companies. Furthermore, transaction cost considerations discuss decisions of outsourcing from a cost perspective, whereas IT born global firms derive competitive advantage from the use of multiple markets. In that regard, IT born global firms do not make cost outsourcing decisions, it is already part of the entire value chain right from the start. Although Internationalization Theory

shares knowledge-based internal advantages like managerial competencies with born global literature and allows for different market entry modes, risk factors seem to play a greater role in Internationalization Theory than for IT born global firms.

Having explained the Internationalization Theory of Buckley and Casson, the next section will discuss Dunning's Eclectic Paradigm, a theory that has been strongly influenced by transaction cost economics, Hymer, and Buckley and Casson.

## **2.4 Eclectic Paradigm**

Since John Dunning has first articulated the Eclectic Paradigm in 1977, it has become one of the most significant concepts in international business as it has developed from a theory to a paradigm over the years (Eden & Dai, 2010; Buckley & Hashai, 2009). Although it is still debated if the Eclectic Paradigm or the Internationalization Theory constitutes the core theory of international business, both concepts are seen as contemporary cornerstones for the theory of the MNE (Rugman, 2010). Originated from orthodox economics such as Heckscher-Ohlin-Samuelson theory of trade, the concept moved towards heterodox economics by introducing partial equilibrium models (Buckley & Hashai, 2009). The main aim of the eclectic paradigm is to explain companies' strategic drivers to choose FDI over other entry modes (Buckley & Hashai, 2009). In specific, the eclectic paradigm, also called OLI paradigm, was driven by the question of why firms invest overseas, what determines the amount and composition of international production and where does the investment take place (Dunning, 2000; Eden, 2003). It is thoughtful of explaining the level, origin, pattern, and growth of enterprises' international operations. Therefore, Dunning has tried to account for the existence of MNE's by investigating the patterns of FDI (Eden & Dai, 2010).

John Dunning has integrated various theoretical approaches such as the theory of the firm, organizational theory, trade theory, and location theory to create the eclectic theory of international production. The Eclectic Paradigm has been developed over a series of publications over time (e.g. Dunning, 1977, 2008). Dunning lists three different conditions that should be met before a company will engage in international production: 1) Knowledge based advantages including managerial competencies, technological know-how and global brand FSAs over rivals in foreign

markets; 2) location advantages in international competition, and 3) internalization advantages by reducing transaction costs within imperfect intermediate product markets (Buckley & Tian, 2017).

#### **2.4.1 Ownership Advantages (O)**

Dunning's knowledge based O advantages have gone through five stages since the first definition in 1977. The Mark I definition of the FSAs provides the most known statement as it classifies O advantages in three types:

- Type 1: Advantages that a firm possesses over another local company without considering multinationalism, e.g. firm size, efficiency, institutions, government policies, monopoly or other competitive advantages at home;
- Type 2: Advantages arising from being a part of an MNE, such as benefits from economies of scale and easy and cheaper access to internal resources than on external markets;
- Type 3: Advantages that exclusively stem from being a MNE, e.g. holistic and far-reaching opportunities, possibility to use arbitrage in factor endowments as well as different global markets.

In his 1988 paper, Dunning suggests that O advantages originate from ownership or access to particular resources. Therefore, FSAs not only depend on internally generated advantages but also arise from the capabilities to interlink resources from other entities (Dunning, 1998; Arnett & Madhavaram, 2012). Dunning also recognized that O advantages are closely linked to home countries' locational advantages but need to be transferred easily and at no costs to the host country to be a critical success factor (non-location bound ownership advantages). The Eclectic Paradigm suggests that firms that have ownership advantages over host country rivals will be more likely to choose FDI as a foreign market entry strategy than other modes as it allows for enhanced control of the advantage (Arnett & Madhavaram, 2012). Dunning, in contrast to Buckley & Casson, very much relates to Hymer's monopolistic advantages and sees the size of an enterprise as the major ownership advantage. He trusts that those size advantages increase its power over suppliers, grants easier access to funds and increases its influence on the standard setting within an industry (Dicken, 2003).

Dunning's Mark I O advantages started off as a simple concept of three locations: one plant location, multi-plant location and locations in different countries (Eden & Dai, 2010). Following

internationalization theorists' criticism, Dunning has categorized the O advantages in asset-based advantages (Oa) as well as transactional advantages (Ot). The Oa in Mark II came from ownership of assets that generated income, whereas Ot represents a firm's competencies to use such assets internally in order to create competitive advantage, e.g capture transactional benefits and minimizing transaction costs that result in efficiency benefits (Eden & Dai, 2010; Da Silva Lopez, 2010). Although Dunning included latest developments of strategic management theory in Mark III and Mark IV, the final adjustment to the O advantages were taken by adding Oi, which responded to the emergence of institutional theory. Oi, which represents institutional advantages, arise from the firm-specific code of conducts, leadership, corporate culture, values as well as norms that are present within the home country institutional environment of the company (Eden & Dai, 2010, Da Silva Lopez, 2010).

#### **2.4.2 Location Advantages (L)**

Location advantages refer to the host country's location specific advantages that are available for all firms, regardless the size or nationality. If location advantages abroad are not present, a business would just export to those places and not engage in FDI. Heavily influenced by Raymond Vernon's international product life cycle (1966) and Rugman's risk diversification theory of 1979, John Dunning has already recognized the importance of location advantages that influence a firm's decision to set up foreign productions in his 1998 paper "Location and the multinational enterprise: A neglected factor?". Initially starting with natural resources and capabilities, other researchers have extended L advantages from natural resources and capabilities to exchange rates, political risks, regulations as well as cultural differences over the years (Dunning, 2000). In contemporary economic environments, geographical comparative advantages are now seen as a region's "ability to offer a distinctive and non-imitable set of location bound created assets, including the presence of indigenous firms with which foreign MNEs might form alliances to complement their own core competencies." (Dunning, 2010, p. 178). It has been recognized by governments that the provision of appropriate infrastructure is crucial for local firms to generate O advantages as well as for foreign companies to undertake FDI and to engage in value-adding activities that further increases the comparative advantage of the region (Porter, 1994; Dunning, 1998). Such location advantages need to be complimented with ownership advantages and

necessarily need to be perceived as being superior to competitors' in order to engage in FDI (Arnett & Madhavaram, 2012).

### **2.4.3 Internalization of Ownership Advantages (I)**

The Eclectic Paradigm assumes that by internalizing ownership-specific advantages within their own operations and transferring such across borders within the own enterprise rather than selling or transferring them, firms can gain competitive advantages over their rivals (Arnett & Madhavaram, 2012). In perfect markets, as assumed by neoclassical economics, businesses turn to the market to lease or sell those advantages for fees or royalties. But in imperfect markets as understood by transaction costs economists, companies can profit from internalizing market transactions by keeping knowledge within the firm boundaries (Coase, 1937; Dickens, 2003). Orthodox internationalization theory explains that,

"as long as the transaction and coordination costs of using external arm's length markets in the exchange of intermediate products, information, technology, marketing techniques, etc. exceed those incurred by internal hierarchies, then it will pay a firm to engage in FDI, rather than conclude a licensing or another market related agreement with a foreign producer."(Dunning, 2000, p. 179).

Although it might seem like an efficiency choice from a transaction cost perspective, control aspects often influence the decision to internalize (Moore & Lewis, 1999).

Whereas Buckley and Casson's Internationalization Theory is more of a firm-level theory by applying transaction costs and resource-based view to explain the efficiency of MNEs, Dunning's eclectic paradigm has its unit of analysis on the industry-level. Although OLI advantages also have firm-specific implications, Dunning's Eclectic Paradigm has clearly shown that all three factors try to explain the existence of MNEs and FDI on an industry level. Although the entire paradigm is seen as too eclectic, O advantages have been the primary cause of complexity and controversy (Rugman, 2010). In its final version, O advantages include not only a firm's internal intangible assets but also country specific factors such as natural resources, capital, and institutional environment. He argues that such country elements can be transformed into ownership-specific advantages and that firms can enter into alliances in order to access to resources controlled by partners, thus opposing its internalization principles (Rugman,

2010). Furthermore, the distinction between ownership advantages and location advantages is hard to make, given that firms can lobby governments in order to obtain O advantages from L advantages. For example, the United Arab Emirates (UAE) granted British Petrol (BP) a new oil well ownership in 2014, thus making UAEs oil location advantage an ownership advantage for BP (Bremmer, 2014). The increasing number of categories, sub-paradigms and belief of some international business scholars that O should be separated from the OLI paradigm (Rugman, 2010) give rise to a multitude of versions, thus increasing the confusion of the Eclectic Paradigm (Eden & Dai, 2010). Consequently, the former student, research assistant and co-author Rajneesh Narula (2010) called for a simplified model more like a coat hanger instead of a Swiss army knife.

The discussion of Dunning's Eclectic Paradigm has revealed possible deviation points in the light of born global companies. Dunning sees the large size of the firm as one of the key ownership advantages, whereas born global companies are rather young and small enterprises. Although ownership-specific advantages like leadership and knowledge are common to both concepts, born global literature does not seem to place great emphasis on location specific advantages. Furthermore, the OLI paradigm strongly focuses on internalization of ownership advantages to engaging in FDI as primary market entry mode, whereas IT born global firms seem to be characterized by open network structures that do not limit themselves to one particular market entry mode.

After having discussed two major theories that are focused on FSAs and OLI advantages, the following section will present the incremental internationalization and psychic distance concepts. These concepts have their origin in Johanson and Vahlne's Uppsala Model, which is seen as one of the most important and widely discussed internationalization theories.

## **2.5 Incremental Internationalization and Psychic Distance**

A cornerstone of the internationalization process literature is the Uppsala Model, which was developed by Johanson and Vahlne in 1977. In contrast to the more economic and normative internationalization literature, such as Dunning's Eclectic Paradigm and Internationalization Theory (Buckley & Casson, 1976), Johanson and Vahlne assumed both bounded rationality and uncertainty in their model. Hence, the model is characterized as more descriptive and behavioural oriented. The Uppsala Model describes the mechanisms of the internationalization process in terms

of the sequence of entry modes as well as the foreign market selection. Further, it explains how learning, market experience, and market knowledge drive international commitment.

### **2.5.1 Sequence of Market Entry Modes**

The first dimension of the Uppsala model is the establishment chain, which is the sequence of market entry modes, or stages, that firms follow in their internationalization process. Through empirical observation, Johanson and Vahlne (1977) showed that firms typically begin their internationalization process by directly exporting their products before contracting foreign sales representatives in the form of agents or intermediaries. As sales in the international market grow, intermediaries are being replaced by the own sales force, and as further expansions take place the firm eventually engages in FDI and sets up own manufacturing abroad. Other researchers have presented support for the incremental entry mode sequences shown in the Uppsala model (Cavusgil, 1984; Davidson, 1983; Erramilli, 1991; Gripsund, Hunneman & Solberg, 2015).

Besides the elaborated sequence of market entry modes, Johanson and Vahlne stress the importance of experience and foreign market knowledge in the internationalization process. As the model emphasizes factors such as uncertainty and bounded rationality, companies need to acquire market knowledge before increasing their market commitment. Consequently, the establishment chain tends to follow a seemingly rational stage sequence: After initial ad-hoc exporting with relatively small risk, firms derive incremental experience and market knowledge from the foreign market. With more experience and knowledge, uncertainty as well as risk are reduced and businesses can further increase their resource commitment by using contractual modes. The commitment to contractual modes leads to additional market knowledge, which again reduces uncertainty and risk. In consequence, firms can increase their market commitment by engaging in investment entry modes such as equity investment in sales organization and manufacturing site. Although this virtuous circle enables companies to take a very structured low-risk approach to foreign entry, the sequential process implicates that internationalization takes place over a rather extended period of time.

### **2.5.2 Foreign Market Selection**

The second dimension in Johnson and Vahlne's internationalization process model is the market selection of firms and what factors influence these decisions. The authors suggest that firms



first enter foreign markets with the lowest psychic distance and then incrementally enter more psychically distant markets. Psychic distance considers factors that increase the difficulty to operate in an international market compared to the domestic market, such as culture, language, politics, regulations, history and demography. There are several researchers that have covered the topic of psychic distance and its effect on foreign entry throughout the years (Ambos & Håkansson, 2014; Brewer, 2007; Gripsund, Hunneman & Solberg, 2015; Harzing & Pudelko, 2016; Kohut & Singh, 1988). Moreover, the country-specific factors and the difficulties and advantages they post for foreign market entry have been pertinent in other branches and theories within the internationalization research and thus, underline their importance.

Institutional theory, for example, suggests that a country's institutional environment is of great significance for a firm's market entry mode and foreign market selection (Laufs & Schwens, 2014). Institutional environment is referred to as the "rules of the game" within a country, consisting of both formal and informal institutions, whereas formal institutions are official rules, policies and laws and informal institutions include norms, behavior, and culture (Brouthers & Hennart, 2007; North, 1990). Scott (1995) makes another but similar distinction between different institutional factors that firms must consider when entering a foreign country. He states that the institutional context includes regulatory, cognitive and normative dimensions, whereas the regulatory dimension includes rules and laws in the target country, the cognitive dimension reflects cognitive structures, and the normative dimension is concerned about values, culture, and norms. Firms must strive to overcome these institutional obstacles when making foreign entries as it facilitates the acceptance and legitimacy of the enterprise in the host country. Hence, the nature of the institutional context affects firms' entry modes and market selections (Yiu & Makino, 2002; Schwens, Eiche & Kabst, 2011). On that note, similarities to Dunning's Eclectic Paradigm become evident, which also emphasizes the importance of geographical, political, economic and cultural location-specific factors in the internationalization process.

In conclusion, Johanson and Vahlne suggest that institutional context plays an important role when making market selection decisions and that firms will select the foreign markets that are psychically close to the domestic market. From a risk perspective, managers will perceive psychically close markets as less uncertain and thus less risky, allowing them to expand operations to further markets. Other contributing researchers of the incremental internationalization approach

have found support for Johanson's and Vahlne's model (Cavusgil, 1984; Davidson, 1983; Erramilli, 1991). For example, Davidson (1983) suggest that when a firm experiences uncertainty regarding aspects such as costs, customer preferences, competition or the environmental conditions in foreign markets, it will try to minimize uncertainty by selecting markets that are similar to the home market. Further, Davidson's findings suggest that "direct experience and not market research activities now provides the principal inputs in market selection decisions" (1983, p. 452). Erramilli (1991) additionally showed that firms that have less experience will initially concentrate on foreign markets that are similar to their domestic markets in terms of both culture and geography. Eventually, as experience, knowledge and opportunities grow, they will move to more distant and diverse foreign markets. Even though the original Uppsala Model was presented in the mid-seventies, newer research has investigated the applicability of the model today. Results from studies by Gripsund, Hunneman and Solberg (2015) indicated that the model and its different mechanisms are still relevant for many firms today.

Considering that IT born global firms internationalize fast and to many countries simultaneously, the gradual sequence of the establishment chain seems somewhat obsolete for such companies. Besides the difference of the timely dimension, there are no indicators corresponding to a sequence of market entries of IT born global firms. Rather, they seem not to limit themselves to one particular market entry mode and thus, might illustrate an example where businesses leapfrog over one or more stages in the establishment chain and thus deviate from the theory. Moreover, as IT born global firms internationalize fast and to many different countries simultaneously, psychic distance and market knowledge might not be as central compared to the incremental school of internationalization. Even though factors such as economic, cultural and political context might influence internationalization, the born global literature does not emphasize institutional factors. Furthermore, considering the characteristics of IT born global firms, it seems unlikely that such companies accentuate extensive market knowledge and market experience before entering a country, but rather that they have a more unconstrained approach to internationalization. However, one would still expect that there are rationales behind the market selection and the entry mode. The central questions that emerge in the light of IT born global firms are whether the sequence of market entry modes is still guided by market knowledge as well as commitment and if the market selection is still influenced by psychic distance.

Many of these points has been brought up in Johanson and Vahlne revised version of Uppsala school of internationalization in 2009, which is heavily influenced by a more recent line of research regarding the internationalization process of firms, namely Network Theory. The following part will cover the network approach to foreign entry mode and market selection as well as discuss its role in the revised Uppsala model from 2009.

## **2.6 Network Theory**

### **2.6.1 Business Networks**

From a neoclassic perspective, the prevalent way to look at firms and their organization of economic activities is by regarding a firm's business environment as chains of independent suppliers and customers. That is, there is a clear boundary between the independent firm and its faceless environment (Anderson, Håkansson & Johanson, 1994). The primary focus is discrete transactions between independent actors and that such transactions are governed by market contracts (Williamson 1975, Coase 1937).

An alternative way to approach industrial structure or business environment design is through business networks. A business network can be defined as "a set of two or more connected business relationships, in which each exchange relation is between firms that are conceptualized as collective actors" (Anderson et. al., 1994, p. 2). By being connected, an exchange in one relationship is linked to, and will, therefore, affect, another relationship within the network (Johanson & Vahlne, 2009). In a business network setting the focus lies on building relationships rather than in discrete transactions. Actors are in continuous interaction with each other and the relationships that are created from this is the framework for economic activity. As relationships develop and deepen, uncertainties about actors and transactions are reduced (Anderson et al., 1994). The network approach relates to the line of research found in transaction cost economics that discusses the hybrid form of organizing economic activities, where relationships and trust function as means to reduce uncertainty and opportunistic behavior between industrial partners (Coviello, 1997; Prashantham, 2011). Due to the somewhat ambiguous nature of networks, the boundaries in terms of activities, actors, and relationships are not always easy to deconstruct and can sometimes be arbitrary. The social and industrial relationships that create a network can, for example, occur between customers, suppliers, competitors, competitor's customer, NGOs, government officials or

friends (Coviello, 1997). By engaging in networks, firms may exchange knowledge with their network partners about resources, markets, strategies, capabilities and other relationships. Hence, one distinction of the network perspective is that members within the network emphasize on and value relationships rather than discrete transactions (Coviello, 1997).

### **2.6.2 Networks and Internationalization**

When examining the internationalization process from a network perspective, the focus does not lie on the foreign market and the knowledge about it, but on the relationships within the business network that the firm is a part of (Laufs & Schwens, 2014). That is, the selection of the target country and the mode of entry is to a large extent determined by the network structure and the nature of the firm's relationships rather than solely on firm-specific advantages, market knowledge and strategic decisions (Coviello & Munro, 1995). Research on internationalization processes in the light of network perspectives shows that relationships can help to facilitate and drive internationalization. Network relationships firms can help bridge the resource- and knowledge gaps to enter a foreign market by deriving resources and knowledge from the network partners (Ripollés, Blesa & Monferrer 2012; Prashantham, 2011; Coviello & Munro, 1995). Furthermore, relationships can help firms to gain credibility, give access to additional relationships and channels, help to overcome uncertainties about contractual hazards and lowering costs (Zain & Ng, 2006). This is especially relevant for small firms that have limited financial and human resources as well as higher sensitivity towards external influences and uncertainty (Contractor & Lorange, 2002; Laufs & Schwens, 2014). However, research has also suggested that network relationships can constrain the internationalization process. If firms are to substitute their lack of resources and knowledge with the resources and knowledge of its partner, the managers of the firm may have to sacrifice some autonomy and control. This can render in a situation where the network partner has enough control over the firm to inhibit the opportunities from further market diversification (Coviello & Munro, 1995, 1997).

Since entry mode choice and market selection depends primarily on the network position and relationships, there is no established and consistent sequence of foreign entry mode like in incremental internationalization research. In consequence, several studies have found that the establishment chain presented by Johanson & Vahlne (1977) has lost a lot of its viability (Oviatt & McDougall, 1994; Knight & Cavusgil, 2004; Coviello & Munroe's 1995; 1997). Moreover, the

network branch tends to focus quite heavily on using alliances and partnerships to facilitate foreign entry. Thus, firms do not necessarily need to own the resources needed to enter the foreign market. By using alliances and partner networks, firms can “piggy-back” on local firms’ assets to get access to resources and knowledge (Prashantham, 2011). In their revised version of the original model, Johanson and Vahlne (2009) are heavily influenced by the network literature. They recognize that the world has changed in many ways and not at least when it comes to contextual factors such as technology and globalization. Hence, they admit that the establishment chain in which the firm initially use low-commitment entry modes, such as ad-hoc exporting, only to gradually increase the commitment, is somewhat obsolete. Further, they emphasize that firms need to create and strengthen relationships to be able to exploit opportunities.

Johanson and Vahlne’s research of 2009 is also in line with other network literature in terms of market selection and the concept of psychic distance. While psychic distance was the determinant of market selection in the original model, so called *insidership* in relevant networks has emerged as the new focal point. The firm gains access to a certain foreign market mainly by being a part of the network it operates in or by having connections with that market and therefore, reduces the importance of the psychic difference. The network position and the nature of relationships guide international expansion instead of uncertainty and market knowledge. For example, firms might follow their clients or suppliers to different markets quite rapidly even though such firm are not particularly familiar with the market in question. Many firms start exporting to several different markets simultaneously instead of gradually expanding to foreign markets one after another, and depend more on networks than on psychic distance (Johanson & Vahlne, 2009). Although Johanson and Vahlne argue that their original idea of psychic distance as a determiner for market selection still has some bearing in the sense that “the larger the psychic distance, other things being equal, the more difficult it is to build new relationships” (2009, p. 1414). They state that it is more difficult to build relationships and networks with actors that are cultural, economic and geographical distant, compared to actors that are similar in that regard.

As shown above, the network approach to internationalization seems to be relevant for IT born global firms, as one of their main characteristics is their ability to build and nurture networks. Network theory also stresses that network relationships can mitigate resource and knowledge gaps, which is especially relevant for small firms that have limited financial and human resources.

However, much of the network literature presupposes that firms have established relationships and are already part of a network that facilitates internationalization. Considering the characteristic of the young age of IT born global firms, such companies may have a small and rather limited network. They also might not have a particularly strong history in general, which could pose a barrier to internationalization as they cannot leverage on strong networks from inception. This evokes some interesting questions, mainly how IT born global firms build and work with networks, what relationships are crucial to develop when initiating internationalization and how IT born global firms use already established relationships to extend its network.

The review of existing theories has already indicated that the internationalization process of IT born global firms might differ from traditional concepts in a variety of ways. The first step in elaborating those deviations is the development of a preliminary framework that will guide theory and case findings. This preliminary framework will be showcased in the next part.

## **2.7 Preliminary Framework**

The literature review has shown that despite some similarities and overlapping concepts, IT born global firms seem to deviate from traditional theories in their internationalization process. Whereas the Eclectic Paradigm mentions firms size and the possession of other resources in the form of FSAs as the prerequisite for internationalization through FDI, IT born global firms are defined as young, small and inexperienced companies with limited resources that are international from the start and engage in a multitude of market entry modes. Furthermore, in contrast to the Uppsala model, IT born global firms do not seem to follow a sequential internationalization process, but seek to derive their competitive advantage from international markets from inception. Although network theory appears to be the closest, yet also does not appear to cover internationalization processes of IT born global firms to the full extent. Traditional theories also do not explicitly account for technology and innovation driven differentiation services, but rather focus on physical products.

Based on the research questions, general terms and on previous literature, the preliminary framework lays out the foundation for what to look for in the case. Within this framework, we have defined three dominant categories that are based on previous theory: internal dimension, external dimension, and network dimension. Each of the dimension corresponds to different factors that are

either central to one or more of the traditional theories and/or are present in individual market entry modes. To enable the case to generate its own data, each category is openly structured and fulfills two primary criteria: 1) they are anchored in previous research and the problematization but allow for extension by the case; 2) they are designed to elaborate how born global firms deviate from existing theories. In a later stage, the preliminary framework will be matched with and further developed by case interviews.

### **2.7.1 Internal Dimension**

Deriving from internationalization theories and market entry modes, we have selected the following internal factors: Managerial competencies, need for control, risk profile, company resources and product characteristics. Those factors have been chosen due to their particular internal function in traditional internationalization theories and with respect to their perceived importance for IT born global firms.

**Managerial competencies** refer to firm-specific management competencies that play a role in the internationalization process. Within the case, we are particularly interested in the managerial competencies of the top management team as well as the medium and low-level managers. We will look for specific competencies that managers of the case company exhibit and aim at elaborating the importance of such skills in the early and rapid internationalization of Eurosender.

**Need for control** plays a major role in the choice of the market entry mode and thus, is considered to be a main factor in traditional internationalization processes. We assume that the need for control is of much lesser importance for IT born global firms as their wide-reaching operations and network structures seem to depend more on open relationships and knowledge sharing. Therefore, we will investigate in the necessity of control for Eurosender. In that process, we will not limit control aspects to knowledge-based assets but will look for general control related aspects of the firm's internationalization process.

**The risk profile** of the company refers to the dissemination-, financial- and reputational risk, all of which are factors that influence the market entry mode choice (Driscoll, 1997). Although risk plays a significant role in traditional theory, we expect the risk profile of IT born global firms to be less critical in the internationalization process. We will question the case firm

about their perception of risks, the importance of risk, if and to what extent risk considerations play a role in the early and rapid internationalization to elaborate on differences to traditional theory.

**Company resources** do not only play a significant role in traditional internationalization theory but also seem to represent key factors for IT born global firms. Consequently, we expect to find the most similarities to IT born global firms and theory in this segment. By looking closer at the case, we will not only focus on the most common resources but will explore ones that are particular to IT born global firms. Our focus will lie on the resources available and not primarily on the willingness to commit resources to market entries.

**Product characteristics** deal with the nature of the firm's offerings. Although most traditional internationalization theories focus on physical products, IT born global firms furthermore seem to leverage technology and innovation to offer differentiated and innovative services. We will have a closer look at the specific product differences and their role in the internationalization process.

### 2.7.2 External Dimension

The external dimension covers specific factors of the home as well as the host market that, according to previous theory, influence internationalization process. The theories that are predominant in regards to such factors are the Uppsala Model, which emphasize psychic distance, as well as the Eclectic Paradigm's local-specific factors. In the light of IT born global firms, such factors may not play a determinate role for the internationalization as previous theories may suggest. Nevertheless, by looking at economic, geographic, cultural and political factors we want to illustrate external factors and how they influence the internationalization of IT born global firms.

**Economic factors** refer to market characteristics such as market size, buying power of customers, growth potential and market saturation. We will look into whether Eurosender takes such aspects into consideration when going abroad and to what extent. We are particularly interested in how they approach market analysis prior to entry and whether such analysis is of great scope and depth, or if they take a more arbitrary approach.

**Geographical factors** concern the physical distance between the domestic market, or office locations, and the foreign market the firm chooses to enter. We will investigate in if and how



geographical distance matters in a globalized world, especially when operating a technology driven service. Considering that many IT born global firms operate in markets that are both close and far from their domestic markets, we expect this factor to play a minor role in the internationalization process.

**Cultural factors** are mentioned throughout incremental, location-specific and institutional theories on internationalization. It deals with aspects such as norms, language, social behavior and how it affects the ways of doing business, customer attitudes and preferences, negotiations as well as marketing practices. Bearing in mind the importance of IT born global firms to build social relationships and networks, we expect that such businesses must take cultural differences into account when doing so. We are interested in how cultural differences are manifested and how IT born global firms handle these when internationalizing.

**Political factors** refer to aspects such as political stability, trade policies, and general political climate. We will investigate whether the development of the political landscape is a major concern for born global firms and to what extent they follow the political debate. The decisions of politicians and institutions usually influence all type of businesses and we want to know how political factors influence internationalization decisions of IT born global firms.

### **2.7.3 Network Dimension**

The network dimension as the last dimension is seen as a link between the internal and the external dimension, as it includes internal competencies and influences external market selection at the same time. The network dimension refers to the personal and professional network of the founders and employees, the network of suppliers and customers as well as the network provided by other stakeholders that play a role in the internationalization process of IT born global firms. Since the nature of network theory and network concepts are somewhat ambiguous we have decided not to divide it into distinct factors, but instead, we are handling the network dimension more openly when considering the case.

While much of the network literature presupposes that firms have established relationships and are already part of a network that facilitates internationalization, the young age of IT born global firms indicates a possible lack of existing networks. Nevertheless, we expect networks to have an influence on IT born global firms, either in the internationalization process or on their

business model. Consequently, we are particularly interested in the role and importance of networks, how IT born global firms work actively with building networks, what relationships are crucial to developing when initiating internationalization and how IT born global firms use already established relationships to extend its network.

### **3 METHODOLOGY**

This chapter will disclose how the study was designed, show what research methods were used, and what procedures and approaches have been taken to justify the validity of the paper and its findings. Besides giving insights into the process, we will include our personal reflection in this section.

#### **3.1 Research Approach**

The purpose of the research is to, through the means of exemplification, illustrate how internationalization of IT born global firms can deviate from traditional theory and to develop a framework that highlights a set of factors that most notably influence their internationalization process. To fulfil this purpose, we have examined the most prominent internationalization as well as born global literature to find factors that play a role in traditional internationalization and to set those factors in context to born global characteristics. Subsequently, we have conducted qualitative case study interviews with an IT born global firm to exemplify differences in their internationalization process and to reveal additional factors that are prominent to born global firms. After discussing those findings, we aspired to create a new framework that gives insights into the internationalization process of born global companies.

#### **3.2 Research Design**

Research design is about organizing the undertaken research activity and to find an adequate data collection method to answer the research question (Easterby-Smith, Thorpe & Jackson, 2015). The primary design to achieve the purpose of the study is a qualitative case study of the born global company Eurosender to get an in-depth view of the organization and its internationalization processes. On one hand, Yin (2013) criticizes case studies as not having the rigor of natural scientific designs and that generalizations from case findings to a wider population are rarely possible. Yin further notes that the vast amount of data allows for any desired interpretation of results. We follow Robert Stake's (2006) notion of instrumental qualitative case studies, as it aims at looking at a particular case in order to develop specific principles. Nikkolaj Siggelkow (2007) provides a similar perspective by stating that cases are particularly useful for inspiring new ideas and illustrating new concepts. He notes that even one

case is enough to provide a convincing test of theory by stating that we only need one case of anomaly to destroy a dominant theory. This, the objective of the Eurosender case study is not to achieve statistical generalization but rather to allow for analytical generalization (Yin, 2013). In line with those reasoning, this paper analyzes factors that play a role in IT born global firm's internationalization process in comparison to traditional theory. The selection of Eurosender ensued by typical case sampling as the focal point of the thesis lies on born global firms. We have chosen Eurosender because of their company characteristics, representativeness for born global firms, accessibility through networks and relevance to answer the research questions.

### **3.3 Data Collection Method**

For this thesis, we have collected two different types of data. Secondary data was mainly gathered via desk research and by the documents received by the case company. Secondary data was used for the literature review, industry analysis and company description.

Primary data was collected by in-depth video-telephone interviews (skype) with the two Chief Executive Officers (CEOs) of Eurosender, Tim Potočnik and Jan Štefě. As video-telephone interviews can exhibit a strong task focus, we have tried to limit this hazard by asking open and follow-up questions to get in-depth answers. We have conducted two interviews with each CEO separately, which have resulted in extensive information about the company and its processes. Besides, we have received further data via email and quick phone calls. Because of the richness of the presented in-depth interview results, we are confident that these interviews provide an exhaustive account of data. Due to the level of abstraction, the theoretical questions within this thesis can be addressed exhaustively by these interviewees, mainly because the inquiry is concerned on a strategy level. Within both interviews, the preliminary framework functioned as a topic guide that allowed us to be flexible with our questions (Easterby-Smith, Thorpe & Jackson, 2015). Although the preliminary framework acted as a focusing device, the interviews were designed as rather explorative and focused more the interview than on its structure. The main aim of these interviews was not to test the theory but to find differences. Both interviews were recorded in consensus with the interviewees and had partially been transcribed in the findings section.

### **3.4 Data Analysis**

The recorded data was thematically analyzed according to the template approach. First, a framework for a template analysis was derived from the literature, by eliciting the most salient factors from previous research on internationalization. When reviewing the internationalization literature, we singled out core factors that play a role in traditional models and seemed to be relevant for born global firms. Subsequently, emerging patterns have led to the definition of three dimensions that encompass those individual factors. Those dimensions are broad themes that have been organized in a useful way and that seems to be relevant for the analysis. This way of analyzing transcribed data refers to template analysis, which was developed by Nigel King (1998) and is particularly useful to organize as well as analyse large qualitative textual data according to themes. In line with his definition, the dimensions can be referred to as broad themes, whereas specific factors refer to smaller themes within broader ones.

The preliminary framework has set the foundation for the structure of the interviews and was designed so the case could generate its own data and to expand within the categories while addressing the research questions. After having analyzed the case findings and searching the data for information relevant to the research question, the evidence has led to alterations of the preliminary framework. Before going into the discussion, we have re-categorized factors that deviate from traditional theories and that have emerged as central to born global firms. Subsequently, the new template was applied to the entire case study findings and set the foundation for our elucidation and clarification of the elaborated data in the discussion. Finally, the analysis and discussion of the data has resulted in a new framework that highlights a set of factors that most notably influence internationalization processes of IT born global firms.

### **3.5 Validity and Reliability**

Based on the rationales described above, the selection of a case study to analyze internationalization processes of IT born global firms is regarded as an adequate as it has offered valuable insights in the processes of young IT companies in their internationalization efforts. Although one case study does not constitute proof for a generalizable model according to Yin (as cited in Easterby-Smith, Thorpe & Jackson, 2015), it sets the foundation for further quantitative research to draw conclusions for a wider range of companies within the industry. The reliability of

the primary qualitative data is considered to be high, as the source of information comes directly from the CEOs and founders of the company. Furthermore, the level of trust that we have received by the founders, manifested in long-lasting personal relationships and in the form of a highly confidential investor pitch presentation, additionally increases the validity and reliability of the findings. In order to reduce bias, we have shared our result section with the interviewees in order to confirm the validity and reliability of the information given in the thesis. Following the criteria for validity of results stated by Easterby-Smith, Thorpe and Jackson (2015), we have been transparent in our methods, have explained how we got access to the data, how the data was created and have explained how the data was analyzed. Thus, we feel very confident in the validity and reliability of our findings.

## 4 RESULTS

The results section shows empirical findings that have been collected from the case study Eurosender. First, an industry analysis will inform the reader about the recent developments, current state and outlook of the logistics industry the enterprise operates in. Subsequently, information about the company will give insights into the history, business model and value chain, business practices and other characteristics that are relevant to the case. Successively, the section will end with findings that have been derived from two interviews with the two co-CEOs Tim Potočnik and Jan Štefe. The findings are structured according to the internal, external and network dimension that have been defined in the preliminary framework. Finally, a case summary will lay out the foundation for the discussion section.

### 4.1 Logistics Industry Analysis

#### 4.1.1 Background

Logistics are defined as “a set of services including the planning, organisation, management, execution and monitoring of a company’s entire material, goods and information flows (from purchasing, production and warehousing, to added value services, distribution and reverse logistics).” (ECORYS, Fraunhofer, TCI, Prognos, AUEB-RC/TRANSLOG, 2015, p. 23). Logistics is undoubtedly one of the most important aspects of a globalized economy as it represents the core piece of highly sophisticated and far-reaching supply chains. Recognizing the importance of the sector in maintaining Europe's global competitiveness, the European Commission has established the Freight Transport Logistics Action Plan (FTLAP) in 2007 to increase the competitiveness and sustainability of the sector within the European Union. According to the European Parliament, FTLAP has allowed to achieve outstanding technological developments in "intelligent transportation systems (ITS) and e-Freight; sustainable quality and efficiency; simplification of transport chains; vehicle dimensions and loading standards; green freight transport corridors; and urban freight transport logistics" (2016, p. 14). The logistics industry is broken down into nine different segments. The segment that is of particular interest for the case is the courier, express and parcel industry (CEP), which includes document and parcel deliveries up to 31.5kg (Accenture, 2015). CEP represents approximately seven percent of the global logistics industry and has increased its market size by four percent from USD 194.8bn in 2008 to USD

237.9bn in 2013 (ECORYS et al., 2015, Accenture, 2015). Until 2020, the global market is expected to grow by five percent to an estimated amount of USD 343.1bn.

#### **4.1.2 European Logistics Market**

In 2012, the EU28 total logistics market size amounted to approximately EUR878bn, measured on the emerging expenses of vehicles, personnel, stock, planning, and administration (ECORYS et al., 2015). Within the logistics market, CEP's share was 28.7 percent in 2013, representing a total value of USD 68.2bn. Due to increased spending by millennials, urban population, smartphone and internet penetration, e-commerce and rising middle class, the European CEP market is estimated to grow to USD 81.6bn until the end of 2017.

The top-ten players in the industry are Deutsche Post, DHL, Maersk, SNCF, CMA-CGM, La Poste Group, UPS Europe, DSV, TNT, and Dachser. Out of the top 20 service providers, seven come from France and six are German companies, In total, there are around 800'000 logistics service providers within Europe, thus representing a large supplier base that allows for a wide-reaching coverage (ECORYS et al., 2015). Those logistics provider offer business to business (B2B), Business to Customers (B2C) as well as Customers to Customers (C2C) services (Accenture, 2015). The traditional value chain of parcel delivery is a very sequential process, starting from the pickup to warehousing, followed by transportation and the final delivery. In this traditional model, there is very little visibility into the demand for services and the influence on the demand is limited. The limited competition and substitutes resulted in the low bargaining power of the recipients and low service expectations (Accenture, 2015).

#### **4.1.3 Industry Developments**

Within the last years, the CEP industry has gone through some major changes. ATKearney (2015) have published recent developments within the CEP industry and come to the conclusion that domestic and international trade grows extensively due to e-commerce's increasing popularity. Conduction an in-depth analysis of the industry developments on the foundation of advancements in digitalization and globalization, Accenture has further elaborated on the drivers that dominate the changes.



In their report, Accenture (2015) states that digital devices, social networks, and data has empowered customers and provided them with greater choice, faster reviews, and lower switching costs. Consequently, consumers seek lower prices, greater convenience and seamless experience in buying, paying, receiving and returning of parcels. They note that the industry has gone from a simple delivery value chain as described above to a digital, transparent, fast and flexible delivery today (see Appendix I). One of the indicators of the industry changes can be found in the number of mergers and acquisitions. From 2009 until 2014, a total of 89 deals has been closed within logistics and transport, followed by 38 deals within the parcel and express segment. In comparison, the third most M&As deals have been closed within marketing and sales, amounting to only 17 executed transactions.

Besides changes in incumbents' situation, young entrepreneurial start-ups have emerged and disrupted the industry. Those new entrants are enabled by digitalization-driven, asset-light, low fixed-cost models to perform the last mile delivery in a more efficient and cost-saving way. Those companies have a stronger focus on the recipient and create a better customer experience, have lower costs to serve customers and build customer loyalty. As they grow quickly in international markets, they further increase their margins, can diversify risk and strengthen their brand value, which in turn results in lower price sensitivity and higher revenues (Accenture, 2015). Although new companies and crowdshipping platforms disrupt the market, they sometimes rely on already established networks of incumbents.

## 4.2 Company Introduction

Eurosender Ltd. is digital booking platform for logistics services that operates in the European courier, express and parcel industry. By leveraging technology rather than increasing a physical asset base, Eurosender has taken part in transforming the pen and paper driven industry into a more organized, user-friendly and efficient experience. As seen in figure 1, the platform connects individuals and small businesses that have a need for parcel delivery to major logistic companies that offer such services. Highly sophisticated technology in the back-end, which consists of multiple data sources, algorithms and machine learning, evaluates and selects the logistics provider with the highest possible quality standards at a given price. The user-friendly platform allows for fast, reliable and accurate delivery quotes within three minutes and offers discounts up to 70% compared to other providers. The meta search principle selects the best option from the widely-spread network of partners and more than 11m quotes from traditional freight forwarders, couriers, postal operators or other technology companies (Potočnik, 2017; Eurosender, 2017b).

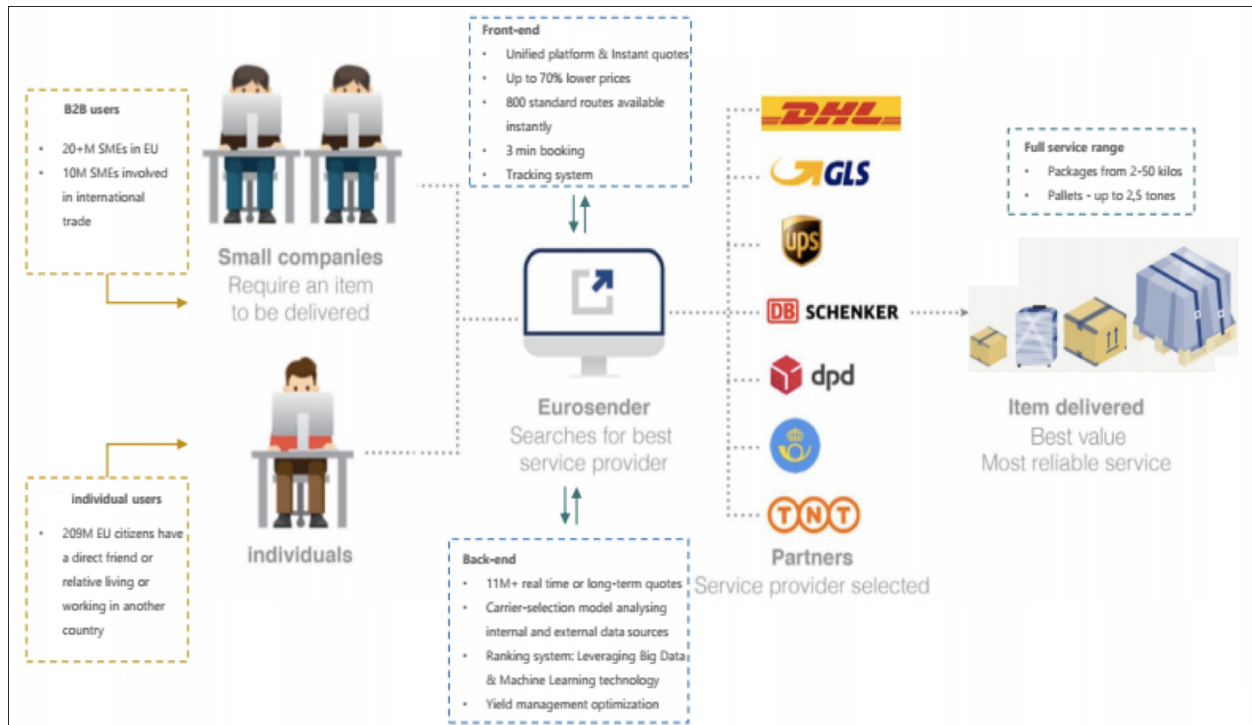


Figure 1. Eurosender Business Model and Value Chain (Eurosender, 2017b)

The London-based firm was founded by the young Slovenian entrepreneurs Tim Potočnik and Jan Štefe in early 2014. From their early teenage years, Tim Potočnik worked in his 3rd generation family company before starting the enterprise OX-wear with Jan Štefe at the age of 18. They gained first international experience by selling OX-wear smartphone compatible gloves in six different markets to customers such as Microsoft, HP, IBM and Telekom Slovenije. After having completed their business studies, Tim Potočnik and Jan Štefe founded the IT start-up Eurosender. During his time at the University, Tim Potočnik acquired a lot of knowledge about the information and technology industry. He points out that although he is not a programmer himself, he knows how to hire and work with them and is familiar with the methods they are using. He notes that his entrepreneurial background, international experience, and insights in IT was the best foundation to start Eurosender. With their strong international and entrepreneurial experience they took the roles of co-CEOs and are the main responsible for the success of Eurosender over the past three years (Potočnik, 2017, Eurosender, 2017a).

Tim Potočnik and Jan Štefe initially worked from home with their laptops and one phone, operating on a very limited budget. They were able to create a minimal viable product, get the first traction and spread to other countries quickly. Since Eurosender's incorporation, they have managed to use their limited tangible and financial resources in an optimal way and despite the company's young age, have been able to expand the market coverage to 30 countries within Europe until today. From an early start, the founders have placed great emphasis on the importance of international markets and managed to expand to multiple countries from the outset. Tim Potočnik mentions that global markets are not only a necessity because of market opportunities and their service being relying on international shipping, but also in acquiring the right talent to scale their operations. As a born global, internationality is a central focus of the firm, which is not only reflected in the large international networks of suppliers, customers and business contacts, but is also represented in the international team of 20 full time specialists and 15 contractors that are cumulatively fluent in 18 languages (Potočnik, 2017, Eurosender, 2017a). In 2015, the executive team was joined by Silvana Rodriguez, a former legal department employee of the German fintec company Kreditec.

The international service company Eurosender does not export in the traditional sense. As an IT-based platform that depends on third-party logistics infrastructure, customers can order

deliveries from and to all countries that are covered by Eurosender's partner logistics companies. Although operating within Europe without being present in each country, Eurosender actively enters markets to acquire more customers and to increase its local service networks. When entering a country, Eurosender places great importance on finding the right acquisition channels for clients and suppliers. The company has learned that speed to market is crucial for their business model and that building up relationships with influencers and journalists in every country is rather time-consuming. Therefore, Eurosender contracts public relation agencies that organize public relation events, generate the right press and make use of their network of existing media channels. Parallel, Eurosender partners up with local expatriate, student, and small business organizations to acquire customers. By sponsoring events, partner organizations advertise the service amongst their members.

Besides the service export, building up networks and localizing the website in particular markets, Eurosender has three offices across Europe that perform different activities. With its headquarters and finance department in London, a marketing and design office in Berlin as well as a customer service and development center in Ljubljana, Eurosender does not only derive its competitive advantage from the use of its international sales network but also leverages on locational differences throughout the entire value chain. (Potočnik, 2017; Eurosender, 2017a; Eurosender, 2017b). Being considered a very promising IT start-up, Eurosender has been selected for the ProSiebenSat.1 accelerator program in Munich, the largest UK-based technology accelerator level39 in London and has become an alumnus of the San Francisco-based RocketSpace incubator.

The following section will present case findings from two interviews with Eurosender's C-level executives Tim Potočnik and Jan Štefe. The results shall give further insights in the internationalization process of IT born global firms and will help to develop the preliminary framework further.

### **4.3 Interview Results**

In the preliminary framework, we have defined three different dimensions that play a role in IT born global firms' internationalization process: the internal dimension refers to the company internal competencies and capabilities for internationalization, the external dimension regards the

conditions of the target market, and the network dimension interlinks and comprises networks that influence both, internal as well as external factors. The interview case findings are presented in the corresponding dimension and embody data from the company Eurosender. The results help to comprehend factors that are significant for born global firms' internationalization and build the foundation for the following discussion.

#### **4.3.1 Internal Dimension**

Discussing internal company situation aspects in the internationalization process, Eurosender's CEO Tim Potočnik (2017) starts off by stating that he firmly believes in the involvement of the top management in very basic activities such as partner, supplier and customer acquisition. Although scalable IT platforms do not require extensive physical presence in the host market, he states that founders get valuable experience in understanding the challenges of entering a new market and are therefore more able to pass on the knowledge and experience to other employees. It seems as Tim Potočnik places great emphasize on managers' willingness to engage in building up the business with their own hands, get own experience and not consider themselves too good to perform essential basic activities. Consequently, one can assume that the early and complete engagement of the top management is a critical success factor for IT born global firms, not only to be in control but also to understand all aspects and challenges of the business to pass on the experience to other employees. Tim Potočnik adds that in the beginning, the most difficult part of the entire process was to get meetings with the major logistics companies. They had to knock on doors and try to get managers to sit down with them. In initial stages when the company is not well known, managers need a lot of stamina in order not to give up. He adds that once you have gained some traction, it gets easier to talk to the decision makers, but especially in the beginning, frustration can be high until one has built up a sufficient demand and supply side. One can assume that managers need to have strong skills when it comes to cold-selling and being persistent.

Another significant aspect that has been mentioned by both CEOs, Tim Potočnik (2017) and Jan Štefe (2017) is the international background, not only of the top management team but also of the entire staff. They mention that although the highest management level is concerned about internationalization, they have structured the organization in a very international way from the start and solely hire people with international backgrounds. Most of the 35 personnel come

from different countries, are multilingual and were selected based on their desire to become even more international and to help the company to expand globally. Jan Štefe further adds that it is important that employees see Europe as one entire market, regardless of any cultural and language barriers and that employees need to believe that everything is possible. Another significant competence that was mentioned lies in their ability to work with others and in the prior experience of the employees. Silvana Rodriguez, who had become the third CEO of the company, has strong international experience from her home country Colombia as well as from operating in multiple countries during the time at Kreditec. The German-born global firm was founded in 2012, allowing Silvana Rodriguez to gain work experience in a young and fast-expanding IT start-up. According to Tim Potočnik, her internationality, start-up and legal experience made her the best choice for further increasing the company's internationalization speed.

Besides the requirement for the top management team, Eurosender only employs people with at least one year experience abroad and who have prior work experience in their home market. Although it is important that employees have prior knowledge, Jan Štefe points out that having experience in other start-ups does not necessarily benefit the company. He notes that such people already have their ways of doing things and it is hard to change their ways and habits. Tim Potočnik stresses that one of the key competencies they are looking for is an entrepreneurial mindset, market knowledge and an that the employees have an existing network within their home market. Jan Štefe adds that those key competencies are not only crucial for a market entry but also in optimizing current marketing activities. It becomes evident that the international and prior work experience that are present throughout the entire company makes Eurosender a very international and entrepreneurial driven company that places great emphasize on the people within the organization. As mentioned by Jan Štefe, "the most important thing you do yourself is to hire people" (2017). According to him, internationalization would not be successful without a local in the team who has experience in the industry. But the importance of knowledge as an internal resource varies from country to country. In countries with little activities, for example in Sweden, it suffices if an employee has been on exchange for one year and has some local connections and a basic understanding of the market. On the other hand, core markets with very particular cultures such as Portugal, Romania, and Greece require a local who has working experience and holistic local knowledge. Although, he notes that local connections are much more important than the local knowledge.

When talking about the perks of digital businesses, Tim Potočnik sees the available control tools as a significant advantage. By measuring the number clicks, customers, happiness, the success of marketing campaigns and overall developments digitally, managers can control the business to a degree which was rarely possible or accurate before. Although he mentions that Eurosender does not need that much control, they still measure as much as possible to optimize the company and its operations. As a data-driven company, having control over the information is a central aspect of managing the firm and thus, can be seen as a new form of control. In that sense, Jan Štefe mentions the control of marketing costs versus marketing results. He explains that it is important to monitor that the marketing does not cost more than it brings in, mainly as the profitability of the company becomes more important when growing. Tim Potočnik and Jan Štefe state that digitalization has enabled them to control even marketing results by collecting and analyzing data. Thus, data management seems to be a core aspect of IT business management.

One control aspect that has been mentioned by Jan Štefe relates to the management decisions in the company. As Eurosender has relied on external finances, investors need to be involved in the central decisions that concern the business. Although outside parties have some decision-making power, Jan Štefe states that the top management team of Eurosender takes decisions rather independently and only has to involve investors when it comes to large investment needs or fundamental changes in the business, for example, change of the business model or new investment proposals. Although Eurosender can make their decisions, Tim Potočnik and Jan Štefe note that other start-ups that had to rely on external finances lose control to some extent. They state that unless founders have a strong financial background, building up born global companies is tough and at some point, needs to get funding in exchange for a loss of control.

According to Jan Štefe, control over employees is core to the success of the firm. He explains that according to their experience, having one inefficient person in the team can decrease the performance of the other team members. Although it proves to be difficult, Jan Štefe stresses the importance of measuring employees' performance according to hard and soft factors. He gave one example where they have reduced the customer service from six to four people, resulting in the team handling three times more sales.

Tim Potočnik and Jan Štefe do not seem to be very concerned about the dissemination risk of the business idea as they state that this happens all the time and is hardly controllable. Although

they note that there are markets that are more critical when it comes to copying business models, they state that it is not a decision criteria not to enter a market. Tim Potočník and Jan Štefe explain due to globalization and digitalization, transparency has increased, and it does not matter anymore what markets one enters or what partners one selects because information about the company is available in the public domain. But Tim Potočník adds that increased transparency rises the risk of reputational losses resulting from the failure in certain markets. Nevertheless, he states that in his opinion, this only plays a role for large companies like Microsoft or Apple and that Eurosender is just not big enough that failure will become a topic for the public. He adds that in general, the risk exposure of IT born global companies is very small as they do not need to set up foreign entities and engage in extensive FDI. Jan Štefe notes that risks for the company mainly depends on the development stage. In the first stage of a born global firm, when one operates on a small budget, financial risks are the most critical ones. He adds that if Eurosender had a legal case in the first few months, the company most probably would not have survived. In a later stage, Tim Potočník and Jan Štefe see the risk of hiring the wrong people as the dominant one. They note that the company invests a lot of resources in the development of its employees and if after six months it turns out that the person was not the right fit, the entire investment is lost, and opportunities are missed. Jan Štefe states that once the company has become large enough and has more employees, wrongly hired people do not have that much of an impact as other people can cover. He notes that it is a numbers game and that the ten percent of those cases do not have that much of an impact anymore. Finally, when the firm has reached a certain size, profitability becomes more important. Jan Štefe states that the main risk in this stage is to lose control over your financials and thus, controlling becomes more central to the management, for example, the cost/return analysis of marketing expenses.

Resource scarcity seems to be a very dominant aspect of Eurosender's history. For the first one and a half years, Eurosender consisted of only three to four people. Only when business took off, they could employ additional staff. He notes that scarce human resources are closely linked to the limited financial capacities of a start-up and that a paramount driver for the growth of the company were the accelerators, incubators as well as the corresponding financial support that they have received. Although Eurosender has raised between EUR 700'000 and EUR 800'000, Tim Potočník and Jan Štefe state that resources are never enough. IT born global firms always want to go faster, become bigger and have a need for more money and more people. Without the first



couple of hundred thousand Euros, the company would not have been able to build up some primary markets. They explained that the company quickly started to generate revenues from different markets, which resulted in a financial situation that consists of a mix of outside capital and internal revenues. It becomes apparent that fast and rapid internationalization requires a great deal of external funding to reach a critical size. Organic growth seems to be suboptimal for IT born global firms as the time aspect plays a crucial role. But in contrast, Jan Štefe mentions the case of a German born global firm that has invested substantial sums and started the company with 1000 people. He points out that such approaches come at a high risk as although they grow revenues very fast, they often have problems with profitability. The founders' explanations also revealed that only getting access to finance does not suffice; investors also need to have important contacts or experience to drive the success of a born global firm. Furthermore, Tim Potočnik states that the personnel is a vital contributor to the success when resources are scarce. Eurosender needs people who are willing to go the extra mile, are as much engaged as the founders and work between ten to sixteen hours per day. He notes that this is a core thing at the firm and it would not function if employees would just want to work the regular eight hours. Jan Štefe adds that when hiring people, resource scarcity plays a factor in what to look for in an employee. He notes that they cannot use a checklist with skills employees need as those people are often too expensive for the company and thus, they need to be very careful in hiring and promoting people, so their salaries do not get too high.

In general, Tim Potočnik sees IT services as rather easy to internationalize as scalability offers a plethora of advantages for the business and its internationalization process. As the product is the same in each market and does not need to be adjusted, the focus lies in different aspects. The core of IT services rests with the high importance of technology, innovation, and differentiation. In fast developing environments, not focusing on these three factors will jeopardize any IT firm's future. As advancements in technology, innovation and differentiation are core drivers behind a platform, investments in product development are crucial and the results benefit all markets and the business to the same extent. He notes as product adjustments are not necessary, the only adoption that has been made is to certain selling points. For example, in Eastern Europe, customers are concerned about prices, whereas Swedes are more looking for user experience and friendliness. When talking about the technological aspects of IT born global firms, he sees the scalability of the service as one of the greatest advantages. Although Jan Štefe also sees the benefits of IT platforms,

he stresses out that although they do not have to ship physical products, Eurosender needs to find partners in each market, not only in each country but also in each region. He states that it was difficult to convince logistics companies about the service, they need to show them how Eurosender can increase the business without cannibalizing the market. Jan Štefe says that sometimes it would have been easier to just ship a physical product to the market instead of building up a network.

Tim Potočnik notes that the already existing network of their suppliers is the prerequisite of their business model to work. Without a Europe-wide market coverage of existing logistics companies, Eurosender would not be able to offer their customers services in the entire area. Tim Potočnik states that the success of all platform based IT born global firms is to achieve a high market coverage that has a critical amount of customers and suppliers on both sides. Although sufficient demand and supply is crucial, he mentions that companies can have different expansion strategies. He refers to the case of a similar company that has raised more than 20 million Euros but approached market by market. They aimed at becoming the market leaders in one country first before moving on to the next market, yet were not able to replicate the success in one market to another one. Tim Potočnik points out that in contrast to this firm, Eurosender builds up operations across Europe simultaneously, which allows them to be much more flexible when realizing that one market does not respond as predicted and can just move on with other countries.

#### **4.3.2 External Dimension**

Tim Potočnik explained that the characteristics of Eurosender's original domestic market, Slovenia, have played a role in their initial decision to internationalize quickly. As the Slovenian market is comparatively small and the buying power of customers is rather low, it would not have sufficed as the primary source of business in the long run. Due to those reasons, Tim Potočnik believes that entrepreneurs from smaller countries, in general, have a different mindset compared to entrepreneurs from bigger countries regarding internationalization. He mentions that from his experience, German and French start-up firms seemingly have a very structured approach towards internationalization and aim at having a grip on their domestic markets before entering the first foreign country after three to four years. In countries like Slovenia and Sweden, entrepreneurs seem to have a more "nothing to lose" attitude and go international right from the start. Tim Potočnik sees limited market opportunities as a possible advantage since companies do not have

much choice. He compares European start-ups to ones from the United States and notes that US firms can afford to stay and expand within the country for a long time, gradually expanding from state to state and from city to city, whereas European start-ups need to think in terms of countries instead of cities. That is, Eurosender does not perceive Slovenia, or London where they later relocated the headquarters to, as the domestic market and all other countries as foreign markets. Instead, the whole of Europe is viewed as the home market for the firm. In addition to market size, Eurosender's digital business does not rely on physical shipment to other locations and can be used across Europe, regardless the location. In line with the Europe-wide operations, Jan Štefe stated that "IT born global firms do not go abroad, they are abroad" (2017). Thus, the quick internationalization to other European countries was decided without any geographical distance considerations.

When it comes to market selection, time constraints and limited resources do not allow Eurosender to conduct detailed market analyses (Tim Potočnik, 2017; Jan Štefe, 2017). While more traditional firms might contract large consultancy firms, Eurosender performs general cost analyses, assesses the number of potential clients and suppliers as well as examines possible network relationships itself. Tim Potočnik notes "Because in terms of technology companies, it is cheaper to just go to a market and try it out instead of pouring money over some consultants" (2017). Although they invest time and effort into some aspects before entering a new market, the main market research criteria seem to be sufficient logistics networks and customers. Tim Potočnik mentions the case of Portugal, the first country the company has entered. After a quick assessment, they realized that the market was small enough to fit their marketing budget but at the same time large enough to be interesting. The country had enough inhabitants, a decent industry structure and good expatriate, student, and small enterprise networks.

Even though Eurosender does not perform in-depth market analyses, the founders point out that there are differences that one needs to be aware of when entering markets. Tim Potočnik mentions the case of Romania, a country with a logistics industry dominated by a well-developed black market. He states that in such cases it is important to be aware of the situation, to establish trust and to educate and convince the people to start using official services. He adds that most countries have cultural differences that have an impact on the ways of doing business. In Greece for example, foreigners will find it difficult to do local business as there are a strong uncertainty

and hesitancy towards non-Greek. Another example can be found in how people respond to marketing. In Sweden for example, people are reluctant and unresponsive towards direct calls as well as direct emails and demand a higher degree of sophistication regarding marketing practices. Both, Tim Potočnik and Jan Štefe state that Eurosender tries to mitigate potential problems by making use of a local party, preferably an employee, who is familiar with the market and its features. They stress the importance of the using knowledge and local contacts and networks of the person who represents the firm locally. Jan Štefe states that the company must get close to a customer to be able to do business and minimizing the cultural distance.

In addition to cultural differences, Eurosender must account for developments in the political landscape throughout Europe. Tim Potočnik stresses the importance of the regulatory environment as well as political stability: “Looking at France at the moment, there is a candidate who wants to follow the British example and leave the EU. This is one of my biggest fears,c that they will continue to break up the EU. We love free trade and the free market, and if the free market within and across the European countries would vanish we would have a really hard time.” (2017). Tim Potočnik is worried about the risk of a potential failure of the European Union, and being a smaller company that is dependent on international sales and international derivation of competitive advantage, they are relatively more vulnerable to such a development. Continuing the importance of political factors, Tim Potočnik mentions the case of Switzerland. Eurosender currently does not serve the Swiss market, as its complex customs, taxes and other regulations are too challenging and complicated to handle.

### **4.3.3 Network Dimension**

As already touched upon in the internal and external dimensions, Tim Potočnik and Jan Štefe further stress the importance of networks in setting up operations across Europe. Although both states that network considerations are not the sole decision factor in market selection, their significance regarding supplier contacts, customers and other partnership organizations is undisputed. They stress that without their mentors, network of employees, friends and founders of other firms as well as the extended networks of their relationships, it would have been much harder to develop the business.

When Eurosender decides to launch in the foreign country, it aims at building up networks and partnerships with the suppliers, customer, potential investors and other stakeholders that could facilitate the internationalization of the firm. Tim Potočnik states that “launching the service in a new country is sometimes difficult, and to establish supplier and customer relationships from the outset, without really knowing anyone, is thought” (2017). Consequently, Eurosender uses local employees, mentors, suppliers or other partnerships to establish the first contact on behalf of the firm. In the beginning, however, Tim Potočnik and Jan Štefe had to build up a network first by going door-to-door and trying to get meetings with regional managers, e.g. in Portugal. Once Eurosender had gained traction in the market, local managers set up meetings with their superiors, who in turn set up meetings with their superiors to discuss the performance of Eurosender. Tim Potočnik explains that as soon as they had gained the attention of board members, it became much easier to expand the network as the board members used their contacts and influence to introduce Eurosender to other regional managers or branches in other countries. Although Jan Štefe agrees with the fact that the further relationships of Eurosender’s network can be beneficial, he emphasizes that it is the firm’s first-hand relationships that matter the most, and that one must work actively every day to nurture and expand them. Jan Štefe says that "the more events you go to and the more people you meet, the more in depth you come into the logistics circuit. It is like a circle where the more people you know, the more business you do, and the more business you do, the more people you get to know." (2017).

However, Tim Potočnik mentions that network relationships are not only useful for building supplier and customer networks but are also helpful throughout the entire value chain. In Poland for example, Eurosender has established an active collaborative arrangement with programmers that have added value to the business. They have been introduced to them by a mentor who works in an artificial intelligence start-up in the UK. Tim Potočnik also states that networks had an impact on building up offices in London and Berlin, as they usually partner up with local support platforms within their network. In London for example, Eurosender was approached by United Kingdom Trade & Investment (UKTI) an initiative by the British government to help UK companies in going abroad and in entering foreign markets. Eurosender agreed to have its headquarters in London in exchange for expansion support from the government. UKTI has become a viable partner in the internationalization of Eurosender as they not only helped them in any possible way but also actively assisted in entering other countries. In Poland for

example, Eurosender could launch with a large press event at the British embassy. The government further supported Eurosender by deploying the ambassador for the event and by triggering their network of influencers and journalists as well as by introducing them to level39, the largest European incubator with around 150 promising British start-ups. Level39 further helped Eurosender to extend its network to participating marketers, venture capitalists, and CEOs from more established companies. Tim Potočnik and Jan Štefe state that the network of the British government has been a key success factor in expanding their network that has apparently added great value to the future development of the firm. One of the most significant advantages of the extensive network was the access to financial support in their fundraising process. They note that the best way to raise money is to get direct referrals from current investors or mentors and friends within a network. However, Tim Potočnik stresses that Eurosender is not interested in typical venture capital investors and investment banks. He notes that they do not have in-depth knowledge about technology and logistics and that they just want to squeeze the firm with tricky terms. He points out that the key characteristic he is looking for in investors rests with their experience in the marketplace, in logistics and with a network that can take the company further.

#### **4.4 Case Summary**

Eurosender is a typical born global company that from inception, derived competitive advantage from making use of international differences throughout its value chain as well as generating revenues from multiple countries. Two of the fundamental differences between the case and traditional theory can be found in their entire internationalization process. Whereas traditional theories either assumed a well-established asset base before internationalizing, having a rather sequential process and placing high emphasize on market entry modes, IT born global firms seem to use a multitude of different market entry modes at the same time, not following a particular repeatable pattern. Furthermore, it has been elaborated that networking plays a core role in several aspects. Networking is present in human capital concerns, supplier acquisition, market selection, risk considerations and financial aspects and thus, influences other internal and external factors.

##### **4.4.1 Internal Dimension**

One of the key points that has emerged throughout the entire company is the importance of personnel. On the top level, the management consists of hard-working international

entrepreneurs with a large network and the skill to motivate employees to go the extra mile. Eurosender has a very particular human resources strategy that places great value on internationalization, prior work experience as well as market knowledge and network in their home country. Although managerial competences are mentioned in traditional theory, the importance for born global firms has become apparent.

When talking about control aspects, Eurosender does not seem to be concerned about control over intangible knowledge-based assets. In contrast to traditional theory, control at Eurosender is apprehensive of data control, employee control as well as the loss of control in managerial decisions.

The last internal factor that seems to deviate from traditional theory is resource scarcity. Although resources were rare in the beginning, the company has managed to grow without significant initial investments. As expansion took place, additional financial support through fundraising helped to increase its business. Financial resources have found to be of utmost importance as they not only influence human capital and risk but also can lead to managerial control losses for a company.

#### **4.4.2 External Dimension**

Findings indicate that economic, cultural and geographical characteristics in the host market are of lesser importance for the market selection of born global firms, compared to what traditional theory suggest. Additionally, the firm does not illustrate a case that bases foreign market choices on similarity to the initial market. Although the company considers aspects such as regulations, cultural differences and number of customers when approaching a market, the service's scalability allows for a more try-and-error approach rather than relying on market research to play it safe. Further, Eurosender tends to perceive the entire Europe as their preliminary market which means that relatively little attention is put on specific country characteristics. Like the internal dimension, the external dimension is heavily influenced by networking effects that need to be elaborated on in the discussion.

#### **4.4.3 Network Dimension**

From the very start, Eurosender focused on building up networks and using networks in their internationalization process. The main examples are the use of logistics network as foundation

for their business, the network of supplier's board members in further expanding, the networks of employees in entering a new market, the networks of the British Government in entering Poland and getting access to level39 as well as the use of networks in setting up offices and to build additional partnerships. The network dimension has emerged as somehow an umbrella dimension that will be discussed specifically in relation to the other two dimensions.



## 5 DISCUSSION

The following part discusses findings from traditional internationalization theories, born global literature as well as the case study to elaborate how IT born global firms deviate from traditional theory. The foundation for the discussion are factors that have been derived from classical theory and factors that have been found in the case. Those individual factors will be discussed in the respective dimension they belong to.

The discussion offers a view on the problem using a modified version of the preliminary framework, reflecting new insights that emerged during the research process. The most notable change compared to the preliminary framework is that the network dimension will be integrated into the discussion of the internal and external dimension since one cannot separate the network concepts from these dimensions. The influence and importance of network relationships are recurring throughout multiple factors and hence, we trust that the discussion becomes more valuable when integrating the network dimension in the other dimensions.

Before discussing the findings in the internal and external dimension, sequence and market entry modes will be put in perspective to the differences in traditional models, born global theory and findings to contextualize the case results. The section will end with a proposition for a new integrated framework that allows for more differentiated insights in the internationalization of IT born global firms.

### 5.1 Sequence and Market Entry Modes

The first section discusses the sequence and market entry modes. Rationales for this choice lie in the need to contextualize the factors to the overall internationalization process.

The definition of IT born global firms has already revealed that such companies sharply differ from traditional theory in a variety of ways, for example in the sequence of market entry and the selected market entry modes. Whereas the Uppsala Model proposes a very sequential and gradual internationalization approach, IT born global firms internationalize right from the start and expand internationally within a short period. Confirming the differences, the case has shown that IT born global firms are not perceived to go abroad, rather they are abroad from the start. The interview has revealed that Eurosender, as an IT born global firm, sees Europe as one market in

which companies are present from the outset. The findings have discussed the case of one start-up company that followed a more sequential market entry mode but has failed by doing so. Eurosender does not follow this approach and has been successful by following the born global strategy. Besides the differences in sequence, IT born global firms do not limit themselves to specific market entry modes, but engage in the ones that are suitable for their business model and the development stage. When looking at Internationalization Theory and the Eclectic Paradigm, firms only internationalize if they possess the FSAs and OLI advantages. Those theories implicate a longer company history that has been build up in the local market first before considering going abroad. Thus, they deviate from IT born global firms as they need to go abroad from the very start, without necessarily possessing those advantages. The following parts will discuss such internal advantages in more detail.

## 5.2 Internal Dimension

Within the internal dimensions, the case findings have led to three alterations to the preliminary framework. First, the factor *product characteristics* has been removed as a separate section. The main reason being that the service of Eurosender is a purely platform based system that is a given factor for all other internal factors. It has already been discussed that IT systems do not require traditional export and strongly rely on digitalization. Therefore, factor relevant product characteristics will be discussed in each part when applicable.

Second, the importance of human capital has emerged throughout all levels, and thus, we have decided to re-categorize *managerial competencies* to *human capital*. Within the human capital factors, we have also included factors such as the international experience of employees and foreign market knowledge, which previously were part of the *company resources*. Consequently, *company resources* have been re-categorized to *financial resources*.

Last, findings from the case study in the first dimension have revealed that one cannot separate internal factors completely from each other. The one factor that seems to have the strongest influence on various others is the financial resource scarcity. First, limited financial resources have an impact on the risk assessment and risk profile of the firm; second, financial resources seem to influence control mechanisms; and third, limited financial resources impact personnel decisions and increase the importance of the human capital. As financial resources

appear to be central to born global companies and influence other factors, they will be discussed first.

### 5.2.1 Financial Resources

The case findings as well as the definition have shown that resource considerations are core to IT born global firms as financial constraints and their impact on the business have been mentioned numerous times. The case showed that from the start, Eurosender has operated on a very limited budget and any inefficiencies would have had detrimental consequences for the company. Without the additional financial support, Eurosender would not have been able to grow quickly. IT born global firms are international from the very start and thus, need more financial resources to get operations running. In traditional Internationalization Theory and the Eclectic Paradigm, one assumes companies to have sufficient financial resources when deciding to go abroad, as internationalization only occurs after a certain time and when the company is in possession of FSAs or OLI advantages. The lack of financial resources as described by the two founders is congruent with the current born global literature that mentions resource scarcity as one of the characteristics. We have found that limited financial resources play a role in the following areas:

- A) **Human capital.** The case has revealed that the quality and quantity of employees is determined by the financial resources. If financial assets are not sufficient, the firm needs to work with a lower number of employees and cannot hire qualified personnel as the wages are not affordable for the company.
- B) **Company control.** As IT born global firms need to have funds to expand the business to a multitude of countries in a short time, financial support is inevitable. We have elaborated that most born global start-ups need to give up control over their firms when accepting external financial aid. Eurosender can be considered an extraordinary case as they are mostly able to make their decisions without consulting investors.
- C) **Risk assessment.** The Interviewees point out that limited financial assets do not allow for extensive market analysis and risk assessment when entering markets. In return for saving money, Eurosender sacrifices traditional risk mitigating research.

Although traditional theories do not discuss financial resources in detail, they play a role in the selection of different market entry modes as discussed by Driscoll. We have found that IT born global firms have an unyielding focus on financials and do not only consider them when selecting specific market entry modes. Furthermore, limited financial and human resources can be counterbalanced by engaging in beneficial networks (Contractor & Lorange, 2002; Coviello & Munro, 1995, 1997), as will be further explained in the next section.

### **5.2.2 Human Capital**

As stated above, the human capital discussion offers a view on the problem using a modified version of the original template, reflecting new insights that emerged during the research process. To structure the human capital and to point out differences, we will discuss characteristics of the top management first before focusing on competencies of non-management employees.

#### **Top management characteristics**

The case has exemplified that both founders have strong entrepreneurial backgrounds and seem to be able to drive the company by influencing employees. Although this is in line with born global literature, findings have shown that the founders have been engaged in very basic activities from the very start to learn and to pass on their knowledge to other employees. They have been persistent and showed excellent skills and endurance when building up networks and acquiring suppliers. We would like to point out that such qualities seem to have had a significant impact on the company and need to be mentioned separately. Besides the traditional managerial competencies like planning, execute and controlling as defined by Buckley and Casson (1976), the founders also seem to show strong leadership skills as noted in Dunning's Oi advantages (1988), since they inspire their employees to go the extra mile and to work as hard as the founders. One of the competencies that are required by the top management team is internationality and prior experience in born-global start-ups. The importance of such characteristics has been manifested in the appointment of the experienced and international CEO. The findings have further pointed out that the social and professional network of the top managers plays a key factor in the development of IT born global firms. The interviews have revealed that the founders have gained a vast personal network in their studies abroad. They have been able to build up and expand their professional network in their first start-up Ox-wear and have subsequently expanded their network during the

time at the accelerators, incubators and through the network of investors and befriended CEOs of other born global start-ups. The founders mention that the role of networks in fundraising, supplier acquisition, partner search and market expansion has been of utmost importance and constitutes the most important managerial competence, which is in line with network theory.

### **Non-management characteristics**

We have expounded that Eurosender, as a born global company, was built up as an international enterprise from the beginning. The case has led to three distinct decision factors that play a role in hiring staff:

- 1) International background: All employees need to have an international background, meaning having spent at least one semester abroad and have gained experience in an international environment. By doing so, Eurosender can create a very international and intercultural company culture.
- 2) Experience, market knowledge and networks: When entering a market, Eurosender strongly relies on the experience, market knowledge and network of its employees. Those core competencies are a substitute to extensive market research and market knowledge that should be gained through research or market operations. Thus, it contradicts the Uppsala Model that states that market knowledge needs to be gained by market commitment. In the case of IT born global firms, networks and international employees seem to replace traditional market knowledge.
- 3) Personal commitment and social skills: We have found that it is of utmost importance to have employees that are willing to put in extra effort and to act like they are founders. As financial limitations do not allow for a large employee base, every employee needs to perform beyond the usual. Additionally, employees need to be able to get along, to become a team and aspire to achieve outstanding results together.

These competencies seem very similar to traditional theories, but the case has shown that human capital plays a central role not only in regards to managerial competencies but also as an essential company resource that facilitate internationalization. It has become evident that efficient human capital processes can compensate financial constraints, helps to overcome gaps in market knowledge and limit risk. Although Buckley and Casson, as well as Dunning, mention those characteristics as FSA and O advantages, they fail to include the importance of networks of

employees and their personal commitment to their theory. The case shows strong similarities with the network theory, which mentions the ability to create and maintain networks as a managerial competence. Confirming the discussion findings, Reuber and Fischer (1997) have conceptualized international experience as an organizational resource and have argued that firms with network-heavy international management teams show a higher degree of internationalization. We have found that human resources decisions play a vital role for Eurosender, but differs from traditional theory in the way that personal dedication, internationality, and local networks have become as important as prior managerial experience and traditional managerial competencies.

### **5.2.3 Need for control**

In contrast to born global literature, traditional theory and market entry mode theory places great importance on the control over knowledge-based assets. Our findings indicate that such control aspects are also present in the case company, but do not seem to play a core role for the founders. Despite the case results, we are rather sceptical how relevant the control findings to other born global firms are as we assume that the importance founders place on such a control differs from company to company and the selected market entry modes. As elaborated above, the need for control plays a significant role in the choice of the market entry mode (Driscoll, 1997). For example, a company with a high need for control will rather consider FDI than exporting or contractual modes. In Buckley and Casson's Internationalization Theory as well as Dunning's Eclectic Paradigm, a company needs to have full control over knowledge-based assets, and therefore, FDI represents an internal substitute for external knowledge diffusion. Although we have found that market entry mode choices do not play a central role for Eurosender, it might for other born global firms. Our findings further suggest that as Eurosender's business relies on personal and professional networks, control over knowledge-based assets is hard to maintain as knowledge often is shared with partners in the network to get access to more resources. This deviates from Dunning's Eclectic Paradigm as full control over ownership advantages aim at keeping the knowledge within the company. Consequently, the traditional control over knowledge-based assets might be relevant for other born global firms.

Besides the traditional control, the interviews have revealed another aspect that has not been discussed in traditional theory. Derived from the characteristics of IT platforms, digitalized services allow for extended data control. We have found that digital age has provided companies

with new measurement tools that are based on large-scale data analysis. Rather than focusing on controlling knowledge-based assets, Eurosender believes in holistic data control as a means to maintain its competitive advantage. Besides controlling hard factors, the findings have disclosed the importance of employee efficiency control. These new forms of control can somehow be related to Buckley and Casson's control need over brand advantage, organizational efficiency and managerial competencies. Marketing control can be linked to brand advantage as marketing plays a central role on in developing the brand value of Eurosender. Personnel control can be linked to organizational efficiency and managerial competencies in Buckley and Casson's Internationalization Theory. At this point, we can conclude that control in the traditional theories deviates from control needs of born global companies because of three main reasons: 1) it is hard to keep knowledge within the company when network effects rely on a certain degree of knowledge sharing, 2) IT platforms do not rely on different market entry modes that depend on the need of control, and 3) control has become a very different meaning in the digital age.

The last aspect that has been mentioned is the loss of control in the case of external financial support. According to Dunning, control refers to authority over strategic and operational decision making, ranging from control of inputs, quality control and marketing activities in the target market (Dunning, 1988). It has been elaborated that founders often must give up control over such activities when external parties invest in the firm. This is in line with previously mentioned Coviello and Munro (1995, 1997) who state that firms that have to substitute their lack of resources with external inputs, managers have to sacrifice some autonomy and control. Although Eurosender is not very restricted in their decision-making, loss of control seems to be a common result of external capital.

Even though case findings have indicated that data control, personnel control and the loss of management control because of external investors have replaced the need for controlling knowledge-based assets, we are not fully convinced that this holds true for other IT born global firms. Therefore, we suggest that further research in this field needs to be conducted.

#### **5.2.4 Risk Profile**

Risk profile of the company refers to the dissemination-, financial- and reputational risk, all of which are factors that influence the market entry mode choice (Driscoll, 1997). Risk profile

does not only play an important role in market entry modes, but also in the Uppsala Model. The entire internationalization process as described by Johnson and Vahlne aims at reducing risk by gradually increasing market commitment after having gained market knowledge. Our findings have shown that risk considerations of IT born global firms strongly deviate from traditional theory in three main points: 1) market entry investments are relatively small, 2) transparency of digitalized world makes dissemination risk a given, and 3) limited financial resources shift the risk considerations from macro to micro factors. For the first two points, we refer to the characteristics of IT platforms and the digitalized world. Our findings show that as the platform operates globally from the start, IT born global firms do not need to invest large sums in each market individually. Even if not investments are made, customers can still access the service. Nevertheless, the interviewees mention that only having a platform does not guarantee sales and says that firms still need to actively market their service in each market, but at a much lower investment compared to setting up offices in each country. In regards to dissemination risk, they note that increased transparency poses a constant dissemination risk that founders are aware of, but does not actively influence firm behaviour. Last, as human capital is the core of the enterprise, our findings suggest that the risk of hiring the wrong employee as one of the major ones, as it results in lost investment and missed opportunities. In conclusion, one can state that risk considerations only refer to the financial risks that are included in failed marketing and hiring errors. In addition, financial risks for the founders have been reduced by the external financial support of investors. Within born global literature, risk is also not considered to be a central topic, but assumes that managerial competencies reduce the risk of going international. It seems that in contrast to traditional theory, risk is far less important and thus, confirms our expectations from the preliminary framework.

### **5.3 External Dimension**

The external dimension covers specific factors of the home as well as the host market that influence internationalization processes. While previous internationalization literature has described external factors and market knowledge of firms as one of the main drivers of internationalization decisions (Johanson & Vahlne, 1977; Dunning, 1980; Brouthers & Hennart, 2007), our results suggest that such factors do play a role, but not in the way it was previously presented. We would like to acknowledge the fact that the case firm is a European company that has internationalized within Europe. Although it is beyond the scope of this research to investigate,



external factors could have different implications for the internationalization process of the firm, if it would enter international space such Asia or America, and more generally when such companies move across continents. Before we go into any specific external factors, we would like to elaborate some general reflections that we deem to be relevant to the discussion.

### **5.3.1 The domestic-foreign market perception**

From a traditional perspective, domestic markets and foreign markets are perceived as two different ones. Classical literature (Driscoll, 1997, Johanson & Vahlne, 1977, Dunning, 1977) proceed from the idea of a distinctive domestic market and suggests that the firm should concentrate much attention on individual foreign countries and account for their specific characteristics before entering. Furthermore, existing theories state that psychic distance and lack of country-specific market knowledge post significant obstacles to internationalization and foreign operation. However, this way of viewing domestic and international markets as separate is not demonstrated in our findings. The two founders have put a small focus on Slovenia or any other individual foreign country, and instead have been viewing entire Europe, and specifically EU countries, as their apparent market from the start. We have found indications that this new type of domestic-foreign market perception is attributed to many born global firms, and that such understanding is essential for the early and rapid internationalization. Further, when considering the definition of born global firms as being companies that derive their value and competitive advantage from operations across borders from the very beginning, it becomes evident that such businesses approach the domestic-foreign perception in a different way compared to traditional views and thus, are relevant for other born global firms. We have found that the case of Eurosender illustrates such a perspective well.

This perception of the unified domestic and foreign markets seems to be facilitated by the business model of Eurosender. From inception, Eurosender delivered an international shipping service. That is, the idea was never to offer the service to the Slovenian market first and then gradually expanding to other countries if successful, but moving beyond the Slovenian market was always at the firm's core. Our findings show that internationalization was a necessity from the outset, not only because of the limitations of the Slovenian market, great foreign market opportunities and their service relying on international shipping, but also to attract the right networks and reach scale. Further, one of Dunning's (1980) conditions for engaging in foreign

operations is that the firm must possess competitive advantage over other local companies in the home market prior to foreign entry, such as size or organizational efficiency. However, our results do not indicate that the case firm did enjoy any advantages of that kind before internationalizing, and thus deviate from previous research. Rather, the firm gained such advantages first after engaging in international operations.

We find it necessary to acknowledge the domestic-foreign perception as we deem it as central when reflecting upon the role and importance of the external factors in the internationalization process of born global firms. We have found that the domestic-foreign market perception has an influence on the following external factors in the internationalization process:

- A) Economic factors.** Partly due to the domestic-foreign market perception, the case shows that specific in-depth economic conditions of the market play only a minor role when introducing the service to customers and suppliers. However, location-specific characteristics do play a role when selecting sites for larger investments, such as setting up offices. By perceiving a large international space as the home market, the firms can take advantage of local specific advantages when setting up foreign operations.
- B) Cultural factors.** Although the firm perceives an entire continent as the preliminary market, it is hard to avoid the fact that there are cultural differences. However, such cultural factors do not seem to have influenced market selection. Instead, cultural barriers can be mitigated by employees and partners with international experience, multilingual skills, and local networks.
- C) Political factors.** Our results indicate that the structure and organization among European countries, and especially within the EU, in terms of trade, economic and relational exchange facilitate the one-market perspective. Hence, the political factor does influence the internationalization process to an extent, as will be explained later on.

In previous theory (Johanson & Vahlne, 1977; Erramilli, 1991), the geographical distance factor also influences a firm's internationalization process, and most notably its market selection. However, our results show that the early and rapid internationalization of the case business was decided and achieved without any geographical distance considerations.

### **5.3.2 Psychic Distance**

Before proceeding with the discussion of the individual factors we want to emphasize the psychic distance concept, its role internationalization, and how born global firms might deviate from traditional theory. Previous research by Cavusgil (1984), Davidson (1982), Erramilli (1991), and Johanson and Vahlne (1977) has shown that external factors guide market selection and that firms try to minimize uncertainty and risk by selecting markets that are similar to their home market. However, our results deviate significantly from this assumption. As Eurosender perceives a large international space as their apparent market from inception, the similarity to the home country, in this case, Slovenia, seems to be less relevant for choosing entry targets. We suggest that the firm illustrates this point by selecting Portugal as the very first country outside Slovenia to launch the service in. If Eurosender had internationalized according to the lowest psychic distance approach, countries such as Hungary, Austria or Croatia would have been more obvious. Thus, Eurosender illustrates how born global firms can deviate from traditional theory in regards to psychic distance.

In the next section, individual external factors will be discussed in more detail. As described earlier, the network dimension will be integrated into the discussion of the external factors since one cannot completely separate the network concepts from the other two dimensions.

### **5.3.3 Economic Factors**

Economic factors refer to market characteristics such as supply and demand, competition, distribution channels and customer segments. In this discussion, we separate two different types of market entries that differ in their reliance on economic factors. In the first section will refer to the introduction of the service to customers and suppliers, that is, exporting the service, building up networks and localizing the website in specific markets. The second section will discuss the establishment of Eurosender's offices that are located in three different countries.

#### **Service Export**

Our findings show that Eurosender does take economic factors into consideration when introducing the business abroad, although not in very much detail and in-depth. The market research prior to entry is somewhat ambiguous and intuitive rather than extensive and quantitative. Our findings have revealed two rationales for this phenomenon:

- 1) Limited resources do not allow for extensive market analysis, as well as the IT-based service that is relatively cheap to take abroad. As mentioned above, these aspects are attributed to many IT born global firms.
- 2) The lack of country-specific knowledge prior to entry is related to the domestic-foreign market perception. Because Eurosender perceives the entire Europe as their preliminary market and has to offer the service Europe-wide, market specific knowledge becomes somewhat obsolete.

While traditional theory states that economic factors are major determiners for market selection, born global firms tend to perceive foreign markets in a different way. Consequently, although Eurosender assesses the economic factors before entering a new market, they do not regard it as a decisive factor for their market selection.

### **Office Locations**

The considerations involved when deciding the location for the offices are slightly different and seem to have been influenced by location specific economic factors. For example, the Berlin office oversees design and marketing and thus, the primary reason for selecting Berlin as a location was due to human talent in these functions. In Slovenia, the relatively low labor cost in Ljubljana allows Eurosender to hire a substantial amount of multilingual customer service employees as well as talented programmers at comparatively lower salaries than in other countries. For the London office, Eurosender agreed to have its financial headquarters there in exchange for expansion support from UTKI as well as the proximity to level39.

The market selection of the offices illustrates where particular foreign markets are chosen by location-specific advantages. This is partly in line with traditional theory in which Dunning emphasizes the importance of L advantages when deciding to set up foreign operations. Hence the case illustrates a situation where economic factors do significantly influence market selection. However, traditional economic factors, such as customer and supply attributes, market size and growth potential do not extensively affect the market selection. Rather, the market choice is influenced by access to lower labor cost, talented personnel, and beneficial networks. Although labor costs and human capital are not specifically mentioned as economic factors in traditional theory or the preliminary framework, we consider such factors as economic, while access to networks is accounted for in Network Theory.

Our results indicate that establishing an office is a relatively significant investment compared to introducing the service to an additional country, especially for an IT firm. Concerning the resource constraints of born global firms it seems coherent that the larger the investment, the larger is the influence of location specific advantages. This is in line with Driscoll's (1997) assumption that the higher the resource commitment, the higher is the importance of market selection. Further, we acknowledge that Eurosender highlights cost benefits, personnel and networks when deciding on the location of their offices. This is in line with Prashantham (2011), who states that companies can use alliances and partner networks to substitute the lack of resources and "piggy-back" on local firms' assets to get access to resources and knowledge. As been shown in previous results and discussion, this further demonstrates that born global firms tend to emphasize personnel and networks to facilitate internationalization.

#### **5.3.4 Cultural Factors**

Cultural factors are mentioned throughout incremental, location-specific and institutional theories on internationalization (Dunning, 2000; Johanson & Vahlne, 1977; North, 1990; Scott, 1995). It deals with aspects such as norms, language, social behavior and how it affects ways of doing business, customer attitudes and preferences, negotiations and marketing practices. While cultural barriers have not influenced Eurosender's market selection fundamentally, they affect the way the company approaches a market. Our findings demonstrate the cultural complexities of countries such as Romania, as well as preference differences between Greece and Sweden, have led to adjustments in marketing and technical platform design. The findings additionally describe how Eurosender accounts for these differences when internationalizing. Namely, the firm tries to limit cultural differences to facilitate internationalization by making use of a local party, preferably an employee or his network, who is familiar with the language, market practices, and social behavior.

In consequence, cultural factors do not seem to have a direct influence on Eurosender market selection as aspects of psychic distance, OLI paradigm and institutional theory suggest. The case illustrates how born global firms use relationships, networks and international employees to substitute traditional importance of market knowledge and ways of gaining such to facilitate internationalization. Accordingly, our results concur partly with an axial direction taken in Johanson and Vahlne's (2009) revised Uppsala Model. That is, networks and relationships are the

primary facilitators of internationalization, but the larger the psychic distance, other things being equal, the more difficult it is to build new relationships. Although, and as discussed above, we cannot acknowledge this being true for the psychic distance concept as a whole, but it seems to be highly relevant in regards to cultural distance.

### **5.3.5 Political Factors**

This factor refers to aspects such as political stability, trade policies and the general political climate of the foreign country the firm selects to enter. At this point, Eurosender does not seem to have accounted for the political factors to any large extent. The company is mainly focused on countries within the European Union, which is in many ways structured as one coherent market that allows free flow of goods, capital, and personnel (European Union, 2014). Consequently, the way the EU is structured supports Eurosender's domestic-foreign market perception, which is key their operation, as might be the case for many IT born global firms within the EU. Further, the respondents' concern over the developments in the EU and the French election, together with the avoidance to enter Switzerland, indicate that political factors do play a role in the firm's internationalization. In its current state, the EU functions as an institutional backdrop that facilitates internationalization for firms in general and born global firms individually, and such businesses could face adverse consequences if the policies changed. Therefore, just because the company does not have to account for political factors when internationalizing at this point, does not generally mean that such factors are not relevant. Rather, it only shows that the political and trade landscape currently is in their favor. Considering that political factors are a substantial part of the psychic distance and location specific concepts presented in previous research, Eurosender illustrates a case where such research still has bearing, but might deviate in its relevance compared to other born global firms.

Although trade policies and regulations may facilitate the internationalization of any firm, we suggest that political factors have a relatively significant influence on born global firms. As Laufs & Schwens (2014) acknowledge, small businesses with limited financial and human resources have higher sensitivity towards drastic change and uncertainty. When operating on constrained resources, as born global firms per definition do, companies benefit relatively more from a political situation that allows such firms to operate without any major limitations and hence, they are much reliant on free trade and international political stability.

### **5.3.6 Geographical Factors**

Our results indicate that the pure geographical distance between the domestic market and the foreign market the firm choose to enter is not a concern for Eurosender, as early and rapid internationalization to other European countries was decided without any geographical distance considerations. We believe that this was to be expected in the case of Eurosender and equally in many IT born global firms due to several reasons. First, the developments in information and communication technology make it possible to communicate and coordinate activities all over the world and at any time. Second, providing an IT service, the firm can scale and export the offering to minor marginal cost, compared to tangible goods. Third, if such constant conditions as geographical distance would post a notable barrier to foreign entry, it is questionable if the firm would build a business model based on rapid and early internationalization. In consequence, the perception of viewing the geographical aspect as an obstacle for internationalization, as traditional research such as the Uppsala Model and institutional theory suggest, does not seem equally accurate in the IT born global firms of today.

## **5.4 IT Born Global Internationalization Framework**

In this section, we are proposing a new framework that encompasses key factors that play a role in the internationalization of born global firms. This model, as presented in figure 2, has been derived from the synthesis of traditional theories, the preliminary framework and has been adjusted according to the case findings as well as the specific explanations stated in the discussion. Consequently, the synthesis of different traditional theories and case study findings result in a framework that gives insights in factors that have been found to be relevant for the internationalization processes of IT born global firms and thus, might serve aspiring entrepreneurs to get practical advice on what factors have found to be key to internationalization success of born global firms.

As the new framework resulted from the discussion, this part will only quickly summarize the main points and explain how the model should be understood, rather than explaining the relation and mutual influences of those factors once more.

In its fundamentals, the new framework consists of the internal, the external and the network dimension. Whereas the internal and the external dimensions comprise specific factors

that influence the internationalization of born global firms, the network dimension functions as a link between the two other dimensions.

The internal dimension consists of three factors, human capital, company control and risk profile. Each of those factors comprises specific aspects, listed in the rectangles on the left side. For example, human capital includes top management and non-management characteristics as well as their sub-points. As elaborated in the discussion, limited financial resources influence the three internal factors and thus, has been placed at the bottom to emphasize its importance throughout the entire dimension.

The external dimension consists of economic factors, cultural factors, and political factors. Like the ones in the internal dimension, external factors also encompass individual aspects that are listed in the rectangles on the right side. In the external dimension, the discussion has revealed that born global firms perceive multiple markets as their home markets and thus, influence the factors within the internal dimension.



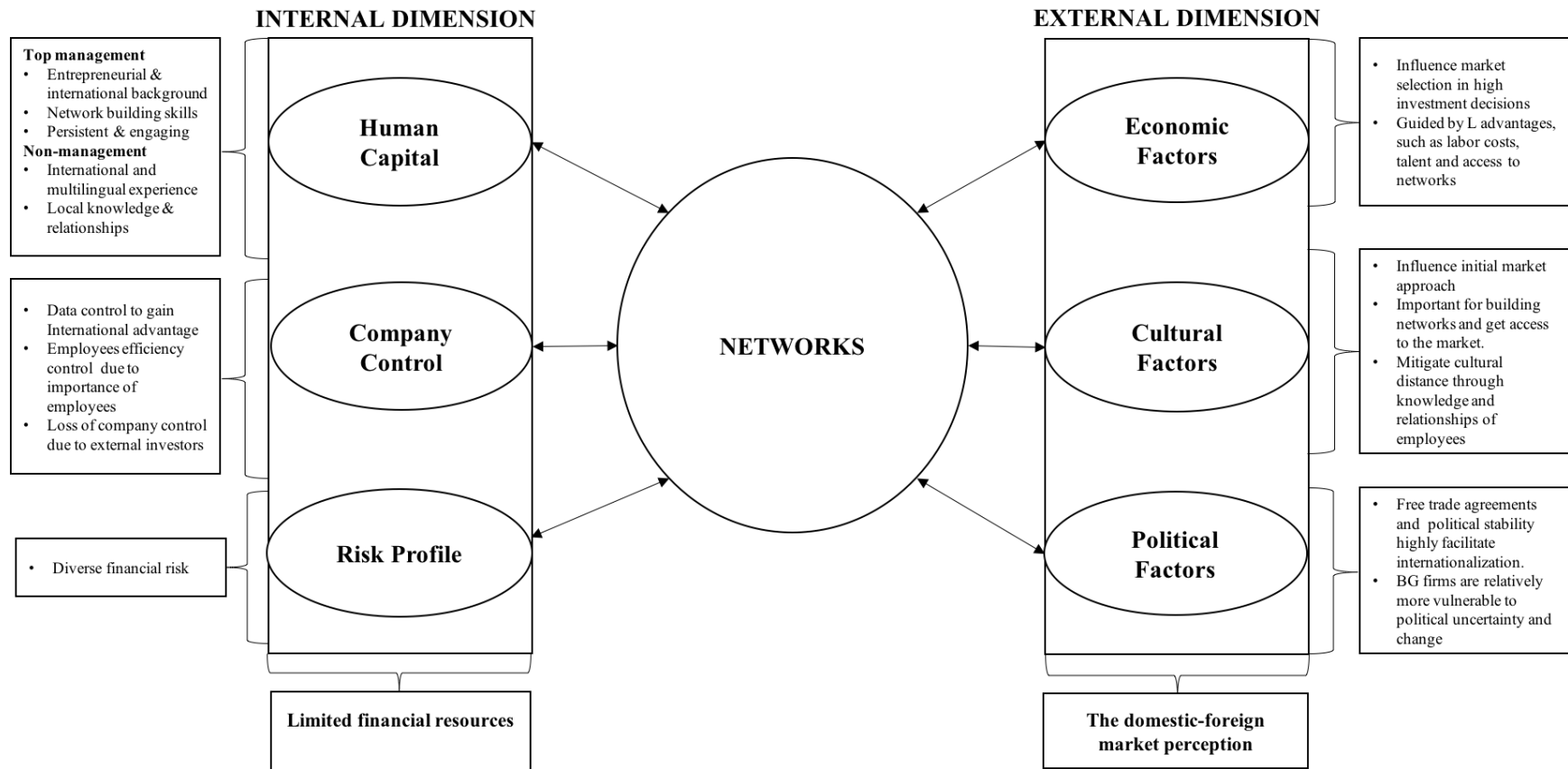


Figure 2. IT Born Global Internationalization Framework (designed by the authors)

Within the external dimension, it is crucial to note that this model was developed according to the findings of a company that operates in Europe and that operates on an existing logistics network that benefits from free trade agreements. Thus, the importance of those factors and their impact might be different for born global firms with a different business model or that operate across different continents. Although we have found that the importance of external factors for Eurosender deviates from traditional theory, their relevance might be different for other born global firms. We assume that in case Eurosender would expand to other markets, e.g. to Asia or the Americas, external factors would become more important in the internationalization process. Thus, we suggest investigating further into this matter.

As stated above, the network dimension influences factors and aspects in each other dimension. Our research has shown that networks play a fundamental role in the success of born global firms, being critical from the hiring procedure to the market entry process. Networks have found to grant easier access to finance, help to facilitate market entries by making use of local contacts, contribute to reducing the risk of cultural differences and market uncertainty, aid in striking partnerships and collaborations as well as contribute to expanding the operational network by making use of the network of other network members.

Having described the new framework, we are confident that the internal dimension is relevant for other IT born global firms and might help born global entrepreneurs to understand what factors have been found central for internationalization success. Nevertheless, we are cautious by generalizing external factors to other enterprises, as their business model might depend much stronger on political factors such as stability and regulations, on cultural factors such as the way of making business and being comfortable in using technology, or on economic factors such as wages or price levels.

## 6 CONCLUSION

Since the 1970s, a plethora of researchers have tried to capture and explain the complex internationalization processes of multinational enterprises, but only recently seem to have started to account for recent changes in globalization, digitalization and the resulting emergence of new business forms. The rise of born global firms in the last decades has challenged the perception of the traditional internationalization processes of multinational enterprises. Consequently, research on internationalization of born global firms has received growing interest in international business theory and has become subject to a multitude of studies. Nevertheless, much of the existing research rely on a single theoretical framework and rarely encompass aspects from different models.

In this thesis, we have, by means of exemplification, shed light on how IT born global firms deviate from traditional theory in their internationalization process. We have examined a holistic set of factors, derived from different internationalization theories and the case company Eurosender, to give further insights in the internationalization of IT born global firms. Finally, we have identified the factors that most notably influence IT born global firms' internationalization processes and developed a new framework that aims at increasing the knowledge in this field.

In the course of writing this thesis, we have found that one of the most fundamental differences in the way born global firms deviate from traditional theory lies in the way they perceive markets and the means they approach these. In that regard, the case study Eurosender has given insights in how such companies go abroad and has shown that born global firms engage in rapid internationalization from inception, and often to a multitude of countries simultaneously, instead of gradually moving from one country to the next.

When analyzing factors that are central to one or multiple traditional internationalization theories, we have found that some of these aspects do not apply to born global firms, some seem to hold true, and some seem to play a smaller role than expected. We have managed to synthesize a selected number of the most prominent theories, found patterns and have defined three different dimensions that enabled us to approach the case in a much clearer and more diversified way. Although the three dimensions, the internal, external and network dimensions have been derived

from traditional theory and have been evaluated through the lens of born global literature, the case findings have led to further insights that go beyond theoretical assumptions.

One of the findings that we reason to be particularly interesting was the importance of the human capital for the firm. Although traditional theories consider managerial competencies as an essential aspect in internationalization, the case findings have revealed that the importance of a company's employees plays a core role in born global internationalization. For example, founders of born global companies seem to use the internationality and the networks of their employees in their home market to overcome lacks in market knowledge and cultural differences.

Although several traditional theories consider external factors as highly important in the internationalization process of enterprises, the case findings indicated that external economic, cultural and geographic factors are less important to born global firms than initially expected. One of the explanations for this phenomenon has been linked back to the fact that the case company operates within the entire European market. Furthermore, due to its IT platform and networks, Eurosender needs to place less importance on external factors compared to what traditional theories suggest. Nevertheless, we have found this to be true for the case company but also suggest being cautious in generalizing such individual case findings to other IT born global firms, especially since the case results indicate that the importance of those factors is related to the particular business model of the enterprise and the operational activity in the European market.

During the discussion of the internal and external dimension, we have discovered that networking effects interlink the internal and the external dimension. Despite the fact that networking effects have been discussed by traditional theory, the extent to which networks play a role in the internationalization has exceeded any previous assumptions. Most strikingly, we have found that networks are a fundamental aspect of the human capital and facilitate not only internationalization but also drives the development of the entire business.

As a result of the findings and discussion of the thesis, we have developed a new born global internationalization framework that highlights a set of factors that most notably influence their internationalization process and that aspires to contributing to the understanding of internationalization processes of born global firms. We trust that the selected traditional theories, the validity and reliability of our data as well as the level of the discussion led to a new framework that is, at least partially, relevant for IT born global firms in general. From a practical point of view,

we see the findings as a means for aspiring entrepreneurs to get practical advice on what factors have found to be key to internationalization success of IT born global firms.

When conducting research one always encounters certain limitations. We would like to remind the reader once more that we have used a case study of an emergent phenomenon for the purpose of the thesis. Thus, one should be cautious in generalizing findings from a single case study. Although we have identified factors that have emerged as central in the internationalization process of firms, the relevance for other IT born global firms has not been proven. Therefore, we suggest further qualitative and quantitative research to increase the generalizability of the findings.

In the course of writing this thesis, we have come across themes that could not have been covered to the extent aspired. First, the new framework has been developed due to findings from an IT based company. Although we have found that generalizability is possible under certain limitations, we suggest to further research into the internationalization factors of product born global firms. Furthermore, the case company currently operates in Europe only. Thus, we propose to widen the research to a company that operates on a global scale, e.g. across continents. In the course of doing so, we suggest paying particular attention to the importance of external factors. In the internal dimension, we have found that control over knowledge-based assets does not seem to be central to IT born global companies. As we are rather skeptical about this finding, we suggest future research be conducted in that area.

Finally, we trust that by having synthesized various aspects from traditional theory, born global literature and case findings, we have expanded the knowledge of born global internationalization beyond a single theoretical framework. We hope that this contribution to the born global research has set the foundation for future researchers to further investigate the area of early and rapid internationalization of born global firms.

## 7 BIBLIOGRAPHY

- Accenture. (2015). *Adding Value to Parcel Delivery*. Company Report, Accenture.
- Ambos, B., & Håkansson, L. (2014). The Concept of Distance in International Management Research. *Journal of International Management*, 20(1), 1-7.
- Anderson, J., Håkansson, H., & Johanson, J. (1994). Dyadic Business Relationships within a Business Network Context. *Journal of Marketing*, 58(4), 1-15.
- Arnett, D. B., & Madhavaram, S. (2012). Multinational enterprise competition: grounding the eclectic paradigm of foreign production in resource-advantage theory. *Journal of Business & Industrial Marketing*, 27(7), 572-581.
- Štefe, J. (2017). Case Interview II: Eurosender. (D. Carlsson, & M. Meixger, Interviewers) Lund/London, May 14
- ATKearney. (2015). *Europe's CEP Market: Steady Growth Begins to Shift*. Retrieved May 6, 2017, from <https://www.atkearney.com/documents/10192/5544202/Europes+CEP+Market%E2%80%B9Steady+Growth+Begins+to+Shift.pdf/b63e4b9e-8979-4d54-a7bb-0ee9cf6008df> ATKearney:
- Bremmer, I. (2014). The New Rules of Globalization. *Harvard Business Review*, 103-107.
- Brewer, P. (2007). Operationalizing Psychic Distance: A Revised Approach. *Journal of International Marketing*, 15(1), 44-66.
- Brouthers, K., & Hennart, J.-F. (2007). Boundaries of the Firm: Insights From International Entry Mode Research. *Journal of Management*, 33(3), 395-425.
- Buckley, P. J. (2015). The contribution of internalisation theory to international business: New realities and unanswered questions. *Journal of World Business*, 51, 74-82.
- Buckley, P. J., & Casson, M. (1976). *The Future of the Multinational Enterprise*. London: Homes & Meier.
- Buckley, P. J., & Casson, M. (2009). The internalisation theory of the multinational enterprise: A review of the progress of a research agenda after 30 years. *Journal of International Business Studies*, 1-18.

- Buckley, P. J., & Hashai, N. (2009). Formalizing internationalization in the eclectic paradigm. *Journal of International Business Studies*, 40, 58-70.
- Buckley, P. J., & Tian, X. (2017). Internalization theory and the performance of emerging-market multinational enterprises. *International Business Review*, 1-15.
- Cavusgil, S. (1984). Differences among exporting firms based on their degree of internationalization. *Journal of Business Research*, 12(2), 195-208.
- Coase, R. H. (1937). The Nature of the Firm. *Economica*, 4(16), 386-405.
- Contractor, F., & Lorange, P. (2002). The growth of alliances in the knowledge-based economy. *International Business Review*, 11(4), 485-502.
- Coviello, N., & Munro, H. (1997). Network Relationships and the Internationalisation Process of Small Software Firms. *International Business Review*, 6(4), 361-386.
- Coviello, N., & Munroe, H. (1995). Growing the entrepreneurial firm: networking for internationalmarket development. *International Business Review*, 29(7), 49-61.
- Da Silva Lopes, T. (2010). The Entrepreneur, Ownership Advantages and the Eclectic Paradigm. *Multinational Business Review*, 18(2), 71-88.
- Davidson, W. (1983). Market similarity and market selection: Implications for international marketing strategy. *Journal of Business Research*, 11(4), 439-456.
- Dicken, P. (2003). *Global shift: Reshaping the global economic map in the 21st century*. London: Sage.
- Dunning, J. H. (1977). Trade, location of economic activity and the MNE: A search for an eclectic approach. In B. Ohlin, P. Hesselborn, & P. Wijkman, *The International allocation of economic activity*. London: Macmillan.
- Dunning, J. H. (1980). Toward an Eclectic Theory of International Production. *Journal of International Business Studies*, 22(3), 1-3.
- Dunning, J. H. (1988). *Explaining international production*. London: Unwin Hyman.
- Dunning, J. H. (1993). *Multinational enterprises and the global economy*. Wokingham: Addison Wesley.

- Dunning, J. H. (1998). Location and the multinational enterprise: A neglected factor? *Journal of International Business Studies*, 29, 67-83.
- Dunning, J. H. (2000). The eclectic paradigm as an envelope for economic and business theories of MNE activity. *International Business Review*, 9, 163-190.
- Dunning, J. H. (2003). The eclectic (OLI) paradigm of international production: Past, present and future. In J. C. Narula, *International business and the eclectic paradigm: Developing the OLI framework*. London: Routledge.
- Easterby-Smith, M., Thorpe, R., & Jackson, P. R. (2015). *Management & Business Research* (Vol. 5). London: Sage.
- ECORYS; Fraunhofer; TCI; Prognos; AUEB-RC/TRANSLOG. (2015). *Fact-finding studies in support of the development of an EU strategy for freight transport logistics*. Brussels: On behalf of the European Commission.
- Eden, L. (2003). A critical reflection and some conclusions on OLI. In J. Cantwell, & N. Rajneesh, *International business and the eclectic paradigm : developing the OLI framework* (pp. 277-297). London: Routledge.
- Eden, L., & Dai, L. (2010). Rethinking the O in Dunning's OLI/Eclectic Paradigm. *Multinational Business Review*, 18(2), 13-34.
- Erramilli, K. (1991). The experience factor in foreign market entry behavior of service firms. *Journal of International Business Studies*, 22(3), 479-501.
- Eurofound. (2012). *Born global: The potential of job creation in new international businesses*. Luxembourg: Publications Office of the European Union.
- European Union. (2014). *One market without borders*. Retrieved May 20, 2017, from European Union: [https://europa.eu/european-union/topics/single-market\\_en](https://europa.eu/european-union/topics/single-market_en)
- Eurosender. (2017a). About Us. *personal communication*.
- Eurosender. (2017b). Eurosender Pitch,. *confidential report*. London: Eurosender.
- Friedman, M. (1970). The Social Responsibility of Business is to Increase its Profits. 122-124.



- Gilpin, R. (2002). *The Challenge of Global Capitalism: The World Economy in the 21st Century*. Princeton: Princeton University Press.
- Gripsrud, G., Hunneman, A., & Solberg, C. (2015). Revisiting Uppsala through the Lenses of New Ventures: A Longitudinal Study of Norwegian Firms. *Advances in International Marketing*, 26, 1-14.
- Harzing, A., & Pudelko, M. (2016). Do We Need to Distance Ourselves from the Distance Concept? Why Home and Host Country Context Might Matter More Than (Cultural) Distance. *Management International Review*, 56(1), 1-34.
- Hymer, S. (1960). *The international operations of national firms: A study of direct foreign investment*. Massachusetts Institute of Technology. Cambridge: MA: the MIT Press, 1976.
- Johanson, J., & Vahlne, J.-E. (2009). The Uppsala internationalization process model revisited: From liability of foreignness to liability of outsidership. *Journal of International Business Studies*, 40(9), 411-431.
- Johanson, J., & Vahlne, J.-E. (1977). The internationalization process of the firm: A model of knowledge development and increasing foreign market commitments. *Journal of International Business Studies*, 8(1), 23-32.
- King, N. (1998). Template Analysis. In C. Cassell, & G. Symon, *Qualitative methods and analysis in organizational research* (pp. 118-134). London: Sage.
- Knight, G., & Cavusgil, T. (2015). The born global firm: An entrepreneurial and capabilities perspective on early and rapid internationalization. *Journal of International Business Studies*, 46(1), 3-16.
- Knight, G., & Cavusgil, T. (2004). Innovation, Organizational Capabilities, and the Born-Global Firm. *Journal of International Business Studies*, 35(2), 124-141.
- Kogut, B., & Singh, H. (1988). The Effect of National Culture on the Choice of Entry Mode. *Journal of International Business Studies*, 19(3), 411-432.
- Laufs, K., & Schwens, C. (2014). Foreign market entry mode choice of small and medium-sized enterprises: A systematic review and future research agenda. *International Business Review*, 23(6), 1109-1126.

- Lundan, S., & Dunning, J. H. (2008). *Multinational enterprises and the global economy* (Vol. 2). Cheltenham: Edward Elgar.
- Moore, K., & Lewis, D. (1999). *Birth of the Multinational*. Copenhagen: Copenhagen Business School Press.
- Narula, R. (2010). Keeping the Eclectic Paradigm Simple. *Multinational Business Review*, 18(2), 35-50.
- North, D. (1990). *Institutions, institutional change and economic performance*. Cambridge: Cambridge University Press.
- Oviatt, B., & McDougall, P. (1994). Toward a Theory of International New Ventures. *Journal of International Business Studies*, 25(1), 45-64.
- Palloix, C. (1977). The Self-Expansion of Capital on a World Scale. *The Review of Radical Political Economics*, 9(2), 3-28.
- Porter, M. E. (1994). The role of location in competition. *Journal of Economics of Business*, 1(1), 35-39.
- Porter, M. E., & Kramer, M. (2006). Strategy and Society: The Link Between Competitive Advantage and Corporate Social Responsibility. *Harvard Business Review*, 84(12), 78-92.
- Porter, M. E., & Kramer, M. (2011). Creating shared value. *Harvard Business Review*, 89(1-2), 62-77.
- Potočník, T. (2017). Case Interview I: Eurosender. (D. Carlsson, & M. Meixger, Interviewers) Lund/Berlin, April 28
- Prashantham, S. (2011). Social Capital and Indian Micromultinationals. *British Journal of Management*, 22(1), 4-20.
- Rangan, K., Chase, L. A., & Karim, S. (2012). *Why Every Company Needs a CSR Strategy and How to Build It*. Harvard Business School. Boston: Harvard Business School.
- Ripolles, M., Blesa, A., & Monferrer, D. (2012). Factors enhancing the choice of higher resource commitment entry modes in international new ventures. *International Business Review*, 21(4), 648-666.

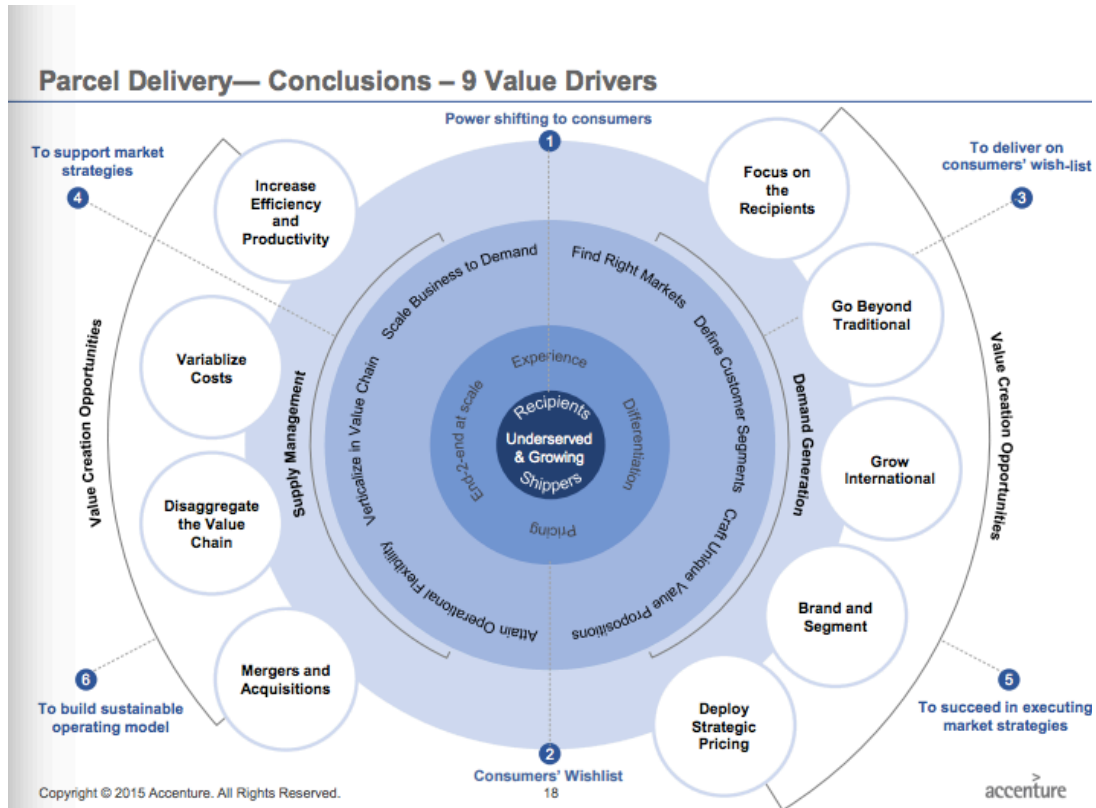
- Rugman, A. (1979). *International diversification and the multinational enterprise*. Lexington: Health.
- Rugman, A. (2010). Reconciling Internationalization Theory and the Eclectic Paradigm. *Multinational Business Review*, 18(2), 1-12.
- Rugman, A., & Verbeke, A. (2003). Extending the theory of the multinational enterprise: internalization and strategic management perspectives. *Journal of International Business Studies*, 34(2), 125-137.
- Sachse, U. (2012). *Internationalisation and Mode Switching* (Vol. 1). Wiesbaden, Germany: Gabler Verlag.
- Schwens, C., Eiche, J., & Kabst, R. (2011). The Moderating Impact of Informal Institutional Distance and Formal Institutional Risk on SME Entry Mode Choice. *Journal of Management Studies*, 48(2), 330-351.
- Scott, R. (1995). *Institutions and organizations : ideas, interests and identities*. London, UK: Sage Publications.
- Siggelkow, N. (2007). Persuasion with case studies. *Academy of Management Journal*, 50(1), 20-24.
- Stake, R. (2006). Qualitative case studies. In N. Denzin, & Y. Lincoln, *Handbook of Qualitative Research* (3rd ed., pp. 443-466). Thousand Oaks: Sage.
- The World Bank. (2017). *Foreign Direct Investments, net outflows (BoP, current US\$)*. Retrieved April 27, 2017, from The World Bank: <http://data.worldbank.org/indicator/BM.KLT.DINV.CD.WD?page=4>
- Vernon, R. (1966). International investment and international trade in the product cycle. *Quarterly Journal of Economics*, 80(2), 190-207.
- Williamson, O. E. (1975). *Markets and Hierarchies: Analysis and Antitrust Implications: A Study in the Economics of Internal Organization*. New York: Free Press.
- Yin, R. (2013). *Case Study Research: Design and Methods* (5th ed.). Thousand Oaks: Sage.

Yiu, D., & Makino, S. (2002). The Choice between Joint Venture and Wholly Owned Subsidiary: An Institutional Perspective. *Organization Science*, 13(6), 667-683.

Zain, M., & Ng, S. (2006). The Impacts of Network Relationships on SMEs' Internationalization Process. *Thunderbird International Business Review*, 48(2), 183-205.

# 8 APPENDIX

## Appendix I: Parcel Delivery Value Drivers



Appendix figure 1. Parcel Delivery Value Drivers (Accenture, 2015, p. 18)