Quasi-born Globals: Do they deserve a specific approach?

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Abstract

The literature on Born Global firms has steadily expanded in the last 15 years. The first inroads on the subject showed a new breed of firms, taking a global approach since inception and showing a significant commitment to international business growth.

In this paper we aim to contribute to the advancement of the understanding of BGs. The case of a medical software service provider will be presented and discussed. This case enables to address three relevant questions in connection with the BG phenomenon: the scope of BG definition, the relevance of the business model and the geography of internationalisation. In particular, it leads to introduce the concept of **quasi-BG**.

Our case study indicates that having a global product may not be enough for BGs' sustainability. The global product needs to be protected and leveraged by a consistent business model, which makes imitation difficult. The process of adjustment of the business model observed in our case study may be more common than the BG literature suggests.

Our conclusions with regard to geography are mixed. Our case challenges some views that geography-oriented and incremental approaches are dead although things might be different for companies with internet-based business models.

Key Words: *born globals, quasi-born globals, internationalisation process*

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QUASI-BORN GLOBALS: DO THEY DESERVE A SPECIFIC APPROACH?

INTRODUCTION

The literature on Born Global firms (BG) has steadily expanded in the last 15 years, since the pioneering works by Rennie (1993) and Oviatt &McDougall (1994). The first inroads on the subject showed a new breed of firms, taking a global approach since inception and showing a significant commitment to international business growth. Then, the contrast between BGs and traditional SME internationalisation, as portrayed in the Uppsala model (Johanson & Vahlne, 1977), emerged as an important issue (Cavusgil, 1994; Bell, 1995; Madsen & Servais, 1997; Servais & Rasmussen, 2000. It was found that BG had faster internationalisation processes, being much less constrained by psychic proximity. This has been recognised by Johanson & Vahlne (2006), who have underlined the key role of networking in explaining international moves of both BGs and traditional SMEs. Another relevant concern has been the link between early internationalisation and entrepreneurship (Oviatt & McDougall, 1999; McDougall & Oviatt, 2000). The BG phenomenon is worth studying, being relevant not just for these firms, but also for other organisations as suggested by Kudina, Yip & Barkema (2008).

The wealth of literature on BGs has been significantly expanded, particularly since 2000. A need is, however, felt to go beyond traditional themes to discuss the very definition of BG (Dominguinhos & Simões, 2004; Rialp, Rialp & Knight, 2005). While the former propose a new operational definition of BGs, based on a clustering of existing literature, the second underline the need for a sounder conceptualisation of BGs. Another issue has been the improvement of the strategic foundations for BGs emergence and growth. Dominguinhos & Simões (2004) have acknowledged this issue, while Rialp & Rialp (2006) have shown that both human and organisational resources have a significant impact upon BGs' success. Jantunen *et allii* (2008) confirm that strategic orientations are related to BGs international performance.

An interesting contribution to advance theory on BGs, simultaneously based on the assessment of extant literature and on a case study approach, was recently undertaken by Gabrielsson *et allii* (2008). Their work identified three phases on BGs evolution, and discusses the main features of BGs in those phases. Seven propositions to characterise BG characteristics and evolution were developed. The article was intended to "advance the theory" on BGs, and was able to achieve its intent. However, while making several aspects more clear, it is not without problems.

In the present paper we aim to contribute further to the advancement of the understanding of BGs. The suggestions by Peng (2001) and Young, Dimitratos & Dana (2003) to undertake longitudinal and in-depth case studies will be followed. The case of a medical software service provider will be presented and discussed. The analysis undertaken confirms some of the findings by Gabrielsson *et allii* (2008), but raises issues that deserve further investigation. This case enables to address three relevant questions in connection with the BG phenomenon: (1) the scope of BG definition; (2) the relevance of the business model, and its relationship with learning; and (3) the geography of internationalisation. In particular, it leads to introduce the concept of **quasi-BG** to denote a case that, while not meeting the traditional, quantitative criteria for defining a BG, has nevertheless the ‘intrinsic’, ‘soft’ features that characterise a BG according to Knight & Cavusgil (2004) and Gabrielsson *et allii* (2008). The case studied challenges, however, two ideas germane to Gabrielsson *et allii* (2008)’s paper: the role of larger players in granting BGs a channel for global reach; and the notion that products (and services) should have a global market potential, without reference to the business model adopted by the BG firm.

The present paper will be structured in five sections. First, a brief review of the literature on BGs, mainly focused on the three questions mentioned above, will be undertaken. A brief methodological note will follow. The third section provides a description of the case. Then, a discussion will be undertaken, aimed at assessing how the case fits extant literature and at identifying potential contributions to improve such literature. The main conclusions will be reviewed in the final section.

LITERATURE REVIEW

There is an increasing literature on BGs, aimed at assessing this new ‘species’ from different perspectives: characteristics of the entrepreneurs, of the entrepreneurial project and of the newly-created company; internationalisation process; learning issues; linkages and relationships; strategy; and company evolution and sustainability. In the present paper, the focus will be put on three issues: the definition of BGs, the business model, and the geography of internationalisation. The literature review will address them successively.

Definition of BGs

The first factor mentioned by researchers when defining BGs was conceptual and purposeful: McDougall & Oviatt (1994) highlighted the global vision of the entrepreneur as an essential feature of BGs. This feature was also pinpointed by other authors, namely by Gabrielsson *et allii* (2008), who argue that BGs should have “a global vision at inception”. A slightly different perspective is suggested by Dominguinhos & Simões (2005), who found that BGs are associated to opportunities framed without reference to geographic boundaries. This is a less demanding condition, since it does not require the existence of a global vision (and this may be difficult to prove *ex-post*), but only a business perspective that is not limited by national borders. Therefore, the global view may be developed *ex-post*, as a result of the success of the first international experiences. In this vein, Mathews & Zander (2007) argue in favor of “an appreciation of internationalisation as a process of entrepreneurial discovery” entailing “dynamic processes of exploitation, redeployment of resources and learning”.

However, as research evolved, and particularly, when qualitative, ‘small numbers’ case studies started to give rise to quantitative, cross-section approaches, more clear-cut definitions, often based on quantified parameters, gained relevance. These require more ‘objective’ criteria to define what a BG is. As shown by Dominguinhos & Simões (2004) and Gabrielsson *et allii* (2008), the key dimensions considered in most definitions of BGs are **time** and **the exports to sales ratio**. It is interesting to remark that Oviatt & McDougall (1994) important concern with the use of resources from multiple countries has not been taken into account in most definitions.

The increased pace of internationalisation of BGs led to consider **time** as a central criterion to distinguish BGs from companies following traditional internationalisation processes. The label assigned to this new breed of firms suggests that they are even born with a global scope. This needs, however, some time to materialise into international turnover figures. So, a time frame had to be defined. Some authors suggested two years (Rennie, 1993), while others have gone as long as six years (Oviatt & McDougall, 1997), considered to correspond to the venture's formative stage. A convergence seems, however, to be established around three years (Almor & Hashai, 2002; Andersson & Wictor, 2003; Simões & Dominguinhos, 2001; Knight & Cavusgil, 1996; Servais, Madsen & Rasmussen, 2007). Whatever time frame is defined, the problem of fit to distinct activities emerges. For instance, for software, a two or three year frame seems to be appropriate, but the same does not happen with biotechnology; here, the time elapsed between the foundation of the firm and the launching of international sales may be as long as six years. This has led some authors to avoid a precise definition of the time frame, well illustrated by Knight & Cavusgil (2004).

With regard to the exports to sales ratio, the diversity is even wider. It goes from 5% (Zahra, Ireland & Hitt, 2000) to 80% (Chetty & Campbell-Hunt, 2004). The most common ratio is 25%, used for instance by Andersson, Gabrielsson & Wictor (2003), Knight (1997), Pulkinnen & Larimo (2003), and Servais, Madsen & Rasmussen (2007). However, as recognised by Kuivalainen, Sundqvist & Servais (2007) this figure is not very demanding for companies from small countries, the SMOPECS in Luostarinen & Gabriesson (2006) parlance. That's why these authors lifted the mark to 50%.

Gabrielsson *et allii* (2008) conclude by arguing that " for research purposes such definitions are flawed, because the ratio of exports or the range of geographic international activities are influenced by the size of BGs' country of origin and economy, the country's neighbour markets, and other factors such as the type of industry". Therefore, they suggest a set of characteristics of BGs: these are independent firms, with a global vision at inception, marketing unique products with a global market potential, and showing a capacity for accelerated internationalisation. Similarly, in their most recent work, Knight & Cavusgil (2004) refrain from providing a quantitative approach, adopting instead a relatively broad, qualitative definition of BGs. Assuming the flaws of quantitative definitions, the issue is however whether qualitative ones, being more flexible, do not have problems on their own: How to assess whether there is a global vision at inception?

The Business Model

It may be argued that, more than the characteristics of the products and their global market potential, the element that may be central for a fast internationalisation process is the business model. For instance, in traditional studies on international entry modes, it has been recognised that franchising has a strong potential for fast internationalisation, due to the very characteristics of the business model behind it. Welch, Benito & Petersen (2007) remark that franchising enables a fast international growth, the advertising investments and the network acting as levers for further international growth. For sure, the characteristics of the products or services are important, but to ensure fast international growth, the company should follow an appropriate business model. Take, for instance, fast food restaurant chains. The restaurant industry is often given as an example of a fragmented industry. However, the development of chains such as McDonald's, Jollybee or Pizza Hut cannot be assigned to the characteristics of the products, but rather to the business model followed.

A similar argument is developed by Chesbrough (2006) on his analysis of the role of industrial property rights, namely patents, in the context of open innovation. He sustains that patents have not a value *per se*. Their value derives from the business model in which they are included. The value of patents is largely a consequence of the role they play in an astute business model. Such value may be captured through different forms, from licensing or cross-licensing to the manufacturing and marketing of final products. In this juncture, it is important to remark that some BGs, namely in biotechnology, have designed business models where patent licensing plays a key role. The case of the BG company BIOTECH 2, mentioned by Simões & Dominguinhos (2005), is a case in point.

Especially when the business model is based on the combination of different elements, encompassing product/service, marketing and organisational aspects, it may be very difficult to replicate by competitors (Porter, 1996). Therefore, as Kim & Mauborgne (1998 and 2005) have pointed out, a good business model may be the key instrument to achieve uniqueness, These authors go even to argue that that they are the 'secret' to create "blue oceans", those market segments where it is very hard for the competitors to enter. They may also be used by established firms to fight "technology commoditisation" (Halpern & Vasiliadis, 2009).

The development of the business model may be envisaged as an important element of the entrepreneurial discovery process underlined by Mathews & Zander (2007). Changes in strategic focus may be precipitated by 'episodes' and 'critical incidents' (Bell, 2001), which may work as 'triggers' (Gabrielsson *et allii*, 2008). In several cases, sudden internationalisation occurred due to a combination of 'critical incidents', and not just as a result of a single 'episode', such as the fact that an existing customer had suddenly internationalised and the firm had 'followed' the client into new markets (Bell, 2001; Johanson & Vahlne, 2006). Such 'critical incidents' may lead to unplanned strategies (Crick & Spence, 2005) and to adjustments in the business model, thereby generating a strong commitment to internationalisation, as indicated by Gabrielsson *et allii* (2008).

To sum up, it seems that no less important than having a product with a global market potential (Gabrielsson *et allii*, 2008), is the design of a business model that might be internationally replicable and able to leverage the distinctive capabilities of the BG firm. The business model is a central element in shaping what Autio (2005) calls "firm's value creation logic". This does not mean however that the business model has been designed once for all, but rather that it is adaptable to different international environments without losing its distinctiveness.

The Geography of Internationalisation

A traditional theme on BGs literature has been the contrast between BGs and 'traditional' firms' internationalisation processes. Since time has accelerated and the World has shrunk, there are undoubtfully more opportunities for firms to go global from inception. Some authors argue that the BG phenomenon corresponds to the death of stages models of internationalisation (Cavusgil, 1994), while others are much less radical, suggesting that the stages model still has a high degree of explanatory power (Luostarinen & Gabrielsson, 2002).

The Uppsala model identified three main features of the internationalisation process. First, the gradual evolution from lower, namely exports, to higher risk and resource engagement modes. Second, the importance of experiential learning as a key factor for further resource engagement decisions; as the firm gets further knowledge about the local market, further relationships are built, and current activities prove to be successful, a stronger commitment to international activities will develop. Third, the geography of internationalisation evolves as "rings in the water" (Madsen & Servais, 1997). As it happened with the evolution of operation modes in a single country, companies will start by psychically close countries, going slowly to adjacent countries in order to reduce the perceived risk. This may be related to what Luostarinen (1979) called the "lateral rigidity" of managers. Below we will focus on the third feature only, since it is the most relevant for our objectives in the present paper.

The very idea of BGs entails some 'rupture' with the idea of "circles in the water". Being a BG means *celere ubique*, that is, being rapidly everywhere. While everywhere is certainly too strong a condition, it is commonly accepted that BGs should generate revenues from businesses in at least two continents (Dominguinhos & Simões, 2004; Karlssen, 2003; Luostarinen & Gabrielssen, 2006; Servais, Madsen & Rasmussen, 2007). The firm should have a global vision and intent (Gabrielssen *et allii*, 2008), if not a global reach yet.

The 'traditional' view of internationalisation following psychic proximity is not applicable to firms: (1) which build international networks, where asset exploitation and common asset creation may be in close dialogue (Mathews & Zander, 2007); (2) whose international networks were often developed *ex-ante*, based on the past experience of partners and founders (Madsen & Servais, 1997; Crick & Spence, 2005), and without reference to national barriers; and (3) whose geographic internationalisation patterns are often shaped by the relationships established with larger multinational players, already present in World's main markets (Gabrielsson & Kirpalani, 2004; Gabrielsson *et allii*, 2008).

But that does not *ipso facto* mean that psychic proximity is no longer relevant. The twist introduced by Johanson & Vahlne (2006) in the Uppsala Model, underlining the relevance of relationships, and not so much of geographical markets, provides a useful contribution to reconcile BG internationalisation, geography and psychic proximity. In fact, relationships often emerge due to co-location, and the opportunities for it are not independent from the entrepreneurial team's places of birth and education/professional trajectories (even in the case of internet businesses). Additionally, international commitments by established multinationals, that work as 'carriers' for BGs internationalisation, are not independent from the place where corporate and/or divisional headquarters are located. This suggests that a new geography of psychic proximity still works. Not the 'almighty' role of geographic and cultural proximity suggested by the classical stages approach, but rather the geography of the BG entrepreneurial team's educational/professional/business/social networks and "emotional attachments" (Gabrielsson *et allii*, 2008). This means that, as Doz, Santos &

Williamson (2001) pointed out, geography is no longer destiny. But it also means that being a BG does not necessarily mean fully breaking free of geography.

METHOD

The issues we want to deal with in the present paper are related to the *Why?* and *How?* of BGs internationalisation. In particular, we want to better understand the process of entrepreneurial discovery and evolution by raising questions on *how* the business model was shaped and adapted to internationalisation, and *how* the geography of internationalisation unfolds. These are questions that are better addressed through the case study method (Eisenhardt, 1989; Yin, 2009). By following an internationalisation process, we do hope to contribute towards the literature on international entrepreneurship.

There is a need for studying the phenomenon in a real-life context (Yin, 2009), to fully grasp how the company evolves, how its business model matures and how these aspects influence the very geography of internationalisation. Since one is dealing with a process, where company experiences are central, and the evolution of their interaction with the environment is relevant, one should rely on case studies (Gummesson, 2000). It enables to deepen the analysis, thus leading to identify new perspectives as well as to check extant theoretical frameworks. A longitudinal case study is particularly well suited to provide “the idiosyncratic detail [that] can maximize our theoretical insight” (Vaughan, 1992,).

Our empirical research is based on a single case study. It concerns a medical software service provider that designs and markets software solutions for hospitals, going from the introduction of paperless procedures in some parts of the hospital (namely, Emergency services) to whole paperless hospitals. This is an unusual case, since the company follows a blend of standardisation and adaptation in an industry dominated either by standardised approaches, often presented by multinationals, or by local solutions, fully tailor-made on the basis of the hospital specificities.

Eisenhardt (1991) has underlined that the number of cases is not a quality criterion for case study research. Yin (2009) has indicated five rationales for carrying out single case studies: (1) a critical case, to test extant theory; (2) an extreme or unique case; (3) a representative or typical case; (4) a revelatory case; and (5) a longitudinal case. Our case study meets some of these aspects. It may be considered as a critical case, to the extent that it regards a specific situation, and business, that meets the conditions to test existing theory. In fact, the case may be considered as critical by four main reasons. First, it does not deal with standardised ‘products’ that are amenable to fast worldwide commercialisation, but rather with software solutions, which require a close interaction with customers and cannot be commercialised through the internet. Second, being in a business where trust and technological prowess are critical, the company is based on a country which is not recognised as a technological leader. Third, the case concerns a newly born firm that is fully independent, and does not have recourse to the marketing channels of established multinationals. Finally, the case provides interesting details on a company which, though not fully meeting the (usual) criteria to be classified as a BG, has nevertheless underwent a process of “entrepreneurial discovery” (Mathews & Zander, 2007) of worldwide opportunities; it led to a strong internationalisation drive, triggered by emerging factors and not fully imagined *ex-ante* or when the company was started. Some of these features may also be used to indicate the 'uniqueness', though not the extreme nature, of the case. The case is also unique since it corresponds to an 'outstanding success' (Patton, 1990; Ghauri, 2004). Finally, it is a longitudinal case, insofar as a significant part of the developments have been followed by the researchers in 'real time'.

The approach followed is in line with the pleas made by several authors studying both international business and BGs, in particular, for more detailed, longitudinal studies, in order to better understand how internacionalisation processes evolve (Coviello & Jones, 2004; Peng, 2001; Young, Dimitratos & Dana, 2003).

Qualitative data was collected through semi-structured personal interviews with the company business development manager. These were complemented with phone and mail exchanges to clarify specific elements. The interviews took place in May 2008 and January 2009, lasting for around one hour each. Reports on the interviews have been sent to the interviewee to check and clarify remaining doubts. The carrying out of two interviews in different points in time, roughly with a half-year gap, enabled to better follow the evolution of the company as well as to obtain additional information. Triangulation of information has been suggested as an important tool to increase the accuracy and quality of case study research (Jick, 1979; Miles & Huberman, 1994; Pauwells & Matthyssens, 2004). In the present study it has been difficult to use various triangulation approaches, having in mind the specificity of qualitative data collected and the lack of access to foreign partners. Nevertheless, triangulation with publicly available information, namely the one published in the national press, pod-casts of broadcasted interviews with the company founder and the company website was undertaken. Triangulation has been very relevant, not just to cross-check information, but also to fill gaps and to develop the history and geography of internationalisation. Content analysis of the interview data and documentation were based on the case narrative.

THE CASE STUDY: 'ALERT Life Sciences Computing'

The internationalization process: history and geography

ALERT Life Sciences Computing, S.A. (hereinafter, ALERT) is the ALERT group parent company. It is entirely dedicated to the development, distribution, and implementation of clinical software solutions to ensure paper-free clinical environments. The company has been created in December 1999 as *Médicos na Internet, Saúde na Internet, S.A. - MNI* (*Doctors on the Internet*). MNI was founded by Dr Jorge Guimarães, a MD PhD, who was able to rapidly assembling a group of colleagues to carry out the project. The company was started as a network of medical doctors, around a medical website which provided information and medical advice on clinical matters to the general Portuguese public. Dr. Guimarães got his PhD from Stanford, USA, in Molecular Biology. His idea, however, was to start a business, and not to follow a traditional career as academic or as physician. As he put it in an interview: *"I had already got a very high level as molecular biologist, and I thought I was not prepared for the next step, to aim at the Nobel prize. I was tired, and I needed something different"*.

The trigger to launch MNI was the fact that he won one of the most important prizes assigned to medical research in Portugal: his PhD thesis has been awarded the prestigious *Prémio Bial*, granted by the largest Portuguese pharmaceutical company. Dr. Guimarães decided to invest the prize money as seed money to launch the firm. Now, almost ten years later, the company changed its name to *ALERT Life Sciences Computing, S.A.* (hereinafter, ALERT) and had a turnover above € 35 million (2008), carrying out business in three continents.

After 2 years following a business model based on Internet advice, MNI rapidly evolved to become a provider of clinical software, designed to assist doctors, in a hospital environments, on their relationship with the patients. ALERT had the ambition of providing a software environment enabling the creation of a paperless hospital, by means of a very user-friendly interface and a touch screen based screen. It also has biometric ID and workflow concepts involving all healthcare professionals.

The Portuguese market was the natural market for MNI as its staff of Portuguese doctors and IT professionals was used to the Portuguese market, education, health practices and health organisations. The experience acquired when developing the Internet services for the national market had strengthened MNI's ability to understand the health professional and organizational needs. The Portuguese health system is built around the public National Health Service (*Serviço Nacional de Saúde* - SNS). Due to the continuous growth of SNS costs, the Government was forced to dramatically improve health management. MNI endeavoured to take profit from the opportunity. Its market penetration strategy targeted first the niche of Emergency services, spread over a network of National and Regional hospitals. In fact, the Manchester Protocol of Emergency Services[1] was being adopted across the country as of 2002 and this was immediately perceived as a huge opportunity for MNI. The first contract won by MNI to implement the Manchester Protocol in the regional hospital of Chaves[2] was signed in May 2003.

Spain was the first internationalisation move. Spain is the only country with land frontier with Portugal, as both countries constitute the Iberian Peninsula and, additionally, Portuguese and Spanish languages are very close. So, MNI was able to win a contract to design and implement a triage software in accordance to the above Protocol at a regional hospital in Orense[3], Spain, in June 2003. It is interesting to remark that this happened just a month later than the first contract won in Portugal.

Nonetheless, as health regulations are very strict and, in spite of common protocols as the one mentioned above, still show significant differences across countries, internationalisation was very slow at the beginning. MNI remained confined to the Iberian market until 2004, with 17 'implementations', including 2 in Spain (Orense and Madrid). In December that year, Dr. Guimarães visited the USA in order to check the international competition to MNI's software. He had the perception that the main competitors, should MNI expand beyond the Iberian Peninsula, would be American firms. On the basis of the contacts established there, including those with former colleagues at Stanford, Dr. Guimarães realized that MNI software had a tremendous

[1] The Manchester Protocol or Manchester Triage System (MTS) is the systematic prioritization of patient care in all unscheduled care settings. MTS is the most widely used hospital emergency departments triage system in the UK, Europe and Australia.

[2] Chaves is located in Northern Portugal, very close to the Spanish border.

[3] The distance between Orense and Chaves is less than 100 kilometres.

international potential. This visit corresponded to a turning point. It enabled Dr. Guimarães to become aware of the international opportunities that might be opened to his company. Internationalisation, namely towards the USA, became a strong priority then.

Accordingly, the next move was the hiring of an expert in IT for emergency services, in order to adapt the ALERT® software to the USA health organizations perceived reality and needs. This was followed by the creation of *ALERT Life Sciences Computing, Inc.* in the USA, with its headquarters in Reston, Virginia, and the establishment of commercial departments in Georgia, Pennsylvania and California.

It took an intense work to fully comply with international standards. ALERT® was developed according to Health Level 7 (HL7) standards and in early 2006 MNI got their first IHE (Integrating the Healthcare Enterprise) certificates. In order to promote its international image, the new ALERT® was presented in several international shows and trade fairs specialised in health care business, such as ‘Connectathon’ in Chicago, ‘Healthcare Computing’ in Harrogate (UK), and CEBIT 2006 in the context of the European Commission stand. In early 2007, the company gets the first contract in the USA, followed by a few others. However, these first experiences in the USA were not successful, due to factors outside ALERT’s control. As the business development manager put it: *“Three hospital solutions sold in the USA have successively failed: the first because the hospital has been sold, the second because the hospital (in New Orleans) has been destroyed by the Katrina hurricane, and the third, again in New Orleans affected by Hyke hurricane”*. Meanwhile, the expansion in Spain was accelerated by the winning of a contract with the Valencian Community, for all the region’s 23 hospitals.

In early 2007 MNI changed its name, after its products, to ALERT. This was due to the “*internationalisation of MNI [...] with the objective to facilitate the international recognition of the firm*” (Jornal de Negócios, 2007). The perception of an international potential thereby led to the decision of changing the company’s name. In fact, though MNI had a strong appeal in Portugal, it lacked the potential to support the intended internationalisation drive.

ALERT had then two international subsidiaries, *ALERT USA* and *Innova Auria* in Spain, and a network of distributors covering the Benelux, Italy, Croatia, Switzerland and Canada. The success of the Benelux distributor in Holland, with several contracts, led ALERT to acquire it, and changing its name to *ALERT BV*. A similar success in the UK market led to the creation of *ALERT UK*.

The Brazilian market was tackled directly by ALERT headquarters. The commitment of resources to enter this market has paid off, leading, in late 2007, to a big contract with the Brazilian State of Minas Gerais. This contract involved the ‘implementation’ of ALERT® software in 8000 State health units and emergency services. This was a very successful move, which led to the establishment of *ALERT Brasil*. Later on, further contracts were entered into with Brazilian private health organisations, namely with one of the biggest health service providers out of the São Paulo-Rio de Janeiro axis.

Contacts established in the USA on various trade shows led to the winning, in January 2008, of a contract to implement a full paperless package at a hospital, managed by

American nationals, in Malaysia. The contract was followed by the establishment of *ALERT Asia* in Singapore, with a view to further develop the Asian market. Both the hospital in Malaysia and the first ALERT paperless hospital in the USA, in Alaska, went live in early 2009.

The key episodes of ALERT's internationalisation process are summarized below:

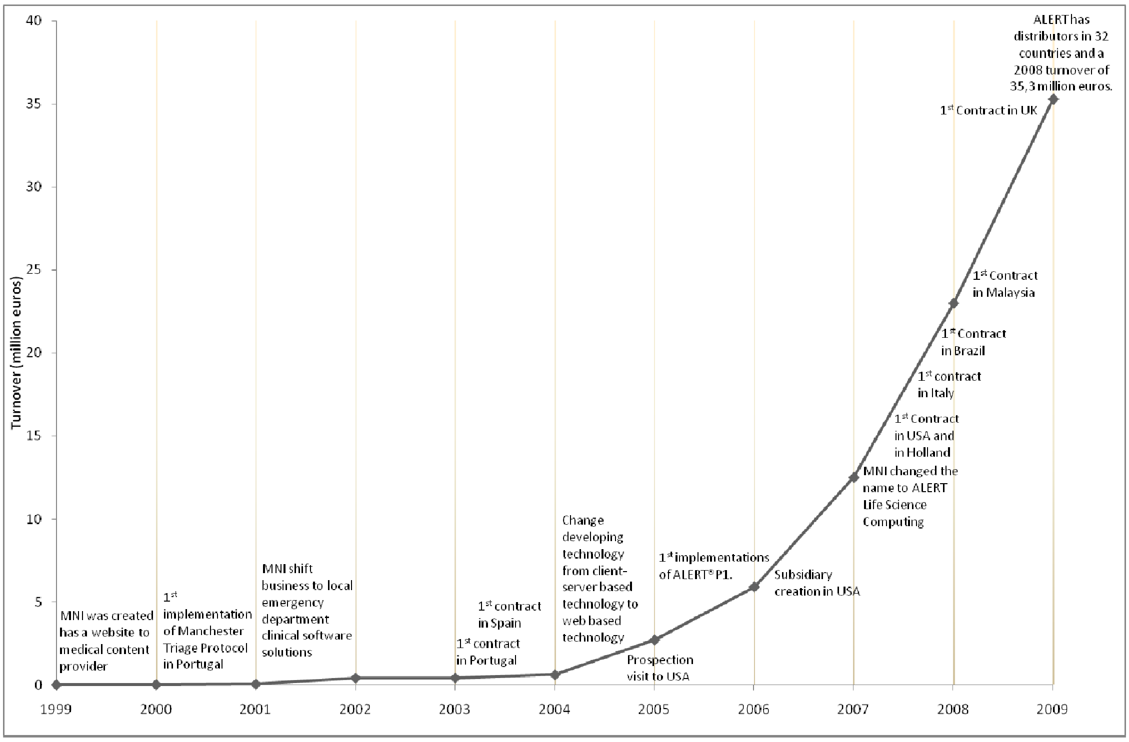

Figure 1 - Key episodes of ALERT's internationalisation process

As a result of this process, ALERT has, in mid 2009, a constellation of distributors and subsidiaries spread around the World. Such a constellation of market prospecting and servicing modes includes 6 subsidiaries in the following countries: Spain, the 1st international market; USA, the internationalisation big arm; Singapore, which has followed the first contract in Malaysia; Brazil, born out of a big contract in Minas Gerais; Holland, through the acquisition of a former distributor; and the UK, a most prominent show place in Europe. This geography closely corresponds to ALERT sales record.

The strengthening of ALERT internationalisation process in the last couple of years has been translated in a 2008 turnover of 35,3 million €, corresponding to a growth rate above 50% per year (23 M€ in 2007 and 12,5 M€ in 2006). More than 60% of 2008 turnover came from abroad, as against 15% in the previous year. One may argue therefore that 2008 may herald another turning point in ALERT's internationalization.

ALERT's software products

ALERT's products have a unique design that waives almost totally keyboard necessity. Design and workflow are the biggest concerns in product development. ALERT products are protected by copyrights and international patents. They are the result of a multidisciplinary team collective work. This merges ideas from clinical directors, medical doctors, nurses, laboratory technicians, medical auxiliaries and administrative personnel, computer engineers, communication designers and others, in order to take into account the different professionals who will interact with ALERT's products. The company invests in R&D around 20% of its revenue.

As may be seen in Annex 1, ALERT® products are addressed to both health professionals and citizens. Although there are products for physicians' practices, most professional products are intended to hospitals, from CRM and ERP to whole paper free hospital software. However, Dr. Guimarães considers that there is an increasing market for citizens' health software (TSF, 2007):

> *" We are very focused on the citizen, because sooner or later the citizen will want to know [have access to] everything that is happening with his/her health. One day he will want to compare the performance of different hospitals to know exactly which one to select for providing the services he/she needs. I have no doubts that such information will be accessible to all citizens. Empowering citizens is a powerful trend. [So] we are developing products for citizens, [such as] a citizen's electronic clinical process".*

At the beginning, while it was confined to local emergency department's solutions, MNI, the antecessor of ALERT, was developing its products on a client-server based technology. In 2004 it shifted to web based technology, which allowed the introduction of small regional solutions in 2006. Since then, and based on the same technology, ALERT has been able to extend its offer to a much wider scale, as it happened in Portugal (2007) and in the Brazilian State of Minas Gerais (2008). ALERT argues that it is now able to provide its solutions on a global scale, centralizing all information in a data-center recently created, and located in the USA (See Annex 2).

ALERT faces two main groups of competitors. On the one hand, there are national and regional software companies which are in some countries, particularly in Spain, tough challengers. On the other hand, there are multinational players, such as Microsoft, CERNER, EPIC or Siemens, which compete globally. Initially, ALERT was envisaged by many of these as *"the new kids on the block"*. As Dr. Guimarães mentioned, the multinationals are now "*trying to reduce the leadership advantage*" ALERT enjoys, and Google has recently entered the business.

Most of the ALERT products cannot be 'implemented' as exact copies or blueprints of a basic software design. Adaptations have to be made to specific client characteristics, depending on national and regional regulatory constrains or individual practices, for example. An individual inventory of the processes that will be turned into 'paperless' processes is carried out before developing the final product. Even the most appropriate interface can be chosen from an interface data base common to all subsidiaries.

The 'implementation' also requires a specific team to help the transition to a paperless environment, prepared to client specificities. All the development and implementation process of the product is defined to a particular client and many characteristics of the product are learned from the inventory phase from the previous paper environment. This adaptation is supported by some standard non-clinical products like the product responsible for data reposition and interoperability standards that allows ALERT® to interact with previously implemented systems. ALERT also maintains a monitoring department 24 hours a day that can detect failures in implemented products anywhere in the world.

The business model

As mentioned above, the company was started with a view to provide medical advice on the Internet. Hence, its initial name *Médicos na Internet* – MNI (*Doctors on the Internet*). The launching of the Manchester Protocol opened a new opportunity window, and led the then MNI to define Emergency services as its key market niche. This was seen as an opportunity which rose from the combination of the attention given to restructuring and management of heath public units, namely hospitals, where these services are crucial and often very visible, and the implementation of the Manchester Protocol in both Portugal and other European countries. Further software developments took similarly a modular approach, as the logic of a paperless Emergency service was not much different from a surgery room or a primary care centre.

ALERT provides a full scope of services from relatively small triage software to a full digital environment such as the paperless hospital or integrated health care solutions for various hospitals or regions/countries. The commercial progress with the various clients suggests that ALERT has used the relatively narrow scope services in order to establish an initial relationship with the customer, with a further ambition of a future whole scale operation. On the other side, customers use these 'module' services to test their practical viability and performance as well as the reliability of the provider.

This modular approach has another nuance, related to customization and replication. The adaptation mentioned in the sub-section above is imperative. There is a need to ensure that the software 'fits' the specific context of operation, but also the strategy (for instance, hospital positioning), business practices, 'administrative heritage' (hierarchies, internal relationships, team-working practices, medical-administrative power balances) of the client hospital. Each situation therefore becomes highly idiosyncratic. Customization does not affect the core and nature of the ALERT product/service and in no way prevents or diminishes the replication potential. The combined nature of 'product' plus 'service' makes business relationships, previous references and trust essential to win contracts.

The business model becomes essential to reconcile all these aspects. ALERT provides a broad-range service, which may be enlarged and deepened as past performance entices the development of confidence in the company capabilities and eventually trust. The recent evolution trend of ALERT®'s technology, which was initially of a client-server application and later evolved to a web based technology, has contributed to strengthen the business model, strengthening relationships with clients. Winning a contract is not a 'turn-key' business. It involves not just the design *cum* adaptation of the software, but also the establishment of a medium term relationship involving after-care assistance and service. This seems to be based on a combination of a technical assistance and a software licensing agreements. The amounts involved may go up to one million US dollars. More importantly, however, the approach followed enables a continuous dialogue with the customer. It provides ALERT with a leverage for further extensions of the services as well as with a stream of revenues[4].

Furthermore, the business model followed paves the way for a learning process which enables ALERT to deepen and amplify its business knowledge, which may be useful when dealing with other prospective clients. ALERT also incorporates this new knowledge in later upgrades of the software. Therefore, the quality and innovativeness of software products is leveraged by a business model that contributes to enhance the appropriability of technological advances.

DISCUSSION

In the literature review, three issues were pointed out: (1) the definition of BGs; (2) the role of the business model in BG expansion and competitive success; and (3) geographic spread of BG operations. We think that the case presented above casts interesting lights on all these issues.

It is clear that ALERT does not meet the most common definitions of BGs. It has not developed its global presence, reaching at least 25% of income from operations abroad, three years (or even six years) from inception, as Servais, Madsen & Rasmussen (2007) or Dominguinhos & Simões (2004) suggest. If one takes the four criteria indicated by Gabrielsson *et allii* (2008) to define a BG – global vision at inception, unique product with a global market potential, independent firm, and capacity for accelerated internationalization – our company is not a BG either, since the first criterion is not satisfied. In fact, it is evident from the above section that ALERT was not created as a result of a global vision[5]. Even if one follows the less stringent definition of Knight & Cavusgil (2004), one cannot ascertain that ALERT "origins are international": the initial market focus has been put in the Iberian Peninsula, not elsewhere. Therefore, our 'animal' cannot be classified as a BG.

Curiously, it is not a "born-again global firm" (Bell, McNaughton & Young, 2001) either. In fact, these firms had a relatively long period of involvement in mainly domestic business before embarking in the adventure of global expansion. ALERT is, however, similar to born-again globals to the extent that there were 'episodes' or 'critical incidents' that sat up a new business course. The visit of Dr. Guimarães to the USA in late 2004 was the 'critical incident' to precipitate change. For the first time, ALERT became aware of the potential of its business approach. If the company was perceived as second to none in the USA, there were reasons to commit resources to international expansion. Together with the shift from client-server to web-based technology, this increased awareness of competitive prowess led to a strong commitment to international expansion. A complementary reason was, of course, the opportunities opened by the implementation of the Manchester Protocol in Europe. But,

[4] The name of the Brazilian subsidiary (*ALERT Serviços de Licenciamento de Sistemas de Informática para a Saúde, Ltda.*) may be understood as epitomising the relevance of licensing in ALERT business model.

[5] We should though not forget the international trajectory of the company founder. While the global vision was not explicitly present, the company was never envisaged as just focused on the Portuguese market, as the early inroads in Spain show.

contrary to born-again globals the worldwide internationalisation drive took place shortly (five years) after creation.

Therefore, strictly speaking, our case study does not correspond neither to a BG nor to a born-again global. In the first instance, the emergence of the global vision took place too late[6]. In the second, it happened too early. We have therefore a case that challenges established theory. Two options may be suggested to reconcile this case with extant theory: softening the 'global vision' condition; or introducing a new type of firm in existing taxonomy.

The first option is based on the contributions by Knight & Cavusgil (2004), Simões & Dominguinhos (2005), Chesbrough (2006) and Mathews & Zander (2007). The first authors implicitly acknowledge that the global vision may emerge after inception. This raises, however, the issue of how long? This requires the establishment of a time frame that is necessarily subjective, raising the same criticisms pointed out by Madsen & Servais (1997), Rialp, Rialp & Knight (2005) and Gabrielsson et allii (2008) to the 'quantitative' definitions of BGs. The second contribution seems more acceptable. It implies a slight twist to the concept of global vision. Simões & Dominguinhos (2005) found that a key feature distinguishing BGs from national new ventures was the fact that the perception of the business opportunity was not geographically constrained. So, if one replaces Gabrielsson *et allii* (2008)'s global vision criterion by this less demanding one, ALERT might be considered as a BG[7]. However, other researchers may envisage this condition as too lenient. Chesbrough (2006) argues that one of the main advantages of open innovation is the possibility to experiment, and to identify new opportunities which were hard to foresee. By the same token, it may happen that business opportunities do not emerge as global at the moment of company's creation. This process of testing and experimenting opportunity scope is an essential ingredient of the entrepreneurial discovery, associated with strategizing under uncertainty, which Mathews & Zander (2007) have illustrated so convincingly. It is this very process that generates commitment: this may be triggered not just by *ex-ante* 'critical incidents', as Gabrielsson *et allii* (2008) suggest, but also by *ex-post* (that is, after inception) ones. With limited rationality, one cannot preclude that a global vision only emerges *ex-post*, as the newly-created company perceives the real geography of market opportunities. This reasoning might lead to redefine what a BG is.

The second option is more straightforward and conservative, though less challenging. It is based on the consideration that existing definitions of both BGs and born-again globals are acceptable and should not be revised. If so, one needs a different label for ALERT. It meets most of the criteria to be considered as a BG, but not all of them. That's why we suggest to call it a **quasi-Born Global**, that is, a company that shares most of the criteria to be a BG, but which at an early stage of its life (though not at inception) started to behave as a BG.

[6] It is interesting to note, at this juncture, that Knight & Cavusgil (2004: 124) refer to an international drive "from or near their founding". This is equivocal: are 5 years near enough the founding?

[7] This does not mean, however, that we accept all the four criteria suggested by the authors mentioned. In particular, we think that the product's global market potential may also be subject to criticism. More on this later.

Another issue concerns the business model. The case is very interesting on that regard. ALERT defines itself as a "*product company*", which develops products for the World. This confirms Gabrielsson *et allii* (2008)'s argument that products should have a global market potential. However, going deeper in the analysis of the case, the important role of the business model in shaping and enhancing the internationalization and competitiveness of ALERT should also be emphasised.

ALERT's business model has six characteristics that provide a strong leveraging to its "universal products": (1) the modular approach that enables an adaptation of the offer to customers' needs; (2) the system of prevention and remote control and maintenance of the software, based on a Network Operation Center (NOC), that simultaneously controls the unlawful use of the software and undertakes preventive actions, thereby avoiding the assignment of personnel at the customers' hospitals and entailing significant savings; (3) the constant focus on inter-operability; (4) its **'adaplication'** approach; (5) the protection of products under copyright, to support a licensing strategy; and (6) the composition of the compensation package. The combination of these characteristics makes difficult the replication of ALERT's approach and increases its capacity to market its software products. Therefore, uniqueness does not come from the products only, but rather results from the integration of those products in a wider business model.

This finding has theoretical implications at three levels. First, it comes in line with the importance ascribed by innovation literature to complexity and complementary assets (Teece, 1986; Arundel, van de Paal & Soete, 1995; Tidd, Bessant & Pavitt, 2005). Second, it also confirms the strategy literature arguments about the definition of business models encompassing and melding different features (Porter, 1996; Kim & Mauborgne, 1998 and 2005). The combination of such features makes imitation more difficult, thereby contributing to sustain competitive advantage. The last type of theoretical implications regards the literature on BGs. The case supports the arguments about BGs focus on global niches (Andersson & Wictor, 2003; Dominguinhos & Simões, 2000; Knight & Cavusgil, 2005; Rialp, Rialp & Knight, 2005) as well as about the development of complex firm's international capabilities (Rialp, Rialp & Knight, 2005). It suggests, however, that from a competitive sustainability standpoint the criterion of having a product with a global market potential (Gabrielsson *et allii*, 2008) may not be enough. In the case of ALERT, competitiveness seems to derive from the combination of a global product with a multi-dimensional business model. The remote control of the system and the use of licensing are instrumental to ensure faster worldwide reach.

In this connection it is important to remark what we call the 'adaplication' approach. 'Adaplication' is intended to take profit from economies of scale and global standardization, while allowing for local adaptation. To some extent 'adaplication' is related to all the three imperatives identified by Bartlett & Ghoshal (1989). It involves the design of a universal product, which is amenable to adjustments to suit the specific contextual conditions and business needs of different customers.

Knowledge based firms have greater access to global markets because of the global nature of knowledge as a resource. To ALERT, the learning process through product adaptation is crucial to its internationalisation success. This knowledge is part of ALERT's business model as the missing puzzle piece for each client solution. Besides patents from touch-screen and biometrics technology, ALERT acquires and uses knowledge advantage from the adaptation process that requires an inventory of the clients own processes and particularities. This particular knowledge is translated into different design interfaces and workflows to enable dedicated applications (health system regulation and specifications, for example) which are also protected under author rights. These particular interfaces are then stored in a centralized data base and accessible to all subsidiaries in order to be used when suitable in other similar context.

The third issue dealt with in this paper is the geography of internationalisation. The case contributes to cast a new light over the *vexata question* of fast worldwide reach *versus* incremental internationalization. In fact, it was found that ALERT started with a gradual approach, based on geographic proximity, to change the business strategy and the internationalization pattern and speed at a later stage. Even after this shift, we find that ALERT's internationalization has been influenced by both psychic proximity and network relationships.

The latter have been instrumental in enabling the entry in Malaysia, *via* USA, and in the UK, *via* Holland. The company's marketing strategy of presence in the main health services trade fairs is also aimed at fostering relationships. Similarly, the widespread use of country distributors may be envisaged as an instrument to profit from the distributors' own networks. In the health business relationships and credibility are essential to enhance expansion. This finding converges with Johanson & Vahlne (2006)'s arguments about the relevance of networks to accelerate BGs fast internationalisation. It also lends support to the general literature on BGs which stresses the role of (international) relationships in fostering BGs fast growth. The case shows that even for firms which go international 'alone', that is, without benefiting from a privileged relationship with a large multinational firm, a network of international linkages becomes essential[8].

However, psychic proximity is still relevant. Leaving aside the early entry in Spain through Orense, a city very close to ALERT's first 'implementation' in Portugal, proximity plays a role in shaping the geographic pattern of internationalization. Three main types of proximity emerge in the case studied. The first is linguistic: that is the case of the effort to enter Brazil. Although Brazil has been the fifth 'implementation' abroad, the contract won there was of substantial size, and clearly influenced by the common language[9]. Then, there is the regulatory proximity. As it was underlined in the case, the application of the Manchester Protocol has been instrumental to open new potential markets for the company. It is behind ALERT's entry in Holland, the UK and Italy, besides Spain. Finally, a reference is due to affective proximity. The fact that the company's founder had studied in the USA, was very relevant to define the USA as a target market as well as to win the first contracts. Therefore, there is geography of proximity that is important, and which is not fully captured by the traditional Uppsala approach. The shrinking of the World is translated into new geographies, which go much beyond the 'rings in the water'. Nevertheless, BGs (or quasi-BGs, as is our case) do not fully break free of geographical constraints. Therefore, our research lends moderate support to Luostarinen & Gabrielsson (2006), but clearly suggests that stages

[8] We may even argue that such network is more important for these firms, since they lack the support of a player that already has a set of international networks in place.

[9] It is interesting to remark, however, that ALERT has now its software in both Portugal's and Brazil's Portuguese.

have to be redefined. To put it in a nutshell, Geography is no longer a destiny, but geographies do matter.

CONCLUSIONS

This paper is aimed at contributing to improve extant theoretical knowledge about international new ventures, and particularly about BGs. Our endeavor has been stimulated, in particular, by the interesting exercise undertaken by Gabrielsson et allii (2008) to synthesize and open new perspectives for the literature on BGs. Based on the longitudinal analysis of a single, critical case, we discussed three issues: the definition of BGs; the relevance of the business model, and not just the existence of a product with a global market potential to explain the emergence and sustainability of BGs (and quasi-BGs); and the ' features of the new' geography of BGs' (and quasi-BGs') internationalization.

Before presenting the main conclusions, it is important to point out some limitations of the present paper. First, the case is very rich, but there were still some aspects that we may have not fully analyzed, since it has not been possible to arrange an interview with the company founder. Second, the case richness opens other research avenues, namely in the international management field and with regard to the strategic evolution of the company, that we could not deal with here, due to space limitations. Third, it would be desirable to check the concepts introduced here against similar longitudinal case studies of quasi-BGs. Having said this, the case stands on its own, in line with Eisenhardt (2001) arguments.

The company studied shows many of the features usually assigned to BGs, but cannot be considered as such. In fact, there is not a global vision (Gabrielsson *et allii*, 2008) or a management global focus (Knight & Cavusgil, 2004) since inception. These emerged a few years after the creation of the company. A less stringent criterion to characterize the internationalization intent might have contributed to bridge the gap. We adopted, however, another approach. Taking existing BGs definitions for granted, we preferred to use a different label for our company: quasi-BG. This type of company may be defined as an international new venture, which, though not meeting all the characteristics of BGs, nevertheless behaves as a BG, at least after a very early stage in its life. We suggest that, due to the very process of entrepreneurial discovery, many other firms may exhibit similar characteristics. The introduction of this new type of firms may contribute for a stabilization of the literature on the definition of BGs. We argue that quasi-BGs deserve a research on its own, but of course with reference to the wealth of knowledge already developed about BGs.

Our case study also indicates that having a global product may not be enough for BGs' sustainability. The global product needs to be protected and leveraged by a consistent business model, which makes imitation difficult. This is an area where further research is needed. Again, we submit that the process of adjustment of the business model observed in our case study may be more common than the BG literature suggests. As Madsen & Servais (1997) indicate, there are evolutionary processes at work. By the same token, the triggers for international commitment mentioned by Gabrielsson *et allii* (2008) may happen, not in the company gestation period, but early after birth. Insights from child psychology as well as from evolutionary economics may be useful for improving BG theory.

Our conclusions with regard to geography are mixed. It may be that for companies with internet-based business models things might be different, but our case challenges some views that geography-oriented and incremental approaches are dead. Reality seems to be much more *nuancée*. The World is smaller and mental geographies are wider, therefore reducing the constraints of distance and language, especially in cases where company founders have previous academic or professional international exposure and experience. Our case shows that, in line with Johanson & Vahlne (2006), networks play an important role. Simultaneously, linguistic, regulatory and affective proximity need to be taken into account. However, international commitment develops earlier, and companies may rapidly overcome distance. ALERT® software is now translated in almost ten languages, and it will be available in Chinese soon.

The reality is complex and plural. Different facets of the BG phenomenon may be illuminated, thereby contributing to a more holistic view of international new ventures attitudes, behaviors and strategic drives. We expect to have contributed to enhance international business community knowledge about those firms. We think that quasi-BGs deserve further attention. In particular, they may provide a promising bridge between entrepreneurial and internationalization processes.

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ANNEX 1

ALERT's Products description

ANNEX 2

ALERT's geography scope evolution