

On the Use of Internet in the Internationalization of Born Global Firms

Abstract

Although Internet is widely acknowledged to facilitate the rapid internationalization of born global firms (BGs), it is less known how such firms actually go about it. The current paper specifically explores Internet-enabled internationalization (IEI) in the context of BGs. A conceptualization of IEI modes is suggested along three key dilemmas, assumed to underlie IEI mode configurations, including - functionality, localization and service directness. Three cases of BGs from small open economies (SMOPECs) engaged in IEI are then presented. The analysis results in the formulation of six propositions uniquely characterizing the IEI of BGs. The study's main contributions are in highlighting the roles of online communities and randomness in IEI mode configuration decisions. Overall, it is here suggested that BGs engaged in IEI tend to opt for communication-oriented, language-differentiated and direct service websites. Finally, conclusions, limitations and future research venues are outlined.

Keywords:

Internet, Internationalization, Born Global, International Marketing, e-Adoption, SMEs, Software Firms, Case Study

1. Introduction

The phenomena of firms quickly internationalizing from inception, while breaching the conventional evolutionary stages' path of international development, has been granted various titles including the 'Instant International' (Fillis, 2001), 'International New Venture (INV)' (Hallbäck & Larimo, 2006; Oviatt & McDougall, 1994/2005; Zahra, 2005; Zahra, Ireland, & Hitt, 2000), the 'Early Internationalizing Firm' (Rialp, Rialp, & Knight, 2005), 'Born International' (Gabrielsson & Pelkonen, 2008), and most commonly - the 'Born Global' firm (Andersson & Wictor, 2003; Gabrielsson & Kirpalani, 2004; Hashai & Almor, 2004; Knight & Cavusgil, 1996; Luostarinen & Gabrielsson, 2006; Madsen, Rasmussen, & Servais, 2000; Madsen & Servais, 1997; Moen, 2002; Moen & Servais, 2002; Sharma & Blomstermo, 2003). Here, an integrative definition of a born global (BG) firm may refer to an overall young and entrepreneurial firm aiming to cater international markets from its inception, going through short or no domestic market period prior to international expansion, and whose majority of revenues is generated outside the home market, all while heavily relying on networks and strategic alliances as sources for learning and resources.

The reliance on hybrid forms of governance structures, such as networks and alliances, serves both as a remedy for limited resource availability and as a moderator of risk in international operations (Gabrielsson & Kirpalani, 2004; Madsen et al., 2000; Madsen & Servais, 1997; Oviatt & McDougall, 1994/2005). Indeed, according to Gabrielsson & Kirpalani (2004) the channels necessary for Born Globals to flourish are MNCs acting as system integrators or distributors, industrial and professional networks, the Internet, and their various combinations. However, of particular interest is the Internet leg as exemplified in a growing body of literature referred to as Internet-enabled internationalization (IEI) (Loane & Bell, 2007; Loane, McNaughton, & Bell, 2004; Shneor, 2009; Shneor & Flåten, 2008), Internet-enabled

international entrepreneurship (Mostafa, Wheeler, & Dimitratos, 2004), or Global Online Entrepreneurship (GOE) (Morgan-Thomas, Jones, & Ji, 2008), specifically exploring the use of Internet in the internationalization of different firms in general, and BGs in particular.

Underlying this interest are the controversies around Internet's potential role in both speeding up and widening the scope of the international expansion process (Karavdic & Gregory, 2005; Petersen, Welch, & Liesch, 2002). Such suggestions are mostly justified by the Internet's theoretical capacity of leveling the playing field for all actors seeking to use Internet as a platform of international market service and growth, while overcoming knowledge gaps and resource constraints (Arenius, Sasi, & Gabrielsson, 2005; Bennett, 1997; Forsgren & Hagström, 2001; Quelch & Klein, 1996).

The purpose of the current paper is to examine how BGs use Internet in their internationalization efforts. And, more specifically, identifying what are the new and unique modes through which they serve international markets online, and what their defining dimensions are. Such effort answers a gap in current literature, which is too often pre-occupied with debating the potential and actual effects of Internet on internationalization, rather than exploring how firms are actually using it for such purposes. Hence, the current paper answers earlier calls for research into the ways in which firms can apply Internet in their internationalization efforts (Arenius et al., 2005; Morgan-Thomas et al., 2008; Petersen et al., 2002; Samiee, 1998a).

First, an introductory literature review will highlight the main controversies around the proposed merits of IEI strategies. Second, IEI service modes will be conceptually developed by outlining their defining dimensions. Third, three cases of BGs in the software industry will be used to elaborate on the issue. Fourth, a discussion will aim to refine the concept of IEI service mode and its defining dimensions, while suggesting six propositions concerning IEI

BGs mode configurations. And, finally, conclusions will be drawn, contributions and limitations will be highlighted, and venues for future research will be suggested.

2. Internet and internationalization

While some prophesized that the Internet will lead to a revolution in the dynamics of international commerce (Klein & Quelch, 1997), claiming it provides a fundamentally different environment for international marketing that requires a radically different strategic approach (Hamill, 1997; Hoffman & Novak, 1997), others argue that the Internet should be treated only as a component of the firm's export marketing plans rather than a totally new phenomenon replacing conventional business methods (Samiee, 1998a), being more evolutionary than revolutionary (Rosson, 2004), and more of a 'complement to' rather than a 'cannibal of' traditional ways of competing (Porter, 2001).

However, empirical evidence concerning the link between Internet adoption and internationalization remains eclectic and inconsistent. Some authors find a positive link, as may be evident in Rask's (2002) study showing that the more Web experienced Danish SMEs are the greater the extent to which they are involved in exports. In the same spirit, Daniel et al. (2002) found that the higher the level of Internet adoption in UK SMEs the higher the levels of their exports. Rosson (2004) found that Internet-enabled exporting was a significant activity for Canadian SMEs yielding positive financial results. And Hajidimitriou and Azaria (2009) found that Greek SMEs' firm level technological infrastructure and Internet capabilities had a significant positive impact on their export revenues. Moreover, in non-Western contexts, Lal (2004) found that Indian firms performed better in international markets when adopting advanced e-business tools, and Jaw & Chen (2006) showed that the

degree of internationalization was positively correlated with the degree of e-commerce among Taiwanese SMEs.

Still, more moderate and sometime contrary findings emerged elsewhere. Moen et al.'s (2003) study of Norwegian SMEs showed that while Internet is an important tool contributing to a more rapid internationalization, it still falls short on activities involving personal sales. Morgan-Thomas and Paton's (2007) study found that using transaction facilitating Web sites in UK-based SMEs does not necessarily mean international growth. And Raymond et al.'s (2005) study showed that e-business assimilation did not influence the internationalization of Canadian manufacturing SMEs.

A few explanations may be suggested for such inconsistencies. First, firms covered in these studies often had limited experience using the Internet, taking into account that earliest online commercial activities only began in the mid to late 90's, and actual common adoption even later. Second, Internet technology itself continues to evolve, constantly offering more efficient, secure and user friendly interactive systems for communication and transaction facilitation. Third, like other technologies, Internet usage itself is only gradually adopted by common users. Fourth, the firm's offering's characteristics in terms of digitizability potential, delivery complexity, service-intensity, and levels of personalization may all impact Internet's role in their international distribution and provisioning. And, finally, differences may result from the simple fact that various authors have been measuring different concepts with different operationalizations, while using different research methodologies, as they were studying firms operating in different temporal, spatial and industrial contexts.

In the absence of solid proof otherwise, this paper adopts the position that IEI at least has the potential to challenge traditional behavioural internationalization approaches, and that with time, this challenge may grow stronger and become more evident, as Internet technology

continuously develops and disseminates globally, and as firms become more experienced in using it in their international engagements in foreign markets.

As firms continue to experiment with IEI, it is interesting to know - how do they go about with their efforts? In the next section, the defining dimensions of possible IEI modes of operations will be outlined, as part of a conceptualization effort.

3. Internet-enabled internationalization modes of operation

Integrating e-commerce, export marketing and internationalization process literatures, Shneor & Flåten (Shneor, 2009; Shneor & Flåten, 2008) suggested a shift from internationalization stage conceptualizations when dealing with IEI, and focusing on mode conceptualizations instead. For this purpose, modes were defined as “strategic formats through which firms access, serve and interact (communicate and/or transact) with their clients and partners abroad” (Shneor, 2009, p. 12). Such departure from a ‘stage’ to a ‘mode’ concept allows for certain flexibilities in the sense that a few modes may be employed at each stage. Hence, recognizing the possibility that clusters of modes rather than any single mode may be used throughout the IEI process; quite similarly to the complex reality of export management, where firms may engage in various foreign markets through a number of market entry and service modes simultaneously (Benito & Welch, 1994).

In accordance with earlier studies suggesting that websites have the potential of both supplementing and replacing physical presence in foreign markets (Forsgren & Hagström, 2001; Hornby, Goulding, & Poon, 2002; Kotha, Rindova, & Rothaermel, 2001; Petersen et al., 2002; Rothaermel, Kotha, & Steensma, 2006; Shneor & Flåten, 2008; Vila & Küster, 2004), the current paper equates the concept of mode with firms’ international websites.

The conceptualization of modes relies on identification of relevant key dilemmas emerging in the different foundation literatures, and their adoption as defining dimensions of IEI mode configurations. First, a key concern in e-adoption may be summarized as the choice between communicational and transactional functionality of online operations. Second, an important dilemma in export marketing has been identified in the strategic philosophies of global versus local orientation to international marketing activities and mix configurations. And, third, a central dilemma in internationalization revolves around foreign market operations modes and distribution channel configurations, highlighting the choices between direct and indirect foreign market service.

Accordingly, it is here suggested that all three dilemmas constitute the defining dimensions of the IEI modes: online functionality, extent of localization, and international service directness; hereafter referred to as the 'FLS Framework'. While configuration choices are presented as dichotomous options, it is here stressed that firms usually position themselves along a continuum between the two discreet options, and that such presentation is used for simplification purposes only.

3.1 Functionality

Various conceptualizations of an e-adoption process and stages have been suggested in the e-commerce and e-marketing literatures (Daniel et al., 2002; R. R. Dholakia & Kshetri, 2004; Dou, Nielsen, & Chee Ming, 2002; Morgan-Thomas & Paton, 2007; Rao, Metts, & Monge, 2003; Rask, 2002; Raymond et al., 2005; Saban & Rau, 2005); all essentially suggesting a four stage process, involving the development along the information – communication – transaction - integration path; where firms evolve from having a relatively static e-presence to an interactive communications and portal engagements, further into transaction facilitation,

and climaxing in dynamic enterprise integration, with cross-organizational learning and process improvements. Underlying such progression is the firm's digitization strategy, defined as the embedding of business processes in technological systems while choosing which activities to transfer online, how much to invest and which strategic objective to pursue (Morgan-Thomas & Paton, 2007).

Thus, in terms of online *functionality*, firms may choose to either restrict their online activities to information provisioning and communications with clients, suppliers, partners and other stake holders, or to enhance their communicational capabilities towards engaging in transactional exchanges through electronic means (involving online ordering, payment, billing, real-time inventory management, etc).

3.2 Localization

International marketing scholars have been debating the standardization versus adaptation of international marketing strategy and mix for decades (Ryans, Griffith, & White, 2003; Szymanski, Bharadwaj, & Varadarajan, 1993; Theodosiou & Leonidou, 2003), where proponents of standardization herald cost reduction efficiencies riding the waves of globalization and market convergence trends, while supporters of adaptation point to a complex reality of variations across country markets requiring the firm's commitments for long-term profitability. This dilemma is also relevant in the context of Internet-based cross-border commercial activities, where the use of a globally uniform Internet technology is constrained by the local embeddedness of commerce (Grant & Bakhru, 2004; Guillén, 2002; Okazaki, 2004; Singh & Boughton, 2005; Singh, Furrer, & Ostinelli, 2004; Tixier, 2005; Yip & Dempster, 2005). A reality that led to a growing interest in the extent and effectiveness of local adaptation of Web sites, with a particular fascination with cultural issues (Fletcher,

2006; Luna, Peracchio, & Juan, 2002; Singh & Baack, 2004; Singh et al., 2004; Singh, Hongxin, & Hu, 2003; Singh, Kumar, & Baack, 2005; Sinkovics, Yamin, & Hossinger, 2007). Thus, in terms of *localization*, firms may choose to either address the world as one market with target customer segments crossing national borders, hence opting for a globalized approach, or address nationally defined target markets, while accounting for relevant particularities associated with activities in each of these markets (i.e. language, culture, institutional environment, etc.). Here a global approach is synonymous with standardization of online service formats across different foreign markets, while localization is synonymous with adaptation of online service formats to local market conditions, preferences and needs.

3.3 Service directness

Internet adoption is often associated with elimination of process redundancies through direct interface with customers, suppliers and strategic partners (N. Dholakia, Dholakia, & Laub, 2002; Karavdic & Gregory, 2005; Peterson, Balasubramanian, & Bronnenberg, 1997; Poon & Jevons, 1997; Prasad, Ramamurthy, & Naidu, 2001). However, a number of other authors suggest that a changing role of intermediaries is more likely than their disappearance, and that Internet has added channel intermediaries rather than displaced them (Andersen, 2005; Hamill, 1997; Klein & Quelch, 1997; Quelch & Klein, 1996; Samiee, 1998b; Sarkar, Butler, & Steinfield, 1995). On the one hand, the Internet can connect end-users with producers directly, allowing for speedy and responsive transactions, and therefore reduces the importance of intermediaries; but on the other hand, this may lead to inefficiencies created by information overload and the greater risks of prevailing knowledge gaps. In this situation, intermediaries may emerge as information collection, filtering, analysis, interpretation, and

dissemination mechanisms; and will therefore redefine their value proposition within value chains and networks.

Therefore, in terms of international *service directness*, firms may choose to either serve target foreign markets directly, or do so via a variety of online and offline intermediaries, whose usage brings certain benefits to the firm such as achievement of cost efficiencies, speed to market, access to critical knowledge, access to a pool of customers, trust facilitation, etc.

In the next section three cases drawn from BGs in the software industry will be presented, highlighting the particular representations of these dilemmas and the mode configuration combinations used to address them. Here, all firms originate from small open economies (SMOPECs), while exhibiting different Internet dependence patterns, target market focus and business model configurations.

4. Method

An exploratory case study approach was adopted as it is appropriate research strategy to define early stages of theory development (Eisenhardt, 1989; Ghauri, 2004; Yin, 2003). More specifically, a multiple case approach was used as it permits replication logic (Yin, 2003), where the cases are treated as a series of independent experiments that confirm or disconfirm emerging conceptual insights. However, theory and data are linked iteratively (Eisenhardt, 1989; Eisenhardt & Graebner, 2007). Initial theoretical assumptions and research issues are drawn from e-adoption, international marketing and internationalization literatures, guiding empirical work and refined under the discussion section.

The cases presented here are a part of a larger study into IEI practices among firms from the software and travel industries. Table 1 describes the three cases used in this paper. All three

cases were purposefully selected (Patton, 1990; Yin, 2003) based on their successful implementation of IEI strategies, their origins from SMOPEC countries (Israel and Norway) with small domestic market, and their BG nature and orientations towards international markets; meaning – viewing the world as their market from establishment and having over 95% of their revenues generated outside the home market.

All information concerning these firms is based on comprehensive data collection between 2007 and 2010 from annual reports, firm websites, press releases, and interviews with senior management. Interviews were held in English, transcribed, and together with the remaining textual sources coded and summarized in systematic thematic tables (Miles & Huberman, 1994). For enhanced reliability, case analysis reports were sent to respective managers for correction and comment (Yin, 2003).

[Table 1 comes about here]

5. Cases of Internet-enabled internationalizing Born Global firms (IEI BGs)

5.1 MyHeritage.com

MyHeritage.com is an Israel-based BG start-up which was established in 2003, and officially launched in 2005. Its founding team developed genealogy software that grew into a family-based social network, helping users create their family trees, share family photos and organize their genealogical information online. Since its establishment, the firm has experienced an exponential growth, and in February 2010 it has established itself as the world's leading international online network for families and the second largest family history site. Currently

valued at \$100 million, the firm holds a registered user base of 47 million people worldwide, managing 13 million family trees, encompassing over 530 million genealogy profiles.

First, in terms of functionality, the firm's website is both the main distribution channel and the product consumption platform; hence, containing information about the product, communication tools, as well as a link to a transaction facilitating system. The software is available for download via the website, or as a web-based system, where users can create, edit and publish their genealogy research. The product itself is offered under a 'freemium' model, where the basic version is available for free, and a premium version with advanced features is available for a subscription fee aimed at professional users and enthusiasts. On the site the firm manages a community of people interested in genealogy research, who exchange ideas and publish research results, as well as promote the software to their family members and friends. Family trees are privately managed by each user and linkages between independent family trees are suggested. In addition to the family tree builder the firm continuously adds features based on customer feedback and research and development efforts, such as family time line, history book, history mapping, and face recognition technologies.

Second, in terms of localization, the firm's web-based product is available in 35 languages, serving families worldwide. Although family is a general human phenomenon, it is rich with cultural particularities (for example: date and name formats). Hence, professional translations and adaptations are invested in the most important markets, while translations for other markets are the result of voluntary work by enthusiasts, which is later quality-controlled by the firm's own chief translation manager. Hence, beyond a few strategically targeted markets, market performance in terms of local software adoption and extent of its viral dissemination defines recruitment and investment policies in addressing other markets. The firm currently employs a mixture of local community managers that are either located at the firm's UK office or are part time and free lance partners in various foreign markets abroad.

Third, in terms of service, since the value of the product is anchored in network economics logic, where the more users one has the more valuable the service becomes, and since the firm was small and resource limited for ambitious investments in international marketing, it opted to offer its products under a 'freemium' scheme. This allowed quick international adoption and dissemination based on the viral nature of the product and the community orientation of the created family tree sites. Such a situation meant opting for direct service as there were no margins to share with distribution channel partners. However, various shareware sites are updated about new versions of the software, which are made available for download indirectly through them. Other marginal initiatives have included physical distribution of CDs in selected genealogy printed publications.

In summary, for MyHeritage.com, Internet is an existential must, as the whole business model depends on Internet activities and transactions, where value is created via rapid network expansion. Hence, the firm's website is the primary product, the consumption platform, as well as the marketing, sales, and distribution channel. Here, Internet usage allowed for rapid international expansion, while at the same time provided real-time measurable data about market performance and trends, further enhancing operational efficiencies and strategic goal setting in localization and recruitment efforts. Reliance on a 'freemium' revenue model tilted all distribution efforts towards community and viral marketing, where the software is accessed through the firm's own site or via various shareware portals. In addition to these efforts, expansion was also achieved via acquisition of family network sites in key foreign markets, and their integration into the MyHeritage system, such as the acquisition of UK-based Kindo in 2008, and the German-based OSN Group in 2010 (itself owning leading family sites in ten major markets including Germany, USA, Latin America, Spain, Portugal, France and Poland).

5.2 Opera Software

Opera Software is a Norwegian-based BG software firm which was established in 1994, officially launched in 1995, and went public on the Oslo Stock Exchange (OSE) in 2004. Ever since its founding team developed a web browser, while working under the Norwegian Telecom giant Telenor, the firm has been offering a constantly expanding line of web browsing products for desktop, mobile and other devices (TV, game consoles, etc.). These developments follow its philosophy of 'One Web', according to which the Web should be made available to all people, across device types and geographies. And, indeed, since its establishment, the firm has experienced strong ongoing growth, reaching more than 100 million users worldwide by March 2010, with sales volumes nearing \$100 Million in 2009.

First, in terms of functionality, throughout its history the firm has been using a transaction facilitating site, where software was available for download and payments were processed via an online shop. However, through the years the focus shifted from software sales to software dissemination, and after experiments with various revenue models, the firm eventually opted for offering its main products for free while focusing on a mix of engineering, maintenance and revenue sharing fees from products pre-installed on mobile phones and devices sold directly to enterprises, as well as using a revenue sharing model for its desktop browsers with major search engine partners such as Google.

In addition to the transaction focus, communication has also been of critical importance throughout the firm's international expansion, which manifested itself in aggressive public relations campaigns and the development of a user community site. Being a resource limited small Norwegian firm the best way to market was by catching media attention via its rebel attitude in direct legal confrontation with giants such as Microsoft around competition laws. Such media coverage quickly disseminated through the Internet and raised interest in the firm.

Furthermore, the firm nourished its growing circle of fans and loyal users, which gradually became a large social network known as MyOpera having over 4.5 million users by 2010, who interact, communicate and publish blogs under the Opera brand.

Second, in terms of localization, Opera has focused on multi-lingual presentations in its website throughout its history. However, it has done so inconsistently and to differing degrees. The main focus has always been on its English website promoting its One Web philosophy. However, recognizing large portion of users in non-English speaking countries more limited texts have been offered in additional languages as well, including - Japanese, Chinese, Russian, and German. Other languages went on and off the website including Polish, Dutch and Hindi. French and Portuguese were later added. And most recently Bahasa Indonesia was added thanks to a voluntary effort by the local users' community and major growth experienced in that market. Here there are certain markets strategically targeted and some translation effort is made, but in other cases it is up to voluntary efforts by a loyal local user community with its own agendas and aspirations.

Third, in terms of service, acknowledging the need to reach critical mass for survival in the turbulent Internet industry, the firm adopted a mix of direct and indirect approaches. Direct efforts are aimed at attracting users to download and try the browser from the firm's website, as well as via various shareware sites and portals. This has been done via successful public relations efforts coupled with the nourishment and development of an attractive social community site under firm's brand. Parallel to this the firm also created tailor branded browsers for various partners such as Der Spiegel in Germany. Moreover, it also used local sites for distribution such as 'Live Door' in Japan and 'Onet' in Poland. However, its main revenues are generated from relations with device manufacturers and communication service providers – who use Opera browsers for creating attractive product offerings and enhancing revenues from Internet connection and usage.

In summary, for Opera Software, Internet is also an existential must, but only to the extent that its products are for Internet browsing. Its business model, however, is only partly dependent on Internet activities and transactions, while the main source of income is generated from engineering and maintenance fees paid by enterprises integrating Opera browsers into their own bundle of products and services. Still, Opera's market share and value proposition is dependent on rapid network expansion, especially with respect to its mobile browser product line. Hence, the firm's website is a key promotions and distribution channel, both in terms of marketing communications and customer relations management. This is especially evident with respect to the nurturing, interaction and communication with its users' community via the MyOpera site. Furthermore, for ensuring the site will not lose its vitality, the firm has been offering ever more attractive service packages for members, as well as made investments in integration efforts with other major social media and networking sites. International expansion as such is unsystematic and more reactive than pro-active, and is evident in embracing and supporting local user communities as bridgeheads to their own national markets. More systematic efforts are done on a global scale towards key enterprise accounts rather than geographies and national markets.

5.3 Qt Software

Qt Software was established as the Norwegian BG software company 'Trolltech' in 1994, and has been on the market since 1996. In July 2006 it went public on the Oslo Stock exchange (OSE), only to be acquired in June 2008 by the Finnish giant Nokia for \$153 Million, with the view of enabling Nokia to accelerate its cross-platform software strategy for mobile devices and desktop applications, and develop its Internet services business. The meaning of this acquisition is that the Qt Software group within Nokia, although continuing to sell externally, now focuses efforts on getting the software to be used by key players in a number of

industries rather than on revenue generation and profitability per se, under a grander objective to establish Qt as a gold standard in its niche. Overall, it is estimated that over 350,000 developers are using Qt globally for numerous applications used in some 70 industries.

First, in terms of functionality, the firm is heavily influenced and guided by a philosophy viewing the market as an ongoing discussion, hence stressing the importance of online communications and the variety of tools used for enabling it, including a variety of forums, communities, open labs, IRC channels, and social media. While the end customer is often an enterprise, the firm aims at attracting individual developers to try, use and engage in the Qt development experience. Accordingly, it is using a dual licensing model, where proprietary use of the software is available for a fee and non-proprietary open source use and development of the software is available for free. The software itself is available for free download and trial through the website and various loyal open source community sites, some of which directly supported by Qt. This implies that distribution is made primarily via the firm's own website, while proprietary licences registration forms may be filled online. The firm is currently developing its online shop and real-time transaction facilitation system.

Second, in terms of localization, markets are defined by industry segments rather than by national borders, where international presence is associated with proximity to major industry hubs and market potential estimations rather than with local adaptation efforts. Moreover, since its main target audiences are programmers using standard programming languages, such as C++, which in itself represents a public that often commands the English language, local translations are not a main international marketing concern. Having said that, a role for local adaptations is only evident in language translations for certain major Asian markets, such as Japan, China and Korea, where English proficiency remains at relatively low levels.

Third, in terms of service, the firm uses direct focused efforts towards developer communities and an identified list of major market players in various industries. Having the software

available for free, and working directly with developer communities reduces commercial incentives for engagement with value added resellers and distributors. However, partnerships do exist but these are mostly focused on technological complementarities and consultancy project agendas. Overall, Qt focuses its main effort in supporting and extending its user community, promoting transparency and product quality via various creative developer engagement initiatives; all as part of an effort towards becoming the product of choice and a gold standard in certain industries for their niche solutions.

In summary, for Qt Software, Internet is also an existential must, but only in terms of distribution to its target audience of shy and independent developers. Its business model, however, is only partly dependent on Internet activities and transactions, while the main source of income is generated from proprietary license sales and projects for industry leaders. Offering open source product also meant achieving high quality standards and a loyal community of users, which are supported and encouraged to engage in product development and its promotion among professional communities and businesses. Overall, two philosophies are guiding Qt's international development: first, a 'Qt everywhere' approach, meaning an ambition of being used across devices, industries and countries, and, second, a view of the market as an ongoing discussion implying heavy investment in community development and direct intimate communications with professionals.

6. Discussion

The cases presented highlight similarities and differences among the IEI BGs included in this study. Common to all cases is the concern with the three defining dimensions of IEI mode configurations, as suggested earlier – functionality, localization, and service directness. Furthermore, it emerges that all firms are mainly focused on communication and community

development when functionality is concerned, on language translation when localization is concerned, and on direct service when service format is concerned. Still, they differ in business and revenue models they employ, the main target markets they address, and the extent of their investment in each configuration dimension.

First, in terms of functionality, all firms seem to stress communication over transaction. This finding is supported in earlier studies examining Internet adoption among exporting SMEs (Kaynak, Tatoglu, & Kula, 2005; Loane & Bell, 2007; Saban & Rau, 2005). Still, this may seem counter-intuitive as such small and resource constrained firms may be more eager to generate revenues for their long term survival and growth. Instead, survival and growth are associated with achieving a critical mass of global users rapidly, while offering products whose value increases the more users are using them. Reliance on achieving critical mass of users is also closely connected to the niche nature of the products on offer, which are unlikely to find sufficient market potential based on domestic markets only, providing evidence for the criticality of Internet for the very existence of such firms (Hamill, 1997; Quelch & Klein, 1996). MyHeritage's genealogy research software derives its value to professional users from the comprehensiveness of its database. Opera software derives value from revenue sharing models based on the volume of actual usage patterns. And Qt software derives value by establishing itself as a gold standard among industry leader firms and individual developers operating within its software development niche.

Achieving critical mass both enhances product development, quality and brand awareness within target markets and segments, which are then translated into business profitability via sales interactions with selected premium and large volume paying customers. Since MyHeritage generates income from premium professional users, it is important to develop a comprehensive dataset and user friendly tools for their research. For Opera to be the browser of choice for manufacturers and service providers it needs to excel in feature development,

device adaptations and cross-device integration, while at the same time be popular with the end users across platforms. And for Qt to generate money it needs to excel in product quality, user friendliness and industry status, achieved through the embrace and engagement of the developer communities.

Based on these insights the following propositions are suggested:

Prop. 1(a): IEI BGs will focus on communicational rather than transactional website functionality.

Prop. 1(b): In comparison to other internationalizing firms, IEI BGs are more likely to develop online user communities for their global viral product promotions, distribution and R&D efforts.

Second, in terms of localization, all firms seem to stress translation over other forms of local adaptation. However, the firms also differ in the number of language translations being offered on the site as well as in their comprehensiveness. Common to all firms is a default global view of the world, adjoined by a practical association of market potential estimations with the willingness to invest in translations. Hence, all firms pre-specify strategically important markets towards which systematic translation efforts are directed, while other markets are addressed on a more random basis. Such randomness is associated with enthusiastic users that volunteer as translators of the site. Examples of these may be recent addition of a Catalan website for MyHeritage, a Bahasa Indonesia site for Opera, and an Arabic community site for Qt.

In this sense, if local websites are equated with virtual branches, as suggested by some authors (Forsgren & Hagström, 2001; Hornby et al., 2002; Kim, 2003; Kotha et al., 2001; Petersen et al., 2002; Rothaermel et al., 2006; Shneor & Flåten, 2008), the reality emerging from the

cases presented implies that IEI is not completely random and ignorant as suggested by some, but rather a mixture of strategic identification of key markets based on potential estimations (Forsgren & Hagström, 2001), psychic and cultural distance (Rothaermel et al., 2006), as well as random market developments based on actual performance and user initiatives.

The number of languages available seems to be related to the cultural sensitivity level of the product on offer. While MyHeritage family sites are rich with cultural particularities as evident in the availability of the site in 35 languages, both Qt and Opera are available only in those languages viewed as important enough by the firm. The importance of languages in these cases is either related to major markets where overall English proficiency is low such as Japan, China, and Korea, or with markets exhibiting relatively high levels of performance, in terms of downloads and visits, such as Russia and Indonesia in the case of Opera and France in the case of Qt. The later reasoning was supported in an earlier research by Kotha et al. (2001) examining market entry by US Internet firms.

Based on these insights the following propositions are suggested:

Prop. 2(a): IEI BGs will focus more on content language translations than on other forms of website localization.

Prop. 2(b): In comparison with other internationalizing firms, IEI BGs' website localization will be impacted to a greater extent by online performance of markets and the availability of credible translation volunteers.

Third, in terms of service, all firms seem to stress direct online distribution. Such a choice is often related to the revenue models employed by the firm, mixing distribution of basic standard versions of products for free via the website, while charging for premium and proprietary uses. Since premium and proprietary users are also professionals already familiar

with the free version of the products, these are again provided directly by the firm. Under such models, resellers and distributors find little incentive in promoting the firm's product in the absence of margins for capture. And the firm focuses on nourishing its customer base through interactive community sites. In the case of MyHeritage indirect online distribution is completely absent beyond free shareware sites. Opera is the one firm that uses a certain mix of channels involving both its own site for direct distribution, as well as shareware sites, leading local market portals and media partners, as well as various affiliate sites. And Qt primarily relies on its own site and the community sites it supports, but also recently began developing an ambassador network and an affiliate program, which still closely knit with its existing loyal user base and community members.

In this sense, the cases presented here support the notions presented earlier about disintermediation and greater provisioning of direct service via the Internet (N. Dholakia et al., 2002; Karavdic & Gregory, 2005; Peterson et al., 1997; Poon & Jevons, 1997; Prasad et al., 2001), although such insights remain restricted to IEI BGs. More importantly, they extend such knowledge by highlighting the criticality of community management and development. Managing relatively low marketing budgets and offering basic versions of products for free means reliance, not only on the firm's own site but also on leveraging its community of loyal users to disseminate knowledge about the products among their colleagues and friends, with an eventual goal of encouraging product trial and download. Once joining the circle, it is the community dynamics, product quality and firm investments in the community that keep members engaged and spreading the word further.

Based on these insights the following propositions are suggested:

Prop. 3(a): IEI BGs will focus on direct online distribution rather than indirect online distribution.

Prop. 3(b): In comparison to other internationalizing firms, IEI BGs will rely more heavily on viral and community-based distribution.

7. Conclusion

Research suggests that BGs rely on certain channels for their rapid international development including integrator and distributor MNCs, professional and industrial networks, the Internet and their various combinations (Gabrielsson & Kirpalani, 2004). In the current paper an effort was made at specifically examining how BGs use Internet in their internationalization efforts, while a fertile ground for such an inquiry was identified within the context of research into IEI or Internet-enabled internationalization (Forsgren & Hagström, 2001; Kim, 2003; Kotha et al., 2001; Loane & Bell, 2007; Loane et al., 2004; Morgan-Thomas et al., 2008; Morgan-Thomas & Paton, 2007; Petersen et al., 2002; Rothaermel et al., 2006; Shneor, 2009; Shneor & Flåten, 2008).

A conceptualization of IEI modes was suggested as based on three key dilemmas underlying Internet use for international development, adopted from three distinct theoretical pillars – Internet adoption, in international marketing and internationalization. Namely - the question of functionality, as adopted from e-commerce literature, suggesting choices along a continuum between online communications and transaction facilitation; the question of localization, as adopted from international marketing literature, suggesting choices along a continuum between global standardization and local adaptation; and the question of service format, as adopted from internationalization literature, suggesting a choices along a continuum between purely direct and indirect market service.

This conceptualization was later confronted with evidence from three cases of BGs using Internet for their international development. Overall, it was shown that IEI BGs share some

unique preferences for mode configurations. First, they heavily invest in communication features, and especially in development of interactive user communities. Second, they localize by providing textual translations in selected languages, where the number of languages available depends on the cultural sensitivity of the product, the levels of English proficiency in target markets, online market performance, as well as the availability of credible volunteers. Third, they serve target markets and segments directly for distribution purposes, while relying heavily on viral and community-based dissemination of product knowledge and trial. In general, one can also point out that commercial activity in B2B models was mostly managed in a combined online-offline effort involving personal sales efforts, while B2C transactions were mostly concluded impersonally online.

7.1 Contribution and implications

The main contributions arising in this paper include the identification of IEI mode configurations unique to IEI BGs, as well as in highlighting the underlying motivations and factors leading to them. In particular, by highlighting the role of online communities as an international promotional, marketing and distribution channel, the current paper extends our understanding about the uniqueness of Internet-enabled internationalization dynamics and modes. Communities have been unexplored in earlier research and present a new mode of internationalization activities. Furthermore, the study also suggests that online localization is pending on the cultural sensitivity of the product on offer, that it is mostly manifesting itself in terms of translation, and that some of these translations are the result of volunteer work external to the firm. Hence, it also extends our knowledge into website localization decisions and dynamics in the context of firm internationalization process.

In terms of managerial implications, the study draws the attention of managers to the virtues and relevance of online user community development as an effective international promotions and distribution channel. Among these communities, firms may also identify potential employees for local market business development, as well as technical product research and development staff. Furthermore, successfully managed communities include a core of loyal enthusiasts which may also be used on a voluntary basis for translations, local promotional efforts and marketing intelligence gathering. Overall, underlying community engagements are the necessity of achieving critical mass rapidly for firm growth and survival, as well as a philosophy viewing the market as an ongoing dialogue between firms and their customers. Online transactions may be more relevant for B2C simple and relatively standardized transactions, while complex and service-intensive B2B transactions usually have a significant offline sales effort component.

7.2 Limitations and further research

Although generating interesting insights and extending our knowledge in areas where research is limited, the current study also has limitations that must be acknowledge. First, the conceptual nature of the paper leaves much room for empirical validation of the propositions it suggested. Second, since the analysis included BGs from SMOPEC countries, it is important to stress that BGs from large domestic markets may exhibit different patterns. And, third, IEI mode configurations may also exhibit different patterns in firms that may be less reliant on Internet for conducting strategic business processes, than those included in this study. Finally, as Internet technology continues to evolve, its global diffusion further extended across regions, and as both firms and individuals become more experienced and

comfortable using the Internet for commercial purposes, one must also acknowledge the evolving nature of the phenomenon under investigation, as well as its temporal dependency.

Such limitations form an attractive future research agenda in both conceptually extending the suggested dimensions of IEI mode configurations, as well as testing the validity of the suggested propositions in different firm, industry, home country, and temporal contexts.

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Table 1: Information about studied firms

	MyHeritage.com	Opera Software	Qt Software
Type of firm	Private	Public (traded on OSE)	Public until Nokia acquisition in 2008
Specialization	Genealogy software	Web browsers	Application development framework
Internet dependency	High – web-based product and distribution	High – Internet-related product. Distribution – online and offline.	Medium – product developed online but not web-based. Distribution – online and offline.
Main business models	B2C for users	B2C for users B2B for integrators and distributors	B2C for developers B2B for integrators and consultancies
Revenue Models	Freemium	Revenue sharing from use + engineering and maintenance fees	Licenses for proprietary use of the Qt software
Country of origin	Israel	Norway	Norway
Year of establishment	2003 (launched 2005)	1994 (launched 1995)	1994 (launched 1996)
Annual turnover (in Million USD)	Not disclosed * In 2010 broke even and valued at \$100	2007 - \$53.8 2008 - \$89.4	2007 - \$ 27.2 * In 2008 acquired for - \$ 153
Number of employees	2008 – 35	2008 – 541	2006 – 232
Share of Foreign Sales	98%	Close to 100%	Above 95%
Main foreign markets	USA, UK, Canada, Australia	Russia, Indonesia, India, South Africa, USA	Germany, France, USA, and South Korea
Foreign office	In Germany, UK and USA	In Sweden, China, Japan, India, South Korea, Poland, USA, Taiwan, and the Czech Republic	USA, Australia, China, and Germany + Nokia international offices elsewhere

Table 2: Dimensions of IEI Modes of Operation

	Functionality	Localization	Service
MyHeritage.com	<p>Communication + Transaction facilitation + Integration via acquisitions.</p> <ul style="list-style-type: none"> - product and firm info - interactive site - communication via blog, newsletter, e-mails, and social media - product download - online payment 	<p>Language translations and minor cultural adaptations.</p> <ul style="list-style-type: none"> - system available in 35 languages - standardized product with cultural particularities - local community managers recruited based on online market performance 	<p>Direct service and distribution as main focus. Indirect channels peripheral.</p> <ul style="list-style-type: none"> - direct download - direct sales - indirect distribution via shareware sites - viral and community driven distribution
Opera Software	<p>Communication (+ indirect transactions)</p> <ul style="list-style-type: none"> - product and firm info - interactive site - product download - community site - public relations - revenue sharing with search engines based on use 	<p>Language translations</p> <ul style="list-style-type: none"> - main site in English - thinner sites available in 8 languages - partnerships with local portal sites for distribution 	<p>Mixed direct and indirect distribution</p> <ul style="list-style-type: none"> - direct download - indirect download from shareware sites - indirect download from local portal sites - pre-installed software on mobile phones and devices
Qt Software	<p>Communication + Transaction</p> <ul style="list-style-type: none"> - product and firm info - interactive site - labs site - developer community sites - Open source and proprietary licensing models 	<p>Language translations</p> <ul style="list-style-type: none"> - main site in English - thinner sites available in 5 languages 	<p>Mainly direct distribution.</p> <ul style="list-style-type: none"> - direct download - direct sales - viral and community driven distribution