SUCCESSFUL BORN GLOBALS WITHOUT EXPERIENTIAL MARKET KNOWLEDGE: CASE STUDY EVIDENCE FROM CHINA

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Abstract. Internationalization processes have been widely researched for about the last five decades. During the period, many views about companies' increasing foreign involvement have emerged. Several studies have also paid attention to experiential knowledge: while some state that the lack of it forces firms to internationalize slowly by entering closest countries and using simpler foreign operation modes first, some others have shown that knowledge can be acquired by other means than through experience. Consequently, some enterprises may become born globals: start their internationalization soon after establishment from farther markets and more advanced entry modes. Unfortunately, the current literature does not pay considerable attention to how they manage to obtain knowledge. Thus, recently, several authors have begun to emphasize the need to examine knowledge acquisition and its impact on internationalization. This paper aims to study how two Chinese firms have become born globals without having any experiential market knowledge. It demonstrates that they have mainly acquired knowledge through participating in trade fairs and learning from their long-term cooperation partners. They have also hired some skilled staff.

KEYWORDS: internationalization, born globals, knowledge, case study, China

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1. INTRODUCTION

Internationalization processes have been widely researched for about the last five decades. During the period, many views about companies' increasing foreign involvement have emerged. Some of them – including the Uppsala model, the innovation-related internationalization models and the Finnish model – emphasize the importance of (experiential) knowledge. They state that the lack of it forces firms to internationalize slowly by entering closest countries and using simple foreign operation modes – like indirect exporting – first. Only after acquiring the necessary knowledge, they may become able to enter other countries and use other methods. Some other research streams – including the literature on international new ventures/born globals/fast internationalizers and the network approach to internationalization – have shown that internationalization does not have to be slow, as knowledge can be acquired by other means than through experience. Consequently, some enterprises may start their internationalization from farther markets and more advanced entry modes and skip the earlier stages of internationalization.

Unfortunately, the current literature does not pay considerable attention to how these companies manage to obtain such knowledge and how it impacts their internationalization. Thus, during the current decade, several authors have emphasized the need to examine the acquisition and use of knowledge and its impact on internationalization (see, for example, Bengtsson 2004; Brennan and Garvey 2009, Casillas et al. 2009, Freeman et al. 2010, Ling-yee 2004; Mitra and Golder 2002, Morgan et al. 2003, Saarenketo et al. 2004, Pedersen and Petersen 2004, and Weerawardena et al. 2007).

This paper aims to study how two Chinese firms have become born globals without having any experiential market knowledge. (In this paper, born globals are defined as firms that have entered at least two other continents besides their home continent within three years since foundation.) It starts with a literature review about different approaches explaining the importance of experiential market knowledge for internationalization and studies on acquiring foreign market knowledge. Then, after a methodology section, two case stories from China are presented. After discussing the results, the paper provides some managerial and research implications.

2. LITERATURE REVIEW

2.1. Literature explaining the importance of experiential market knowledge for fast internationalization

A large quantity of research has been based on the **Uppsala** (also called the **U-** or the internationalization process) **model**. Its authors (Johanson and Vahlne 1977, 1990; Johanson and Wiedersheim-Paul 1975; Vahlne and Johanson 2002) have assumed the following.

- Experiential market knowledge – for example, about doing business in a specific foreign country – is the driving force of the internationalization process as it generates business opportunities, reduces market risk and uncertainty.
- Lack of knowledge about foreign markets is an important obstacle to the development of international operations. The necessary knowledge can be acquired mainly through operations abroad. As its acquisition, integration and use are gradual and relatively slow internationalization is usually long, slow and incremental.
- Because of a lack of knowledge about foreign countries and a propensity to avoid uncertainty, firms first start exporting to neighboring countries or those that are comparatively well known and similar. In a specific country, they make stronger

commitments incrementally as they gain experience from their activities there. They pass through steps from no regular export activities to export via independent representatives or agents, overseas sales and production/manufacturing units.

There are three exceptions to the model (Johanson and Vahlne 1990) that, to some extent, also explain why born globals emerge: 1) large or resourceful enterprises can internationalize more easily; 2) in stable market conditions, relevant market knowledge can be obtained in other ways than through experience; 3) when a company has considerable experience in similar markets, it may use it in a another country.

Innovation-related internationalization (or **I-**) **models** agree that foreign market expansion is incremental and dependent on a firm's experiential learning and uncertainty regarding the decision to internationalize (Fina and Rugman 1996; Morgan and Katsikeas 1997). Unlike the U-model, the I-models demonstrate that knowledge is not the only factor influencing fast internationalization. For instance, foreign-owned firms may internationalize faster as the initial decision to start exporting could be taken in the headquarters and sales may be organized through their global marketing network (Wiedersheim-Paul et al. 1978).

The Finnish model agrees with the previous approaches that at first, firms tend to penetrate physically, politically, economically and culturally closest countries. As they gain confidence, they may seek more distant markets. The model also acknowledges that as enterprises internationalize, they may change the method of operating (Luostarinen 1989; Luostarinen and Welch 1997; Welch and Luostarinen 1988). In addition to the two dimensions – markets and market operation modes – already examined in the previous two models, the authors of this model add four more: sales objects, firm characteristics, decision-maker characteristics and firm competencies, including market knowledge (Chetty 1999; Welch and Luostarinen 1988). The model suggests that several firms can quicken their internationalization by leapfrogging some stages (Chetty 1999). It also claims that inward internationalization may precede and influence the development of outward activities and vice versa (Korhonen 1999). For instance, many companies have their first international contacts as potential customers of foreign enterprises. Through them, they may acquire foreign market knowledge and reduce risk, uncertainty and the time required to establish new international operations (Karlsen et al. 2003). The Finnish model also shows that de-internationalization may occur at any stage. It may be followed again by re-internationalization (Luostarinen 1994). This, in turn, should be easier as such enterprises already have some experiential market knowledge.

The interest in **born globals/international new ventures/ fast internationalizers** arose in the early 1990s. Such firms have been defined differently. For example, Madsen and Servais (1997, p. 579) stated that they should "seek to derive significant advantages from the use of resources from or the sale of outputs to multiple countries/continents right from their legal birth". Kuivalainen, Sundqvist and Servais (2007) claimed that true born globals should internationalize during the first three years since establishment, enter culturally distant foreign countries, and achieve at least a 25-percent share of turnover from abroad during this period. Gabrielsson, Sasi and Darling (2004), in turn, told that such companies should generate at least a half of total sales from outside their own continent maximum after 15 years since starting operations, while Hashai and Almor (2004) stated that born globals should internationalize in nine years since establishment and reach a 75 percent export share. In this study, born globals are defined as firms that have entered at least two other continents besides their home continent within three years since foundation.

Despite of different definitions and classifications, the authors belonging to this research stream have shown that although such companies are young and small and their markets are most volatile (Oviatt and McDougall 1994), they are also growth-oriented, flexible and ready to take risks (Spence and Crick 2009). Thus, they internationalize fast instead of moving through the steps suggested by the U- and I-models. So, from the beginning, the whole world becomes their marketplace (McDougall, Oviatt and Shrader 2003). Some of them even start exporting before having any domestic sales (Bell 1995). Still, this does not mean that they always follow a clear plan or vision: some foreign market entries may be completely unplanned (Crick and Spence 2005). Moreover, some born globals may still internationalize gradually in terms of market or entry mode selection (Hashai and Almor 2004).

These enterprises may be able to compensate the lack of a broad resource base by using a narrow but critical set of skills (Wolff and Pett 2000). They may also focus on relatively narrow niches (Saarenketo et al. 2004). Moreover, such firms may use their founders' and/or owners') pre-existing knowledge (Weerawardena et al. 2007) and international business experience (McDougall, Oviatt and Shrader 2003; Zucchella, Palamara and Denicolai 2007), but also business and personal relationships for fast internationalization. They may also create new relationships (Casillas et al. 2009; Freeman et al. 2010) and learn from others quickly (Saarenketo et al. 2004). Hiring internationally experienced managers and/or other staff may also allow them to become competitive abroad (McDougall, Oviatt and Shrader 2003; Spence and Crick 2009; Wolff and Pett 2000). In some cases, such firms also hire export consultants (Zucchella, Palamara and Denicolai 2007) or find internationally experienced distributors (Spence and Crick 2009). Still, being a born global in itself will not automatically guarantee long-term success or even survival (Pajunen and Maunula 2008).

2.2. The literature on ways for acquiring foreign market knowledge

According to Slater and Narver (1995), three sources of information can be identified: direct (own) experience, organizational memory and the experience of others. Eriksson, Majkgård, and Sharma (2000), in turn, identify three types of experiential knowledge: business knowledge (about customers, competitors and foreign market conditions), institutional knowledge (about the foreign country's government, institutional frameworks, norms, rules and values), and internationalization knowledge (the firm's knowledge of its capabilities and resources necessary for internationalization). The following paragraphs introduce the ways how knowledge can be acquired.

The network approach (to internationalization) has partly grown out of the U-model. From this point of view, an enterprise's internationalization means establishing and developing business relationships in networks in other countries (Johanson and Mattsson 1988). According to this approach, relationships can tie together resources – including technology, materials and knowledge – required to complete the organization's commercial activities (Håkansson and Snehota 1992; McLoughlin and Horan 2000). Moreover, through network relationships, a firm can gain access to other enterprises' knowledge without going through the same experiences (Brennan and Garvey 2009; Eriksson et al. 1998). In addition to learning about the partners' capabilities, needs and strategies, it can obtain knowledge about their business conditions and market networks (Johanson and Johanson 1999). Thus, by joining the nets, a typical internationalization sequence has changed from gradual expansion to expansion in leaps (Hertz 1996). On the other hand, network relationships do not only drive and facilitate internationalization: they can also inhibit it (Ford 1998).

Substantial research has been made on the relationships between **foreign direct investments** (FDI) and host country exports. Several authors have shown that foreign subsidiaries are usually more international (they export more) than locally owned firms. This is caused by two reasons (Blomström 1990; Dunning 1994; Hadley and Wilson 2003; Lauter and Rehman 1999): 1) subsidiaries have better international business contacts, higher marketing and management skills, superior technology, greater general know-how and they can use their parents' brand names; 2) the owners can help them to set up a distribution network, follow industrial norms, safety standards and consumer tastes; deal with product design, packaging, servicing, distribution, and shaping a new product image.

There are also **other ways for acquiring foreign market knowledge** besides forming network relationships with foreign owners: for instance, conducting market research and making pre-entry visits (Pedersen and Petersen 2004), but they may not provide knowledge about a particular customer's way of working, decision-making and needs of goods and services (Eriksson et al. 1997). Hiring other companies' former expatriates may be useful for obtaining such information, as they have customer contacts and first-hand knowledge of foreign markets (Downes and Thomas 1999). People employed in other firms having presence on a specific market may also have such information (Bengtsson 2004; Brennan and Garvey 2009). Moreover, the experience and knowledge of immigrants could be used: they often have contacts in and good knowledge of both their new and former home country (Pécoud 2002). In addition, some (near-) market knowledge may be acquired from a company's subsidiaries located in economically and culturally similar countries (Mitra and Golder 2002), through acquisition of enterprises (Pajunen and Maunula 2008) located in the target country or through co-operation with them (Bengtsson 2004). In this area, the importance of social relationships should not be under-emphasized, but it must be kept in mind that such relationships may sometimes inhibit a firm's internationalization (Ling-yee 2004).

Some companies have also acquired knowledge and other assistance from trade missions, as they combine several important export marketing facets: assessment of market opportunities, establishment of direct contacts and a high profile in a target market, assistance in seeking representation or prospective customers and exchanging experience with other participants (Seringhaus and Mayer 1988). Industry associations and governmental organizations may be also useful for knowledge acquisition (Hadley and Wilson 2003).

Moreover, sometimes, firms may unintentionally come across interesting information about the internationalization strategies and practices other enterprises (Bengtsson 2004).

Table 1 summarizes the ways of foreign market acquisition and internationalization. Based on it and the previous overview, the following conclusions about internationalization and the importance of knowledge acquisition can be made.

- If a firm lacks foreign market knowledge, it starts its internationalization from nearby countries and simpler market entry modes. Afterwards, it may progress to more distant markets and more demanding market operation modes.
- Besides direct market experience, there are several other ways for acquiring foreign market knowledge, including conducting market research, hiring competent people, forming strategic alliances, and participating in trade fairs.
- If a company has actively acquired foreign market knowledge (not necessarily through experience), it may considerably quicken its internationalization. Still, sometimes, these ways fail and this may, instead of quickening, inhibit its internationalization process.

****** Table 1******

3. METHODOLOGY AND CASE STUDY EVIDENCE

3.1. Methodology

To examine the above-made conclusions, case study methodology was chosen. This method has been an essential form of research in social sciences and management (Chetty 1996). By combining previously developed theories with new empirically derived insights (Yin 1994), it is especially appropriate in new topic areas. This method allows transcending the local boundaries of the investigated cases and capturing new layers of reality. Its use can result in developing novel, testable and empirically valid theoretical and practical insights (Eisenhardt 1989; Tsoukas 1989; Voss et al. 2002).

In this paper, the multiple case study approach was used. This may reduce the depth of study (especially if an excessive number of cases have been chosen (Piekkari, Welch and Paavilainen 2009)) but it can augment external validity and help guard against observer bias (Voss et al. 2002). There is no ideal number of cases in the multiple-case approach. Eisenhardt (1989) recommends a number between four and ten, but it has to be acknowledged that once a pattern emerges, each new field site adds to the research data but at a diminishing rate (Stuart et al. 2002). This paper is based on two cases. These firms were selected carefully after searching relevant websites and databases to represent the phenomenon under study: both companies became successful born globals although they were established almost without any experiential knowledge. The cases were selected by replication logic rather than by sampling logic. In other words, the sample was chosen because the data from the companies could be used for replication – producing contrasting results (Yin 1994) – rather than because these enterprises were representative of the total population (Chetty 1996). Thus, they also represented different industries and had different owners and employees.

The information about Firm A (due to the request of the companies' owners to retain anonymity, the firms' names and some financial data have been disclosed) was collected in March-June 2010 through 12 interviews with the firm's general manager, deputy manager and a local city official (who was asked about the economic background of the early 1990s). The total interview time was around 20 hours. The information about Firm B was collected in March-June 2010 through 10 interviews with the firms' owner/manager; the total interview time in that firm was around 23 hours. All interviews had semi-structured open-ended questions that were sent to the interviewees before the interview. In both firms, the managers were asked additional questions about the establishment of their firm, its first export orders and other cross-border activities, the further development of the firm, the reasons of success, their firms' future plans and strategies and other related topics. All these interviews were recorded digitally and transcribed verbatim. In addition, field notes were made. For data triangulation and ensuring that important information had not been ignored, secondary data sources – the firms' websites, annual reports and other materials, and the business press – were also used. In addition, the interviewees also sent several documents to the authors. The full texts of interviews and the resulting case stories were sent to all interviewees for possible corrections and clarifications. All these activities helped to establish a chain of evidence and guarantee construct validity (Lee 1999).

In the following section, the case descriptions are provided. The results are discussed in the final part of the paper.

3.2. Case study evidence

Firm A is located in Qinlan (Anhui Province, East of China). This town has well-known electronic clusters. In the early 1990s, it started attracting new foreign investors and global buyers and it was successful due to low manufacturing costs and convenient transportation. According to the city official's words, "there were too many orders: so, many factories even could not handle all the projects."

Firm A was established in May, 1993 by two Chinese brothers. Before establishing the factory, the older brother had been a construction worker, while the younger one had been a farmer. The older brother's friend was a deputy manager of an electronic factory producing TV remote controls and other components. That factory was supported by the local government and they got so many orders from abroad that they could not finish all on time. As they lacked production capabilities, the older brother thought that it could be a perfect opportunity to start a business. So, he and his younger brother borrowed the starting capital from relatives, friends, and also from the construction firm. At the beginning they only had an old production line and 25 workers. Their first products were parts of TV remote controls. The firm's structure was very simple (see Figure 1).

*****Figure 1*****

The company was international from the beginning. Its first order came from a U.S. buyer. Firm A was recommended to them by another company who received 15 percent of A's profits for helping them with the export process. This U.S. buyer is still Firm A's customer but now they are communicating directly.

The company started growing fast (see Table 2). In 1994, it joined a local annual trade fair and found two German customers. In the second half of that year, the U.S. buyer suggested them to another U.S. customer. In 1995, they got a loan from the Industrial and Commercial Bank of China. They employed two technicians and an English translator and built a new product line that enabled them to both produce and assemble TV remote controls. In addition, they also renewed some of the old equipment. In 1995-1998, they exported to six buyers in the USA, three in Germany, one in France, and one in UK.

*****Table 2*****

In 1999, their growth quickened even more: they started to use the Six Sigma Production and Management System and gained the ISO 9001 certificate. They also participated in international electronics fairs in the USA and Germany. As a result, they also found new customers from the USA, Holland and Poland. In 2000, the firm's structure was changed considerably. An R&D office was established and more staff with foreign language skills was employed. They started exporting multi-functional remote controls and opened a new production chain of automatic dry type flame lighters.

In 2001, they started exporting to Southeast Asia, including Malaysia and Vietnam. In 2003, they participated in an international trade fair in Moscow and started exporting to Eastern Europe. Two years later they established a sales office in Moscow with five employees who started searching for new buyers in Belarus, Russia and Ukraine. Until the end of 2007, the firm's export performance kept growing, but during the world financial crisis, the number of orders declined. In the end of 2009, their sales started increasing again.

During the interviews, the managers were asked how this firm became successful. They answered that Firm A was lucky to start in the beginning of 1990s. Moreover, it has focused on exports. It has kept acquiring knowledge from international trade with their foreign partners. In addition, its long-term business partnerships (built on trust) have kept their business stable.

Firm B was established in September 1997 in Yangzhou, Jiangsu province: the Chinese "toy town". This city's famous toy production cluster has specialized in manufacturing and exporting plush toys. This industry started developing in 1992: then, some small firms started exporting hand-made toys. In 1995, the local government started offering special conditions for land use and taxation to encourage exports. Moreover, they started organizing investment conferences and trade fairs to attract foreign investors and buyers (translators were provided for local firms) and helped firms to participate in international exhibitions.

The founder of Firm B was a farmer (he used to grow rice and vegetables). He had no business education: he had just studied two years in the basic school in his village. He also visited a local trade fair once and thought that he could also start a business for producing some toy parts. So, he borrowed the starting capital from relatives and friends. He also took a loan from the Agricultural Bank of China by using his and his parents' houses for collateral. The first 20 workers were his relatives, friends and some other vegetable growers from his village. At first, a half of them even did not know how to do needlework (they did not have any machinery in the beginning).

The founder rented a small warehouse and became the manager of his factory. He participated in a trade fair in 1997, but did not get any orders as potential foreign buyers were not certain that this firm could produce in necessary quantities. In November 1997, he got the first order from another factory in Yangzhou to make 5000 red hearts for plush bears. They finished on time and got the first payment. These hearts were exported to the USA by another factory. In the first eight months, they kept getting orders from other factories to supply different toy parts.

In the second half of 1998, the manager decided that in the long term, remaining a supplier for other factories in Yangzhou would not be a good strategy. So, the company started to search for direct export opportunities. The owner got more capital from his wife's relative in Nanjing and also an additional loan from the Agricultural Bank of China. By the end of 1998, the factory had managed to build up its own half-automatic production lines and it had also bought some new sewing machines. The manager also employed 12 workers to operate the machinery. In 1999, he again participated in a local trade fair and found three customers at once: two from the USA and one from Holland (see Table 3). So, Firm B started to produce half-finished toys for them. Soon after, he found five more customers: three from the USA and two from Germany. In 1999, the factory stopped all domestic projects and only concentrated on exports.

*****Table 3*****

As the exports were very successful, Firm B established its own sales department in 2000 and started participating in international fairs in Cologne and California. This has increased the number of orders from Germany and the USA. In 2003, a new production line of plush toys was opened. The factory received the quality license for exporting toys from the China Import and Export Commodity Inspection Bureau and the license of self-administrated imports and exports from the China Ministry of Foreign Trade and Economic Cooperation. In 2004, Firm B obtained the ISO 9001: 2000 certificate, and also Wal-Mart and Target certificates. They hired three part-time toy designers from the USA and decided to open a refrigerator magnet production line. Three representative offices (in total with seven employees) were opened in Hamburg, Los Angeles and Moscow (see Figure 2).

*****Figure 2*****

The company was not as successful in 2007-2009 due to the financial crisis, but still they started exporting to new markets including Russia and Romania. Although the orders from the USA declined, they managed to keep most of their European customers. In the second half of 2009, the firm's export performance improved and they kept exporting to six countries and importing cotton and other materials from Holland and Finland (see Table 4).

*****Table 4*****

It was asked during the interview how Firm B has become successful. The manager explained that the main reason was that the government attracted investors and buyers to the city, so even people like him could find business opportunities and build up connections for their future business. In addition, they focused on exports and participated successfully in exhibitions and international trade fairs. Thus, they have kept learning and improving during all these years. The last reason he mentioned was quality control as good quality keeps customers. In 2011, the manager plans to start exporting to South Asian countries and establish a representative office in Ho Chi Min, Vietnam. Moreover, in 2015 he plans to open a new factory.

4. DISCUSSION, CONCLUSIONS AND IMPLICATIONS

As it was concluded from the literature review, internationalization may be slow and incremental, but it may be also very fast like in the case of born globals/international new ventures/fast internationals. If a firm manages to acquire necessary foreign market knowledge by other ways than through experience, it may internationalize faster: use more advanced foreign market entry modes and start its internationalization from farther markets.

The case results are summarized in Table 5. They demonstrate that these companies managed to acquire foreign market knowledge through their cooperation partners, but also through trade fairs and exhibitions and hiring some skilled staff. As a result, their internationalization has been relatively successful. Firm A has not had any sales in China and its first customer – a firm from the USA – still orders from them. In addition, this company exports to Germany, France, the UK, Poland, Holland, Malaysia, Vietnam, Russia and Ukraine (but has not exported to the latter every year). It also has sales offices in Düsseldorf, Chicago and Moscow. Firm B has also internationalized successfully: its first products were later exported to the USA, and less than two years since foundation it ceased all local sales. In addition to the USA, it also started exporting to Holland and Germany. Soon, Finland, Russia and Romania followed. In addition, the firm has sales offices in Hamburg, Los Angeles and Moscow. It imports from Holland and Finland and soon plans to start exporting to South Asian countries and establish a representative office in Vietnam.

****** Table 5******

Comparing the empirical results with theoretical conclusions, it becomes evident that in these two cases, the internationalization process has been quite different from the one predicted by U- and I-models. Both companies chose USA and Germany as their first foreign markets although they did not have any previous experiential knowledge of these markets. Moreover, both firms established sales offices in the USA, Germany and Russia. So, as Firm A has never had any domestic sales while Firm B ceased all less than two years since foundation and it has only concentrated on exporting to other continents, both can be called true born globals.

Although the paper is based only on two cases, still, some managerial implications can be made. If a company wishes to internationalize quickly, it should try to obtain foreign market information very actively through different channels. These two companies mainly concentrated on participating in trade fairs and exhibitions, but also on learning from their cooperation partners. Although they have become successful, other companies should also concentrate on other ways of knowledge acquisition. Some of them (for instance, involving foreign investors or creating joint ventures) may be also beneficial for acquiring capital, ideas and raw materials, developing products and raising a company's efficiency. Some others (for example, employing foreign immigrants) may not instantly bring such benefits, but in the future, they may also prove very useful.

It is also necessary not to forget that having (or sharing) foreign market knowledge in itself will not guarantee a company's automatic success on one or more foreign markets. This may depend on many factors both controllable and uncontrollable (for example, the global economic crisis) by the enterprise. Moreover, sometimes, despite having made large efforts, internationalization may fail. Thus, both foreign markets and sources of foreign market information should be selected with great care.

As the paper is based only on two cases and the subject has still not been very widely researched, it is important to study the ways of foreign market knowledge acquisition and their impacts on internationalization further. Without a doubt, more cases should be examined. It would be interesting to compare different countries, firms and industries: for example, to find out if enterprises from smaller countries tend to use different ways of knowledge acquisition; if there is a difference between more and less developed countries, smaller and larger, older and more recently established firms. Moreover, it should be studied if more international firms and industries obtain knowledge differently (for instance, if they co-operate more or are more active in using the services of export agencies), and if they do, then how much this has impacted their international success. Some survey evidence may be also useful for making more general conclusions.

It should be also studied if the type of necessary foreign market knowledge (about a specific customer, the ways of acquiring tax deductions on a specific market, about internationalization, in general, and so on) determines the way of its acquisition. The costs and benefits of foreign market knowledge acquisition should be also studied. This would enable researchers to help firms to select the right knowledge acquisition methods. Moreover, it is very important to examine the failures of knowledge acquisition and internationalization, but also to discuss how successful internationalization should be defined: whether it is important to take into account a number of markets, export share, market share, net profit or other data. Only after examining these subjects, it becomes possible to offer more specific managerial suggestions.

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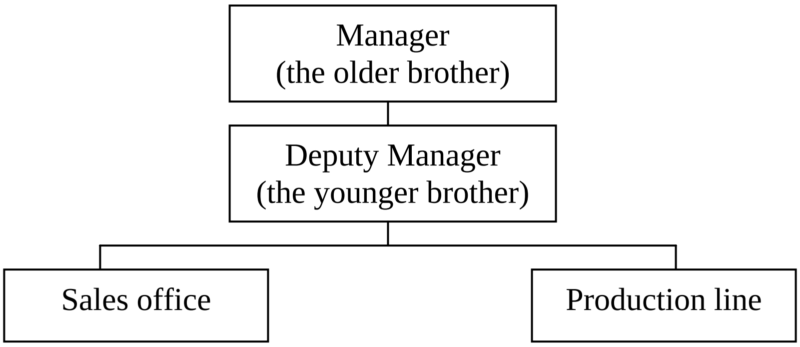
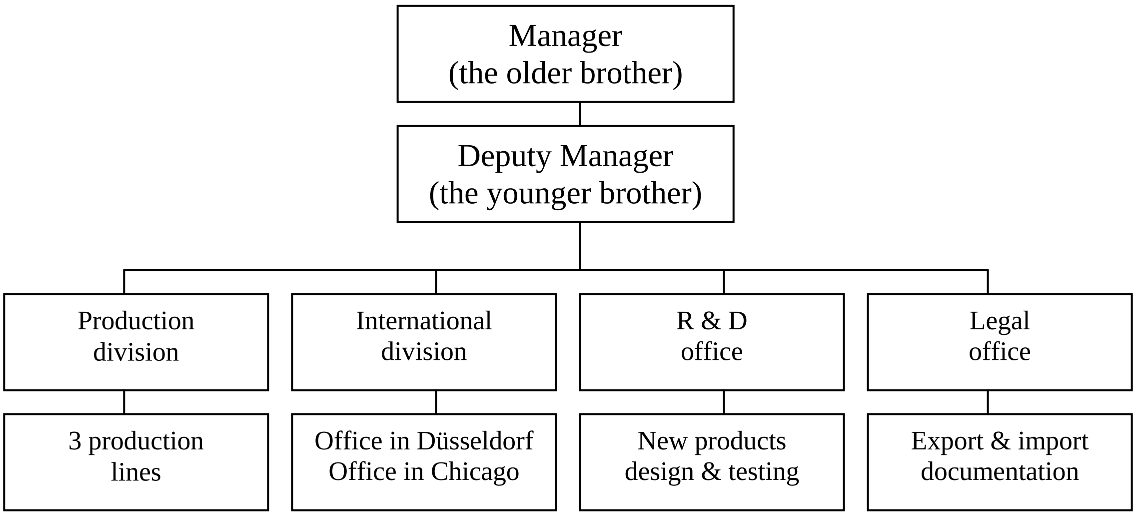
Table 1. The ways of foreign market knowledge acquisition and internationalization

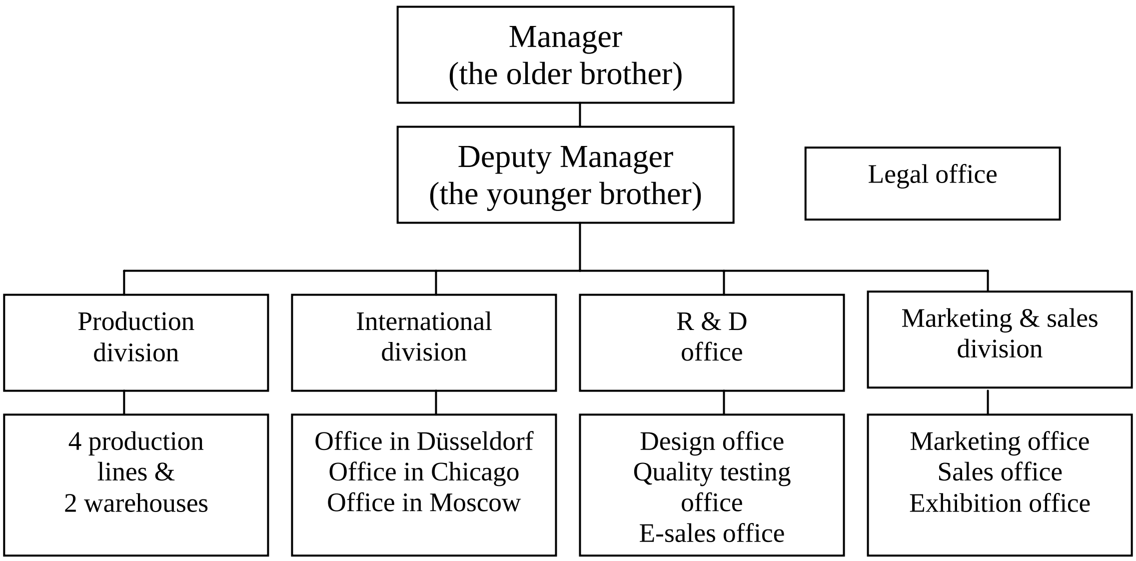
Approach/ research stream	Foreign market knowledge acquisition is…	Internationalization is…
The Uppsala model	… possible mainly through operations abroad. It is gradual and relatively slow (except in stable market conditions).	… usually long, slow and incremental, driven by experiential market knowledge acquisition.
Innovation-related internationalization models	… also possible through other sources, not just experience: for instance, foreign owners may also provide some.	… incremental and dependent on an enterprise's experiential learning (but also on other factors).
The Finnish model	… possible through experience, but also inward activities (for instance, imports and inward foreign direct investments).	… quite slow, but some firms may do it faster (some may also pull back from abroad and return later). Knowledge is important.
The literature on born globals/ international new ventures/ other fast internationalizers	… possible not only through experience but also, for example, through employing internationally experienced managers and involving foreign investors, but firms may also benefit from their entrepreneurs' earlier acquired knowledge and experience.	... very rapid (in terms of export share, but also market and entry mode selection), even if a firm lacks experience. Some even internationalize without having any domestic sales. Still, not all firms succeed.
The network approach (to internationalization)	… possible through direct and indirect network relationships. Personal experience is not always necessary.	… dependent on network relationships. It may happen in leaps, instead of gradual expansion (but not always).
Research on the relationships bet-ween FDI and host country exports	… sometimes easy, if the firm has a foreign owner (its other subsidiaries and network relationships are also helpful).	… usually fast if a firm has a foreign owner. For locally-owned enterprises it may be slower.
Other literature on internationalization and knowledge acquisition	… possible through many ways: network relationships (with the firm's owner and its owner's other subsidiaries), acquisition of foreign enterprises, conducting market research, making pre-entry visits, hiring immigrants and former expatriates of other companies, visiting trade missions, industry associations and governmental organizations and in some cases, even by chance.	… fast if the necessary knowledge has been acquired and (personal) network relationships developed. Still, sometimes, (personal) network relationships may strongly inhibit a firm's internationalization, instead of quickening it.



The structure in 1993



The structure in 2000



The structure in 2009

Figure 1. The structure of Firm A in 1993, 2000 and 2009

Table 2. The export performance of Firm A in 1993-2009 (million USD)

	USA	Germany	France	UK	Poland	Holland	Malaysia	Vietnam	Russia	Ukraine	Total exports
1993	0.02										0.020
1994	0.05	0.01									0.060
1995	0.07	0.05									0.120
1996	0.11	0.07	0.005	0.003							0.260
1997	0.21	0.09	0.007	0.004							0.231
1998	0.35	0.11	0.007	0.003							0.470
1999	0.52	0.89	0.008	0.005							1.423
2000	0.51	0.82	0.01	0.007	0.01	0.03					1.387
2001	0.55	0.80	0.01	0.011	0.02	0.05	0.11	0.08			1.631
2002	0.62	0.81	0.03	0.015	0.04	0.05	0.15	0.09			2.075
2003	0.85	0.78	0.05	0.012	0.05	0.07	0.39	0.16	0.10		2.462
2004	0.92	0.75	0.03	0.02	0.03	0.12	0.45	0.19	0.22		2.730
2005	1.81	1.00	0.05	0.02	0.12	0.23	0.50	0.30	0.50	0.05	4.700
2006	2.03	1.02	0.02	0.02	0.33	0.55	0.79	0.62	0.61	0.09	6.060
2007	2.00	0.91	0.02	0.011	0.29	0.62	0.65	0.52	0.49		5.511
2008	1.15	0.50	0.02	0.01	0.28	0.51	0.69	0.52	0.47		4.150
2009	1.96	0.53	0.03	0.02	0.41	0.58	0.92	0.62	0.61	0.10	5.780

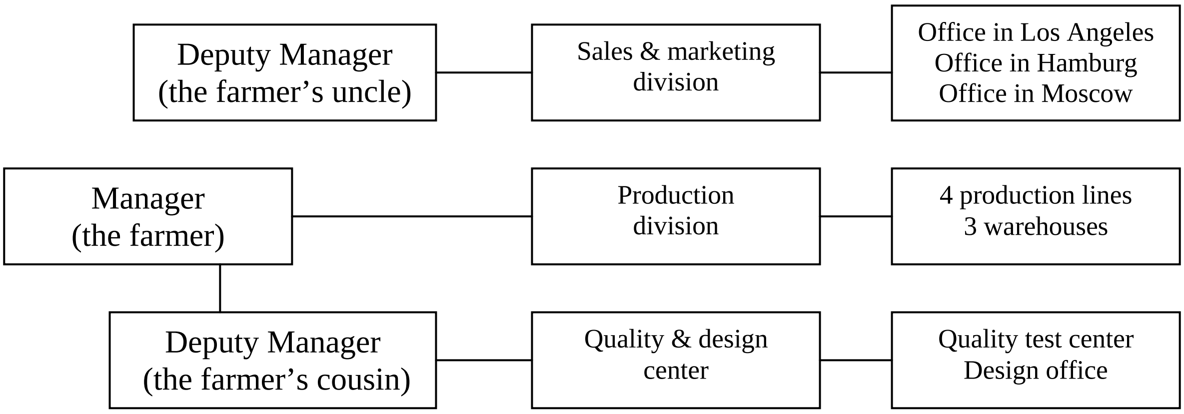


Figure 2. The structure of Firm B in 2010

Table 3. The export performance of Firm B in 1999-2009 (10 million RMB)

	USA	Holland	Germany	Finland	Russia	Romania	Total exports
1999	0.191	0.138	0.121				0.450
2000	0.453	0.198	0.352				1.003
2001	0.785	0.239	0.688				1.712
2002	0.826	0.200	0.795				1.821
2003	0.999	0.398	0.999	0.090			2.486
2004	1.112	0.555	2.001	0.125			3.793
2005	1.491	0.626	2.322	0.233			4.672
2006	1.992	0.799	2.928	0.300			6.019
2007	2.755	0.703	3.101	0.252	0.122	0.200	7.133
2008	2.023	0.655	3.423	0.221	0.100	0.205	6.627
2009	2.235	0.738	3.502	0.249	0.152	0.229	7.105

Table 4. The import performance of Firm B in 2003-2009 (10 million RMB)

	2003	2004	2005	2006	2007	2008	2009
Holland	1.12	2.23	2.25	2.98	3.03	3.12	3.23
Finland	1.01	2.52	2.99	3.08	4.55	3.39	4.00

Table 5. An overview of the internationalization of the two case companies and their ways of foreign market knowledge acquisition

	Foreign market knowledge acquisition	**Internationalization**
Firm A (founded in May, 1993)	Initially, the firm's owners/managers had no educational background or business experience. The first customer came through another firm. The firm actively participated in trade fairs: at first, only in China, but since 1999, also in the USA and Germany. In 1995, they hired two technicians and an English translator. They have also tried to learn from its long-term cooperation partners.	The first customer was found in 1993 from the USA; in 1994, the firm also started exporting to Germany. In 1996, France and UK followed. Since 2000, it also exports to Poland and Holland, since 2001, to Malaysia and Vietnam, since 2003, to Russia and since 2005, to Ukraine (but has not exported to the latter every year). It has sales offices in Düsseldorf (Germany, founded in 2000), Chicago (USA, 2000) and Moscow (Russia, 2005). It has never had any local sales.
Firm B (founded in September, 1997)	Initially, the firm's owner/manager had no educational background or business experience. At first, he tried to learn from his Chinese cooperation partners. He participated actively in investment and trade fairs: at first, only in China (financed by the Chinese government), but since 2000, also in the USA and Germany. In 2004, he hired toy designers from the USA.	First indirect exports started in 1997 (to the USA), first direct exports in 1999 (to the USA, Holland and Germany). Since 1999, it had no local sales. Since 2003, it also exports to Finland and since 2007, to Russia and Romania. In 2004, it founded sales offices in Hamburg (Germany), Los Angeles (USA) and Moscow (Russia). It imports from Holland and Finland. In 2011, it plans to start exporting to South Asian countries and establish a representative office in Ho Chi Min, Vietnam.