Theories on born globals from the West – does it fit for Chinese born globals?

36th EIBA Annual conference - Porto

Track 2. Internationalisation process and international entrepreneurship

Introduction

The first study of fast internationalizing SMEs, was conducted by Rennie (1993). He identified a “new breed” of Australian firms which were “born global”. According to this study, born globals tended to be small (e.g. average sales $16 million) and relatively young (e.g. average age of 14 years), they had begun exporting on average, two years after their establishment and generated three quarters of their total sales from exports. The companies were found in all industries, but they all applied new technologies to developing unique products or a new way of doing business and, according to Junkkari (2000), as a result were strikingly competitive against established large players. Born global firms or international new ventures (INVs) are firms that are international and entrepreneurial in their business dealings. Wright & Ricks (1994) highlighted international entrepreneurship (IE) as a newly emerging research arena and they defined internationalization speed as; time between discovery of an opportunity and first foreign entry, speed with which country scope is increased (market selection/spreading), and speed of international commitment (mode/export share). Oviatt & McDougall (1994) found that many of the firms they studied were not truly global and thus decided to call these new fast internationalizing SMEs for INVs instead of BG or global start-ups. It is a problem with different definitions (of born globals) for comparing research results, this was also pointed out by Gabrielsson & Kirpilani (2004). In this paper the following definition will be used; “Fast internationalizing SMEs are defined as business organizations that from inception (seek) to derive significant competitive advantage from the use of resources and the sale of outputs in multiple countries”, (Oviatt & McDougall, 2005:538).

The current literature on the internationalization of emerging economies SMEs is scarce. China opened its doors to the world in 1978 (Deng, 2004) and has since then had great success in attracting foreign direct investment. In 2002 China surpassed the US as the largest recipient of FDI in the world. The Chinese government launched the “go global” strategy in 1999, urging Chinese enterprises to invest more overseas in order to sharpen their competitive edge and materialize their international business presence (p.14). “A number of leading Chinese firms have began to internationalize with a view to becoming global players in international markets” (Child & Rodrigues, 2005). China was in 2004 the fifth largest outward foreign investor (Yiu et al, 2007). The Chinese government has played a crucial role in shaping the structure of China’s outward investment since it is still very much a state-controlled economy. Only one out of the twelve largest Chinese multinationals is privately owned, their investment strategies thus largely reflect governmental priorities. Most of the works on the national and international expansion of Chinese companies are based on large companies, but according to the Ministry of Commerce of the People's Republic of China, the Chinese authorities are actively pursuing the development and national and international expansion of small- and mediumsized enterprises (Cardoza & Fornes, 2009). Since its adoption of the policy of economic reform and opening to the outside world in late 1978, China's economy has experienced very rapid changes, and its impact on the world economy has been increasingly felt (Fishman, 2006). Related to this, the issue of internationalization of Chinese firms has attracted much attention. There has recently been a large media focus on high-profile international acquisitions and take-over bids by Chinese companies (Liu, et al., 2008). In reality, these high-profile Chinese companies belong to a very small group of socalled "national teams or champions" (Zeng & Williamson, 2003). We need to understand how ordinary Chinese firms go international. We know that born globals are different on many aspects from traditional internationalizing firms (e.g. smaller, younger, niche-oriented), and we know that Chinese firms struggle with other problems than firms from developed economies, consequently it is interesting to compare a group of Chinese born globals with a group of born globals from a Western economy, and also to compare the processes of the Chinese born globals with existing theory on born globals. The aim being to identify differences with the Chinese companies in terms of the internationalization process. In this paper we therefore want to explore what these differences are and how they come into play using the new stream of theory on international entrepreneurship with a special focus on the role of social networks. Network relationships have long been recognized to be indispensable for SMEs to achieve international growth (Johanson & Mattson, 1988; Coviello & Munro, 1997; Reuber & Fischer, 1997). However, a particular focus on social networks has been limited to date (Ellis & Pecotich, 2001; Harris & Wheeler, 2005). Empirical findings support that social networks are vital to the identification of new opportunities (Ellis & Pecotich, 2001) and Zhou et al (2007) found that newly internationalizing Chinese SMEs can leverage home-based social networks to enhance firm performance.

A dynamic theory of the process of firm internationalization relevant to the economic conditions of the 1990s is seen as lacking (Dunning, 1993). Thus, our ability to explain accelerated internationalization is limited, especially for emerging businesses. Internationalization is defined as a process, over time, in which a firm develops increasing involvement in operations outside the firm's home country (Welch & Luostarinen, 1988:2).

The most widely recognised theory concerning the dynamics of internationalization and one that has been relevant for young and small firms in the past, according to Oviatt & McDougall (1999), is the Uppsala model (Johanson & Vahlne, 1977/90). The Uppsala model reads very much as a theory of constraints. It drew heavily on the behavioural theory of the firm (Cyert & March, 1964) and on the theory of the growth of the firm (Penrose, 1959). The model is believed to have assumed away individual strategic choice (Autio, 2005:12). The key contribution by Oviatt & McDougall (1994) is seen as their direct challenge to the risk-averse, constrained posture described by the Uppsala model. It is claimed that international new ventures are possible, because entrepreneurs are able and willing to make strategic choices, as well as to accept the risks associated with an aggressive international expansion (Autio, 2005).

This paper proceeds with a theoretical overview of the new stream of literature on international entrepreneurship (IE). The methods used for data collection is described before we compare the 12 cases from Norway and China and discuss the differences and similarities of the two categories of firms and probable explanations for this.

International Entrepreneurship

Competitive advantage has in recent years shifted away from firms with large size and long experience toward firms with unique knowledge and swift response capabilities (Oviatt & McDougall, 1995). Technological and competitive forces have made slowly staged efforts risky for an increasing number of firms (e.g. in global industries). Traditionally international business researchers focused on large multinational enterprises (MNEs) (Gabrielson et al, 2006) and following from this, much of the focus has been on how and when to carry out foreign direct investments (FDIs). Entrepreneurship researchers focused primarily on venture creation and the management of SMEs within a domestic context. In recent years, the demarcation segregating IB and entrepreneurship has begun to erode (Gabrielsson et al, 2006) and the literature has currently reached the point of specifying that "international entrepreneurship is a combination of innovative, proactive, and risk-seeking behaviour that crosses national boundaries and is intended to create value in organizations", (McDougall & Oviatt, 2000:903).

IE first appeared in a short article by Morrow (1988), who highlighted recent technological advances and cultural awareness that appeared to open previously untapped foreign markets to new ventures (Oviatt & McDougall, 2005). A series of globalization drivers (e.g. growing interdependence of national economies, improved international communication and transportation, homogenization of markets) has contributed to an overall trend towards integration of markets and completion. This trend is believed to simplify and shorten the process of firm internationalization, which means, firms may skip stages of international development that has been observed in the past or the process may not occur in stages at all. The emergence of international entrepreneurship as a distinct field of research is thus relatively recent, an important milestone was Oviatt & McDougall's (1994) awardwinning article that questioned whether research in international business alone was sufficient to understand the internationalization process of entrepreneurial firms. This article is seen as providing a theoretical base for studying international new ventures. They address the gap by examining how and why entrepreneurial processes of opportunity discovery, evaluation and exploitation vary across nations. Oviatt & McDougall (1994) mounted a challenge to received internationalization process theories and established a new and exciting research theme, that of international entrepreneurship. The greatest value of their contribution lies within the creative tension that they generated in the field of international business studies by mounting a direct challenge to the established Process Theory of Internationalization (Johanson & Vahlne, 1977), and by highlighting the increasing prevalence of international new ventures. The contrast between emphasizing firm-level vs individual-level knowledge naturally reflects the different empirical scopes of the two perspectives. They open a way towards building a more comprehensive theory of new firm internationalization.

From an entrepreneurial learning perspective, Zhou (2007) argues that the tension with regard to the role of foreign market knowledge between the process models of internationalization and the early internationalization of born-global firms, can be resolved by understanding the source of knowledge. Cardoza & Fornes' (2009) study of internationalization of SMEs in one of the least developed regions of China identified several internal and external barriers to internationalization. Their findings showed that the barriers are related mainly to weak management skills and knowledge, regardless of the difference between internal or external. Finance does not seem to be a barrier as is the case for most western SMEs. This may be explained by the active role played by a resourceful Chinese government in funding the development of the country's SMEs. Theories explaining born global internationalization have stressed foreign market knowledge as a key factor to understand and explain the rapid internationalization of firms (Autio et al, 2000; Knight & Cavusgil, 2004; Oviatt &

McDougall, 1994). Interestingly, the knowledge factor has also been emphasized in the traditional models of internationalization (Eriksson et al, 2000; Johanson & Vahlne, 2003). Zhou (2007) expected that firms with international entrepreneurial proclivity have the dynamic capability to develop foreign market knowledge rapidly and internationalize early. Thus, the international entrepreneurial proclivity is what distinguishes the born-global approach from the traditional ones. The young internationalizing firms must develop other mechanisms to acquire the requisite knowledge and resources (e.g. than the traditional way of experience-based accumulation of knowledge). Entrepreneurial proclivity is defined as the firm's predisposition to engage in entrepreneurial processes, practices, and decision-making, characterized by its organizational culture for innovativeness, risk taking, and proactiveness (Matsuno et al, 2002). In the context of internationalization, the term international entrepreneurial orientation is adopted by extending the conceptual domain to the processes and activities across national borders (Knight & Cavusgil, 2004; 2005). Zhou (2007) argues that the innovative dimension of entrepreneurial proclivity promotes acquisition of knowledge through market scanning and information utilization, whereas the risk taking dimension provides a base of knowledge from "trial and error". Proactiveness, referred to as a forward-looking perspective, the tendency of taking initiative to anticipate rising opportunities in the marketplace (Lumpkin & Dess, 1996), results in an increased level of market knowledge by pursuing new market opportunities (Matsuno et al, 2002). According to the same, entrepreneurial learning of market knowledge is not confined to organizational routines and administrative structure, but rather characterized by an exploration and out-of-the-box thinking approach to the pursuit of entrepreneurial opportunities.

It is clear that entrepreneurship and internationalization are complementary fields with complementary theoretical interests and empirical developments (Jones & Coviello, 2005). Coviello (2006) focuses on networks' impact on international new venture: "..network theory and analysis are fundamental to international entrepreneurship research" (p.2). Hite & Hesterly (2001) argue that in the emergent stage of the firm, networks will be cohesive and composed primarily of socially embedded ties. As the firm moves into growth stage, the network changes to encompass a balance of embedded and arm's-length economic ties that are more intentionally managed to explore growth. The network will shift from being "identity based" (path-dependent) to more calculative (intentionally managed) over time. Social ties are thus seen as particularly important in the *initial* stages of firm evolution, and less influential over time. Once the international new ventures' start-up process is complete, organizational needs are believed to become more complex and necessitate non-social relationships (Coviello, 2006).

An important difference between theories of multinational enterprise and a theory of international ventures seems to be the unit of analysis. Theories of international entrepreneurship argue that some firms start out internationally because of certain entrepreneur-specific capabilities (vs. firm specific) (Bloodgood & Sapienza, 1995; Knight & Cavusgil, 1996; McDougall & Oviatt, 1996). When the entrepreneur creates the enterprise, there are no routines in place, but the entrepreneur has a vision and a network of contacts that he or she is going to build up further. Thus, the study of international ventures has to be concerned with individual learning by the entrepreneur as well as with organizational learning of the emerging entrepreneurial firm. From Fletcher's (2004) study of two case firms' international development, it is possible to argue that the language of strategy and structure, which is often prescribed by many models of international business to enable firms to survive in competitive global markets (Levitt, 1983; Bartlett & Ghoshal, 1989; Ohmae, 1989), is somewhat limited for explaining small business internationalization. Close consideration of small business practice highlights the importance of multifaceted frameworks of analysis which go beyond the structural, strategic and behavioural and which take account of the often chaotic, opportunistic and incremental process through which entrepreneurs build international relationships and transactions (Buckley, 1991; Andersen, 1993; Calof & Beamish, 1995; Bell & Young, 1996; Jones, 1999). "..means that when evaluating the international activity of small firms, there is a closer relationship to entrepreneurship than there is to international strategy and structure that has tended to dominate small business research" (Fletcher, 2004:294). For fast internationalizing SMEs the realization of entrepreneurial activities cannot be separated from the international business context and market in which they are being created. International entrepreneurship is a tightly integrated process whereby entrepreneurs envision and realize the emergence of their business as an international entity. For these firms, internationalization is not an extension of what has already occurred or "has been" in the home market. For small firms that internationalize some years after start-up, on the other hand, the international arena is seen as another "site" in which entrepreneurial activities are tried out or practiced. Internationalization is seen as an extension of what has already occurred in the domestic market and in this sense is also local or regional. As a result of Fletcher's (2004) analysis, it is argued that in staged or gradual internationalization, international entrepreneurship is characterized by the extension and broadening of entrepreneurial capabilities that have already been developed at home.

In Liu et al's (2008) study of 16 cases, entrepreneurship was regarded as the most important factor influencing the internationalization process. It is not novel to apply entrepreneurship to firm internationalization, but it is clear that "normal" entrepreneurship embedded in and prevailing on a developed market economy might not be able to provide a satisfactory explanation of the Chinese experience. Liu et al (2008) argue that the so-called "bounded entrepreneurship" argument may be better applied to this group of Chinese firms. This argument proposes that the founders of this group of firms are entrepreneurial by nature, but their cognition and ability are bounded by their limited education and international experience and by China's unique institutional barriers.

The difference between traditional SMEs and fast internationalizing SMEs

Autio (2005) claimed that many of the original assumptions of the process model are not valid anymore since many of the conditions have changed since the mid-1970s; the flow of information from foreign markets have been enhanced, reducing the psychic distance and promoting greater international integration between markets. The cost of international travel and communication have been reduced, enhancing firm's ability to coordinate cross-border activities. International managerial experience have become more widely available, enabling firms to quickly acquire such knowledge and finally, firms have become increasingly skilled at employing alternative governance mechanisms, enabling them to exploit their resources across national borders.

Organizational learning for traditional SMEs happens through dealings with foreign market operations of its own. For the fast internationalizing SMEs, organizational learning occurs via their capability to learn from network partners. Risks are different for them than for other SMEs. Both types experience exporting risks, but fast internationalizing SMEs also face the risk of introducing new products (Gabrielsson et al, 2006:16). The traditional view is much in line with the Kirznerian (1979) view; opportunities are created in foreign markets without the active involvement of the firm itself. Most of the value-creating elements are generated in the firm's home base, the international dimension of the firm's activities is concerned mainly with the international diffusion of its offerings (Autio, 2005). In Oviatt & McDougall's article (1994) on the other hand, the value creation logic of the firm is different, it is leaning more toward the Schumpeterian (1934) view of a supply-push approach to value-creation. The firm is seen as operating in an internationally dispersed resource-base. The value-creation of the firm is based on cross-border combination of valuable resources thus the firm *needs* to internationalize to make value-creation possible (e.g. not in order to disseminate its outputs). The competitive advantage of the firm being based on cross-border resource combinations, international new ventures emerge as fundamentally different from domestic ventures (Autio, 2005). Internationalization is no longer treated merely as an outcome, but rather as a *condition* for value creation (Autio, 2005). This is in line with Child and Rodrigues' (2005) arguments that Chinese firms need to internationalize to acquire new skills and technologies.

With regard to the dynamic capability effect of early internationalization (Gabrielsson et al 2006), it is argued that early internationalization may help root a more innovative and dynamic strategic posture on the new venture, and it may also make firms better equipped to take advantage of domestic and international growth opportunities. Early internationalization may not only be an opportunity, but also a necessity to ensure chances for growth, because opportunity windows are short in dynamic sectors. In other words, that the firm starts out internationalizing early, may strongly affect future international growth. Autio et al (2000) also reported a positive relationship between organizational youth at the time of internationalization and subsequent international growth. They attributed it to the "*learning advantage of newness*", which may enable young internationalizers to embrace an international identity more rapidly and completely than would be possible for older internationalizers.

Determinants on the pace of internationalization

Individual resources: Experience & Network

The experience and background of founders and their relationships are important resources for a firm and are important drivers or facilitators of internationalization. International experience is defined as the understanding and realistic perceptions of foreign operations, risks and returns in foreign markets (Aulakh & Kotabe, 1997). The reasoning here, which is based on the organizational capability of the firm, is that firms are initially risk-averse when entering new markets, and therefore not willing to invest substantial resources in unfamiliar terrain. As a firm's management gets a better feel for the foreign markets, it gains better understanding of the risks and returns, and becomes more confident and aggressive, but also more realistic. This may be manifested by a willingness to commit more resources and it may also enable management to make better investment decisions. For firms, international experience has traditionally been measured by making an assessment of the geographic scope and depth of the firm's experience. This is done by registering the number of different countries in which a firm is active and the length of experience in each of those countries (Erramilli, 1991). In the present study, the variable will be analyzed at the individual level. Information about the founder(s)' and/or other key employees' international experience are collected. Several studies (Oviatt & McDougall, 1994; Reuber & Fischer, 1997; Ellis, 2000) show that key employees in BGs very often have extensive international experience from previous employment. Furthermore, Reuber & Fischer (1997) argue that decision-makers with more international experience are more likely to have a foreign business network in place and are more likely to have developed the skills needed to identify and negotiate with firms in a different culture. Oviatt & McDougall (1994) further argue that partnerships provide concrete critical resources, i.e. specific skills and finances, as well as more abstract resources, such as legitimacy and market power. These resources are seen as being particularly important when a new and young firm, with relatively small resources, attempts to increase foreign sales. The founders' or other key employees' relationships from previous employment may enable these firms to enter new markets at a faster rate than would otherwise be possible (e.g. by providing the firm with complimentary resources and by opening up markets). This view is supported by Ellis' (2000) findings, which support the notion that awareness of foreign market opportunities (which has been identified as being a critical antecedent of foreign market entry) is commonly acquired via existing social ties. Zhou et al (2007) also found in their study of 163 Chinese SMEs, that home-based social networks play an important role in the relationship between firm internationalization and performance and recommend that international business managers should consider such networks as an efficient mean of helping internationally oriented SMEs to go international more rapidly and profitable. McGaughey et al (1997) also emphasize the important role of personal networks in triggering initial export inquiries or orders. They found that the network's key individuals importantly affected the case company's international activities. These people were critical for both the content and direction of the company's internationalization. "…much of the ability of the company to initiate and carry through international operations resided in the decision-makers' personal networks" (p. 179).

Globality and product characteristics

One reason for the differences observed in the speeds by which traditional multinational enterprises (MNEs) and fast globalizing firms become international/global, is due to different environmental conditions. "…the slowness of the whole process is a consequence of incremental adaptations to changing firm and environmental conditions rather than the result of a deliberate strategy" (Knight & Cavusgil, 1996:13). In other words, when the environmental conditions rapidly change, as they do when there is increased globalization, the process of internationalization is likely to speed up as well. In a closed domestic industry, a company accustomed to weak competitors and undemanding customers has little to fear, there are no new competitors that might grow strong in more demanding competitive arenas. In an open global industry, new and strong competitors abound (Yip, 1992). As a consequence, it is important to understand just how the industry globalization drivers affect the competitive environment of SMEs. When moving to the industry and company level, it has been argued (by e.g. Lindqvist, 1991) that increasing speed in the development of new technologies has led to shorter product life cycles (PLCs) and higher innovation intensity, which in turn leads to intensified global competition. The shorter PLCs have led to more emphasis on R&D, and on recognizing new opportunities and exploiting them as rapidly as possible with successful timing (e.g. PCs and cellular phones). In short, product characteristics are an important aspect to be considered. For firms with small home markets it may be difficult to achieve competitive advantage in terms of economies of scale. In the case of some products, significant economies can be achieved only by operating in multiple countries. The shorter the PLC, the shorter the time period for returns on investments for product development. Consequently, companies with small domestic markets need global volume, so that the costs for product development can be apportioned.

Conceptual framework

From the discussion above, a conceptual framework is proposed where four main factors are posited as having an impact upon the firm's pace of internationalization. These factors are; (1) the experience and background of the firm's founders or other key employees, (2) the same person's network, (3) the globality of the industry in which a firm does its business, and (4) different product characteristics.

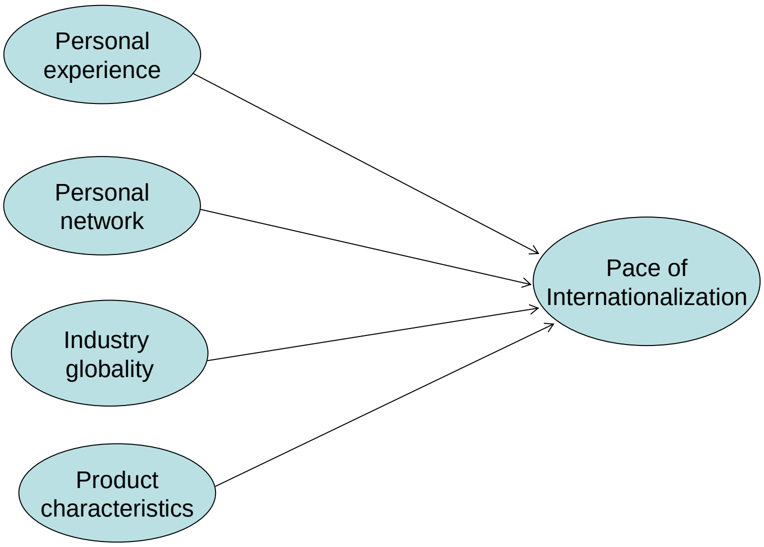

Figure 1: Conceptual Framework

Boundaries between domestic and international markets are becoming less relevant as businesses increase their activities abroad. In order to find an explanation as to why some SMEs still follow a more step-by-step approach, while others choose a faster and more erratic approach that leapfrogs over many stages, Madsen et al (2000) argue that globalization may enable firms to more freely choose their own model for becoming international. International sales both become easier *and* more difficult, in the sense that international markets have become more accessible for most firms, but the level of competition and the demand for international competence have increased. There is both a "positive" pressure, from the increased level of globalization, in the form of an increase in the accessibility to markets, and a "negative" pressure from tougher competition, since it has become a necessity for a host of new companies to be present in many markets. Both of these pressures work to increase the pace of internationalization. The positive pressure *lures* the company to new territory, while the negative pressure *forces* the company to find new markets.

These pressures may work differently depending upon the size of the home market. According to Bloodgood et al (1996), new European firms are more likely to consider internationalizing some of their activities when their enterprise is initiated compared with new US firms. China also has a large home market. A new Chinese firm, operating in a 500-mile radius around its base, may do so without crossing borders, a European firm, with the same operating radius around its base, may have to deal with five or six other countries. Luostarinen & Gabrielsson (2001) state that global firms from large countries globalize because of the demand-based pull forces in global markets, but global firms from small and open economies globalize because they are pushed. Small domestic markets and the fear of expected future competition, from global firms in large countries, puts a lot of pressure on these firms, pushing them to find new markets. According to Hamel & Prahalad (1985), companies that safely nestle in their home beds will increasingly experience a resource disadvantage; "they will be unable to marshal (the) forces required for a defense of the home market" (p. 146).

Methods

In this study we compare the internationalization processes of 6 Norwegian cases with that of 6 Chinese cases, the purpose of the study is both to discover the major differences and similarities between Chinese and Norwegian born globals and furthermore to establish whether or not existing theory is applicable for describing the internationalization process of both categories of (e.g. Chinese and Norwegian) firms. The method adopted here entails a qualitative, primarily explanatory research perspective on the internationalization process of Chinese and Norwegian small- and mediumsized enterprises. We used a multi-case study research strategy, allowing manipulation of the data using three modes of analysis: pattern matching, explanation building and time series (Yin, 2003). We carried out a comparative case study of 6 Norwegian and 6 Chinese internationalizing SMEs to see whether the existing main theories on internationalization hold for both types of firms.

Multiple cases are considered multiple experiments. This design follows a "replication" logic, and is different from a "sampling" logic (Yin, 2003, pp. 46-47). Consistent with Eisenhardt (1989), we chose multiple cases within each category in terms of their degree of internationalization (e.g. number of foreign countries/continents and export share) to allow findings to be replicated within categories. Thus, if common patterns of internationalization emerge from different types of firms within the Chinese and the Norwegian economy, then our findings will be more generalizable.

The majority of interviewees are firm founders. The data were collected mainly by the use of in-depth interviews supplemented with archives to "provide stronger substantiation of constructs and hypotheses" (Eisenhardt, 1989). The archives were obtained from company reports, newspaper clippings as well as company websites. The time-length for an interview was between 1.5 and 3 hours. Interviews were tape-recorded unless the interviewees objected, which happened in one incident for the Norwegian cases (e.g. Optoflow). All interviews were conducted in 2002 except for the Shanghai case which was conducted in 2008. Some follow-up by e-mail and/or telephone were made in 2003 and 2006. While the interviews were conducted in line with a pre-designed interview guide based largely on existing theories, open questions were also often asked to allow for possible theoretical modification.

Analysis

Norwegian and Chinese cases compared

It is a problem with regard to the definition of SMEs. Cardoza & Fornes' (2009) definition of SMEs varies from firms with 3000 employees in the construction and transportation industry to 200 in wholesale (Source: national bureau of Statistics of China, 2007). Zhou (2007) defines SMEs as firms with less than 500 employees and Freeman & Cavusgil (2007) as firms with less than 200 employees. Knight et al (2004) found that most of the rapidly internationalizing firms have less than 100 employees. These different definitions make comparison seemingly difficult. What is considered a small firm in China is considered a large firm in Norway and vice versa. This might be explained by the environment in which these firms are established. In China the domestic market is huge and the Norwegian market is tiny in comparison. In addition, while China has a strong cost advantage in the production of most products, Norway has no such cost advantage and has to compete on other dimensions to survive (e.g. for instance by offering unique and specialized products). SMEs were in the Norwegian study defined as firms with less than 100 employees and in the Chinese study as firms with less than 2000 employees. The basic characteristics of the 12 case firms are presented in table 1.

	No of employees	*Founded (export)*	*Internat.sales (after3yrs)*	*Products*	*Type of FOM most used*	*No of market areas 2001*
Aroma	600	1995	100%	Candles	Direct export	2-3
Eral	99	1997	70%	Textiles	OEM	3-4
Lisi	2000	1993	100%	Plastic prod	OEM (FDI sales)	worldwide
Shanghai	87	2005	94%	Refrig.parts	OEM	1-2
Smal	1100	1995	100%	Electr.appli.	OEM	worldwide
YDH	500	1989	70-80%	Car compon	OEM	3-4

Dolphin	10	1991(92)	90% (90%)	Hardware	Agents	3-4
Fras	4	1996(98)	80% (20%)	Fluidsampl	Follow cust.out	worldwide
ICAS	61	1989(93)	50% (10%)	Smoke det.	Agents	2-3
Incatel	65	1993/4(97)	80% (50%)	Software	Direct exp.	2-3
Opera	110	1995(95)	99% (99%)	Software	Direct exp.	worldwide
Optoflow/ BioDetect	10	1993(97)	90% (85%)	Cytometer	Agents	4-5

[1] All the numbers from the Norwegian interviewees were verified with transcripts from the Brønnøysund Register Centre (a government body under the Norwegian Ministry of Trade and Industry consisting of several different national computerized registers).

Table 1: A Summary of the key figures on dimensions that reflect the firm's pace of internationalization[1]

We can clearly see a great difference in the size of the firms, the Chinese being much larger than the Norwegian. The type of products also differs for the two countries as the Norwegian firms' products are mainly made for the industrial market and the Chinese products are mainly made for the consumer market. This is consistent with Zhou's (2007) findings, where a majority of the firms in the sample (of 775 SMEs) were textiles, garments, shoes and accessories. Many of the Chinese cases have a very high export share, this might be due to what Cardoza & Fornes (2009) label as the "unusually fragmented" Chinese market, and it has been reported that "access to foreign markets is easier and cheaper than access to most of the country's domestic markets" (Boisot & Meyer, 2008:354, 356).

In addition to being larger the Chinese companies also take longer steps in terms of psychic distance than the Norwegian firms when venturing abroad. One explanation for this might be both that they need to take larger steps in order to catch up. In addition, since Chinese firms often establish themselves in countries where they can reap the benefits of existing networks (Child and Rodrigues, 2005; Zhou et al, 2007), they may find it viable to go to countries far away such as the US, since there exists a large population of Chinese.

What is similar for all cases regardless of nationality, is the prevalence for using low commitment modes (e.g. OEM, direct export and intermediaries). This is not surprising as for most SMEs, FDI is not an option as many of them do not have the resources nor the will for establishing FDIs. They might prefer to use lower-commitment modes for coordinating their activities abroad (Pedersen & Petersen, 1998; Madsen et al, 2000).

An attempt will be made to classify each case into different categories of globals. Their similarities and differences on the four factors within and between groups will be looked into and this comparison might enable us to see how the different factors influence each firm's pace of internationalization.

A summary is made below (see table 2) of the case firms and how they can be described, on the basis of the five different dimensions.

	Optoflow	**Dolphin**	**Fras**	**ICAS**	**Incatel**	**Opera**
Experience	Experienced	Some	Experienced	Some	Very	Very
Relational	Varying	Varying	Very	Varying	Very	Very
Globality	High	Very High	Very high	Low	Medium	Very high
Product	S,U,longPLC	S,U,medPLC	S,U,longPLC	Long PLC	S,U,longPLC	S,U,shortPLC
Pace of Int.	Very fast	Fast	Fast	Slow	Medium	Very fast
	Aroma	**Eral**	**Lisi**	**Shanghai**	**Smal**	**YDH**
Experience	Some	Very	Very	Very	Little	Experienced
Relational	Very	Very	Varying	Very	Varying	Varying
Globality	Medium	High	High	High	Very high	High
Product	med PLC	short PLC	Short PLC	longPLC	Short PLC	Long PLC
Pace of Int.	Medium	Fast	Very fast	Medium	Very fast	Fast

Table 2 Key findings

In order to compactly view the similarities and differences between case firms, the data material, consisting of detailed answers from each interviewee, has been reduced, and each variable has been given relative values on a continuum, which are summarized above. The *experience* continuum has values that vary from *some* experience at the low end, to *experienced*, in the middle, to *very* experienced, at the high end. The network variable has been termed "relational". The term indicates whether the founder or another key employee has a network of importance or not, and reflects his/her relational approach. This variable is a continuum from *not* relational, at the low end, through *varying*, when the firm occasionally uses a relational approach, suggesting placement in the middle of this continuum, to *very* relational, at the high end. An industry's global characteristics are found to vary between low, medium, high and very high, based on the founder's perceptions of the industry in which he/she does business. When characterizing the product, S means that the product is specialized, U means that the product is unique, and the product life cycle is either described as being long, medium or short. The dependent variable, the pace of internationalization, varies on a continuum between slow, medium, fast and very fast. The relative values are assigned based upon the number of countries entered and the export rate measured three years after founding. If we look at the most global firms on both dimensions (eg. Opera and Lisi), we see that they both have very experienced founders in terms of international exposure. This is believed to make them less sceptical to venture abroad, as one founder put it "it is not worse out there than here". This is in line with Johanson and Vahlne's (1977) argument that experienced founders experience less psychic distance and are thus not as risk averse when it comes to choosing which and how many new markets to enter. Lisi and Opera also have products with short product life cycles and this, at least for firms with small home markets, is believed to contribute to increase the firm's pace of internationalization. The shorter the PLC, the shorter the time in which returns on investment in product development can be earned. Thus, especially companies with small domestic markets need global volumes over which these costs can be divided (Alahuhta, 1990). Opera's product is also considered unique and highly specialized, in fact this is the case for all the Norwegian cases except ICAS which turned out not be a born global but a more traditional internationalizing SME. This finding accords well with Knight & Cavusgil's (2004) findings, that the most important strategies employed by born global firms (at least in the Western economies), in their investigation, underscore global technological competence, unique product development, quality focus and leveraging foreign distributor competence. In addition, Bloodgood et al (1996) found that ventures were significantly more internationalized if they were seeking competitive advantage through product differentiation. This also corresponds well with what several of the Norwegian founders answered when asked about competition: "the strongest competitor for our product is old methods" (founder of Opera and Optoflow, 2002). The informant of Opera also stated that "it is very research based what we do and we work towards markets we think will come in the next few years". This is seen as very typical of entrepreneurial minds, that they see the opportunities before others (Stevenson, 1984) and is very much in accordance with the proactiveness dimension of entrepreneurial proclivity (Matsuno et al, 2002), referred to as a forward-looking perspective, the tendency of taking initiative to anticipate rising opportunities in the marketplace (Lumpkin & Dess, 1996). Both of these most global firms belong to an industry which can be considered to have a high degree of globalization. This finding is consistent with the assumption that firms that get established in industries characterized as having a high degree of globalization are either forced to go global fast due to tough competition even in the home market or they are lured out because of the increased accessibility to markets (Madsen et al 2000). With regard to the relationship variable, the findings were inconsistent. The relationship approach was supported for the Norwegian cases, several of the founders (e.g. in Fras, Opera, Incatel and Optoflow) stated that they aimed at securing particular customers. They were not concerned about the markets in particular countries. These firms pursued relationships with suitable customers, wherever they were found to be and they did not pay much attention to international borders. The fact that it was more varying for the Chinese cases might not be so surprising as firms selling to consumer markets are, by contrast, more likely to focus upon market potential at a country level (Andersen & Buvik, 2002).

The firms studied were chosen with the expectation that differences would be found in the pace to internationalize. Finding differences would enable placing these firms in different global categories. According to several studies (Knight, 1997; Knight & Cavusgil, 1996; Harveston, 2000, Madsen, Rasmussen & Servais, 2000; Junkkari, 2000), BGs are defined as SMEs with an export rate of more than 25% within three years of their founding. The authors find this definition to be too broad for the 12 firms in this study. We can imagine, for instance, a Norwegian SME that exports 30% of its products to Sweden and Denmark within three years of its founding. The authors would not categorize such a firm as one that was born global. In other words, one needs to incorporate the type of market (and how many) an SME must be present in before deciding to label it a BG firm. In addition, most of the very international SMEs usually have a far higher percentage of foreign sales than 25% (e.g. Luostarinen & Gabrielsson, 2001). In this study, a born global firm is defined as an SME that exports a minimum of 50% of its products within 3 years of its founding. However, to be defined as a "true born global" (TBG), the SME has to be present in more than one continent simultaneously. To exemplify, a Norwegian SME that exports 80% of its products to European countries would not be termed a TBG or a Chinese SME that export 80% to Japan. The TBG is found in the upper right corner in figure 2, and the firms that gradually become international ones are found in the lower left corner. The upper left corner categorizes BG firms when considering the market dimension (BGM). The lower right corner categorizes BG firms when considering the export dimension (BGE). Note that all case firms in this study would be termed born globals according to earlier definitions used (see above), the strength of this study is thus the nuanced picture that is given of the different types of globals that exist. The definition used here is more precise when it comes to categorizing a firm as a truly born global firm.

The world was divided into several parts with increasing psychic distance from the home market (in this case Norway and China). This division is in accordance with Junkkari (2000:160), who classifies areas from hot (business transactions are close-by, in terms of distance) to cold (far away).

Based on the description of the firms' degree of internationalization in table 2, it is found that one firm qualify to be classified as gradual international (e.g. ICAS). One firm qualify to be classified as born global on the market dimension (e.g. Fras). Six firms qualify to be classified as born global on the export dimension (e.g. Aroma, Dolphin, Eral, Incatel, Shanghai and YDH) and finally four firms were found to qualify to be classified as true born globals (e.g. Lisi, Opera, Optoflow and Smal).

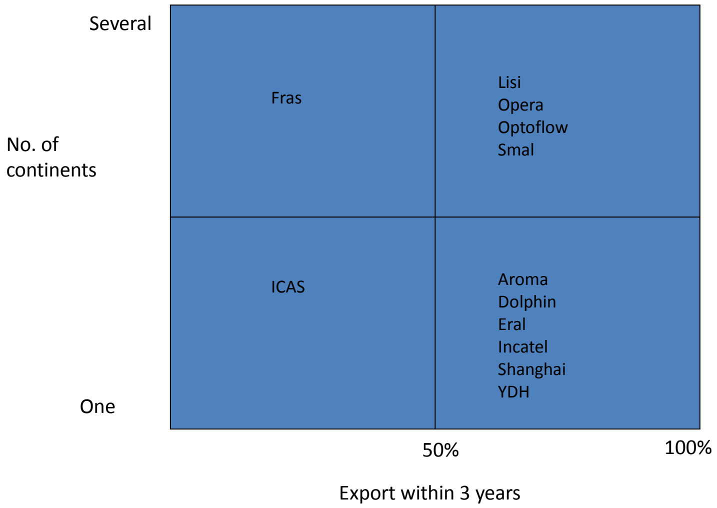

Figure 2: Different categories of globals

Discussion

Firms in emergent economies (e.g. like China) are believed to be more likely to use Guanxi at start-up, than firms from more developed economies (e.g. like Norway). But, theories on born globals state that BGs make more use of networks than traditional SMEs (it is even seen as a precondition for the existence of BGs) (see f.i. Reuber & Fischer, 1997; Knight & Cavusgil, 1996; Burgel & Murray, 2000; Chetty & Campbell-Hunt, 2004;), i.e. Western BGs might be more similar to Chinese SMEs than traditional Western SMEs (at least in terms of making use of networks in their international growth). The use of networks and the central element of trust, is seen as relatively new in the Western world. Traditional (e.g. Western) theories have focused on the importance of internalizing activities to protect oneself against opportunism. In the Eastern world the traditional way of doing business is to make extensive use of networks, and trust between the business partners is seen as vital to establish, before any business transactions can take place. We can from this deduct that the theories which focuses on opportunism and how to protect the firm against it, might not be very valid for Chinese firms, while the theories that focus on networks and learning can be seen as more valid to explain the internationalization process of Chinese SMEs. Both Norwegian and Chinese internationalizing SMEs are in a hurry to take advantage of short windows of opportunity. The Norwegian BGs because they belong to dynamic industries characterized by a high degree of globalization and the internationalizing Chinese SMEs, both because they belong to global industries, but also because they are lagging behind due to years of isolation and have to go fast to catch up with the rest of the globalizing community. The Chinese BGs have different characteristics than the Western BGs, the latter typically being small (less than 100 employees), high-tech and niche-oriented, while the Chinese BGs are more likely larger, use high tech in production (rather than it being a component of the product) and are prone to aim for large/broad markets. Another difference is that typically born globals have no domestic market or only a small one for their product, due to their focus on narrow niches, and this is seen as a major motivator for internationalizing early on, this does not seem to be the case for Chinese born globals. The Chinese firms have a large domestic market in general, no exception for the products of the born globals since these are not characterized as being niche focused. Despite these differences the founders of the cases seem to become global fast for the same reasons, to take advantage of a market opportunity. This is in accordance with the entrepreneurial proclivity argument that entrepreneurial behavior provides international firms with dynamic capabilities to engage in cross-border activities and trade (Toyne, 1989). Such behavior is viewed to promote a greater level of information scanning activities and it fosters an increased knowledge base and responsiveness related to the external market environment (Matsuno et al, 2002). The relationship aspect which is seen as crucial for rapid and profitable internationalization (see f.i. Zhou et al, 2007) is not seen as vital for these cases. The main explanatory factors may thus be that the founder is proactive, innovative and risk-taking and also that the firms in question are entering a market characterized by high degree of globality, where the founders need to act fast before the window of opportunity closes.

It can be assumed that due to the radical change of economic regime in China when it opened its doors to the world in 1978 (Deng, 2004) and furthermore launched the "go global" strategy in 1999 the changes that are important drivers of the born global phenomenon is compressed into a short time-frame. These changes may thus be more evident in the case of China than in economies in which the advance of globalization has been more gradual. As a consequence of the competition that surface with trade liberalization, we can assume that many firms consider exporting an easier option than continuing in the intensely competitive domestic market, similarly to what was observed in New Zealand after 1984 when their economy was deregulated (Chetty, 1999). The firms are then believed to be forced to accelerate their internationalization process to survive in an economic environment that is dramatically opened to the world (Chetty and Campbell-Hunt, 2004).

Conclusion

Main findings

We have here chosen to study the internationalization process of fast internationalizing SMEs at the individual level and also described the processes pre-start-up, in line with Autio's (2005) argument. "Given the emphasis on the enabling effect of individual-level (pre-firm) internationalization experience for early and rapid internationalization, a more detailed examination of this issue appears necessary", (Autio, 2005:11). We have also examined fast internationalizing SMEs that have evolved through to the later stages, using multiple case studies in different contexts, the West represented by 6 Norwegian cases and the East represented by 6 Chinese cases. The similarities between the cases were the way they moved on the two dimensions, they all become global rather fast after start-up on both dimensions, but they varied in size, which might be explained by the Chinese firms growing larger, faster than the Norwegian firms. Eral for instance exported for 60 mill USD 3 years after start-up, while the average for the born globals in Rennies (1993) study was 16 mill USD. The reason for the Chinese firms both growing faster, and having larger export share at a faster rate may be explained by the active role played by a resourceful Chinese government in funding the development of the country's SMEs (Cardoza & Fornes, 2009).

Implications

The question remains, do we need a separate theory for Chinese born globals? It seems that the existing theories on born globals might be quite sufficient although the government influence need to be taken more into consideration with regard to Chinese cases. The "relational framework" thus needs to incorporate networking between firms and (government) institutions to a larger extent than at present.

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Appendix 1

Milestones of the Case firms

Dolphin AS – Hardware

Year	*Important events*
1991/92	Dolphin AS was established by 20 previous employees of Norsk Data
1992	Direct export started to the US market
1994	Ownership of Dolphin AS moved abroad to the US i.e. parent company located in the US, but the owners are the same as at the outset.
1996	Buy-up in the US
1997	Dolphin AS established an agent in France
2000	Dolphin AS established an agent in England
2002	Dolphin established and agent in Germany
	Their focus for the future is on the US and the Chinese market

Fras AS – Fluid Sampler

Year	*Important events*
1975	Mr Fjerdingstad (founder of Fras) established a subsidiary of Parker Haneyfin in Norway
1986	Mr Fjerdingstad established a subsidiary of Hägglunds Drive in Norway
1990	The first step for the product was to follow a customer out – namely they followed Norske Skog to France
1991	Mr Fjerdingstad was employed at Veritas as a strategy to prepare a a platform for the product
1996	Fras AS was established by Mr Fjerdingstad
1998	Fras AS established contact with Lloyds of London
1999	Fras AS sold licences to Germany
2000	Fras AS followed Statoil to China
2003	Fras AS is currently looking for new investors
	They do not focus on country markets but on product markets: offshore, ships, process industry and energy production

ICAS AS – Smoke detectors

Year	*Important events*
1989	ICAS AS was established by Mr Olving
1990/91	Legislation required that all homes in Norway have smoke detectors
	ICAS AS started production in Norway

1991	All production moved to the Czech Republic (55 employees) – only marketing and sales in Norway (5 employees)
1993	Established agent in Finland
1997	Started selling to Sweden – considered as the most important market for ICAS AS
2000	Some sporadic sales to Australia
2001	Some sporadic sales to South Africa
2003	Established subsidiary with one employee in England The markets they focus on in the future are Germany and England The entry mode most used is agents or importers

Incatel AS - Software

Year	*Important events*
1959	The founder of Incatel AS, Mr Vedeld made his first computer program
1961	Mr Vedeld started to work for IBM
Early 1980s	There was a pilot (INKA) in what was then called Televerket – the idea was based on the fact that if you could keep track of accounts by using computers it should be possible to keep track of a telephone network as well
1987	A firm called SysScan won a bid from Televerket to deliver a computer solution that should manage the telephone network – the solution was not complete
1989	A new company with former employees from SysSan was established, it was called Amis. It was to complete the product development. IBM had entered the scene and was to supply Amis with the Unix platform on which Televerket had demanded INKA to be developed – IBM Europe agreed to funding the product development in exchange for the marketing rights all over the world
1991	Amis demanded more funding which IBM refused – and it thus went bankrupt. The owners of Amis had put money into the project with intellectual property rights as security without IBM's knowledge – they moved these rights into an American company called Cimage corp.
1992	IBM Europe established a new firm called Corena which was to continue the development Mr Vedeld was employed in Televerket
1993/94	Cimage Corp came up with the best solution – Corena was dissolved Televerket made an agreement to buy the solution of Cimage Corp with IBM Norge as integrator Cimage Corp was closed down in Norway, and Incatel AS was established - it

	is owned by Telenor Venture (40%), IBM Europe (40%), Norpet/Vedeld (10%) and employees (10%)
1997	Incatel AS sold their software to Tele Danmark
1999	Incatel AS sold their software to Czech Telekom (KPN)
2001	Incatel AS sold their software to Belgia Telekom
2002	Incatel AS sold their software to the Swedish telecom, Telia They are currently working on getting a contract with the French and British telecompanies

Opera Software AS - Software

Year	*Important events*
1991	One of the founders, Mr Tezchner started to work for Telenor Research
1994	The Opera browser started out as a Telenor project
1995	Telenor did not wish to pursue this product and Mr. Tezchner and Mr. Ivarsøy founded Opera Software AS – they got permission to keep the research.
1996	The first Opera browser was released on the internet
1998	Embraced emerging market of internet devices
2000	Opera Software AS teamed up with key players in the internet device market: Ericsson, Nokia, Sony, IBM and Psion. Opera Software AS acquires Hern Lab (Sweden)
2001	Opera Software AS became part of Symbian (a strategic alliance of leading handset and mobile computing manufacturers: Ericsson, Motorola, Nokia, Panasonic and Psion) They aim for the cellularphone- and the digital-TV market

Optoflow AS - Cytometer

Year	*Important events*
1993	Mr Gjelsnes established Optoflow AS
1994	Mr Gjelsnes was awarded a Reodor Price for his invention
1995	The product is ready for sale – first sale to Norway
1996/97	A prototype was sold to England – it was an OEM contract
2000	The firm was sold and changed name to BioDetect BioDetect got a distributor in Japan (has waited with that market because far away wrt service) Optoflow has sold to 12 countries: Sweden, Denmark, Germany (distributor)

England (distributor), Belgium, the Netherlands, France (agent),
Italy (agent), Jordan, USA (2 agents), Japan (distributor) and Singapore
The founder prefers agents – he is disappointed with the performance of the distributors