

## **THE INTERNATIONALIZATION OF BORN GLOBAL INTERNET FIRMS**

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### Abstract

This paper analyses the internationalization process of four Born Global Internet firms. These firms follow a different pattern than the stepwise incremental process suggested by the Uppsala school. Although Internet technology is one of the enablers of an accelerated internationalization, the prediction of Internet as a completely borderless market place seems to be illusory. Becoming a global firm in a shorter time frame than what previously has been seen, seems however possible. The challenge then is to develop a theoretical framework concerning both the pace of internationalization and the most appropriate modes entry given the trade off between control and resource constraints. The different schools of incremental internationalization may still apply in that the learning process must be given time to have effect on the organization. The framework suggested by Petersen, Welch and Liesch (2000) may offer interesting avenues for further research. Other aspects of the traditional explanation – in particular that of the gradual geographic expansion – should however be revised. Other factors than psychic distance seem to guide the choice of markets of BGIs.

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## Introduction

Globalization is a reality. Two major drivers towards greater globalization have been the decline in trade barriers and developments in new technology. The decline in trade barriers enable companies to view the world as their market, rather than just looking at their domestic market. Technological changes with advances in communications, transportation technology and most recently the emergence of the Internet and the World Wide Web have rapidly lowered the costs of global communication. Both the decline in trade barriers and the developments in new technology contribute to making competition more international and increasing the amount of cross-border trade (Hill 2000).

The advent of Internet and the ensuing “new economy” has opened up a plethora of new business opportunities - and an “inevitable” number of business casualties. Shapiro and Varian (1999) argue that while technology changes - economic laws do not. Internet firms with non-profitable business models have been forced to shut-down. According to webmergers.com a total of 135 companies in the US had shut down by December 2000, on the other hand these were out of an estimated 7,000 to 10,000 private or public Internet firms (Businessweek 2000).

Although share prices have fallen and the current value of Internet firms can be said to be closer to their true potential, the Internet will still play an important part in world business. It is important to remember that despite overvaluation, Internet companies have made a strong impact and probably will continue to do so into the future. The online retailer Amazon.com has only after 6 years of business grown to have sales of nearly \$ 3 billion. Furthermore both the portal yahoo.com and the auction site ebay.com are reporting profits and growth rates of up to 90% per year. All three companies have expanded internationally and are now among the world’s best-known brands (The Economist 2001b).

Given the growing importance of both international trade and the Internet, this paper will discuss the emergence of born global Internet companies. A born global Internet firm is a company that can be said to fulfill three distinct characteristics. (1) The firm takes advantage of Internet technology to develop new and innovating products and/or services, (2) the firm conducts a major part of its core business functions online and finally (3) the firm is international already from inception.

More specifically, this research will investigate how these firms internationalize and in what way the utilization of the Internet enables these firms accelerated internationalization. There is little research in this field of investigation and the research questions below are therefore exploratory in nature.

1. What are the motivations of born global Internet firms to expand internationally?
2. How are new international markets selected?
3. How do born global Internet firms enter new markets?
4. How has the Internet been used in the internationalization of these firms?

The research questions enter into the core of internationalization and international business theories. Internationalization can according to Melin (1992) be perceived as a part of the ongoing strategy process of most firms. The main difference between internationalization and other types of strategy processes (or growth strategies) can be found in two dimensions. First the company transfers products, services and resources across borders. This implies that the company has to select in which country or countries the transaction should be performed. The second dimension refers to the choice of how to enter foreign markets (Andersen 1997). These two dimensions, international market selection and choice of entry mode, represent the key strategic decisions in a company's internationalization (Bradley 1995). Concerning the latter, six general modes of entry will be described. These include exporting, turn key projects, licensing, franchising, joint ventures and the establishment of a wholly owned subsidiary. As table 1 describes, these entry modes have been divided into the categories with or without investment by the focal company.

This article is structured as follows: first we will give a brief outline of this theoretical platform, and supplement it with relevant concepts of Internet marketing. Then a short

	Without investment	With investments
<b>Entry mode</b>	<ul style="list-style-type: none"> <li>▪ Exporting                             <ul style="list-style-type: none"> <li>- Direct exporting</li> <li>- Agent</li> <li>- Distributor</li> <li>- Retail chain</li> </ul> </li> <li>▪ Licensing</li> <li>▪ Franchising</li> <li>▪ Turnkey projects and management contracts</li> </ul>	<ul style="list-style-type: none"> <li>▪ Subsidiaries and divisions                             <ul style="list-style-type: none"> <li>- Sales subsidiary</li> <li>- Branch/division</li> <li>- Production plant</li> </ul> </li> <li>▪ Joint ventures</li> </ul>

Table 1. Classification of entry modes (based on Loustarinen 1980 and Hill 2000)

## Literature review

### *Literature on internationalization*

Internationalization is defined by Welch and Luostarinen (1988) as being the process of increasing involvement in international operations. Whereas the internationalization process theory then discusses the increasing commitment, the diversity of the firm's international involvement and the learning process going on inside the company – in terms of both market knowledge and of the process itself (Johanson and Wiedersheim-Paul 1975, Johanson and Vahlne 1977 and 1990, Bilkey and Tesar 1979), the economic approach focuses on the entry mode decision as such (Buckley and Casson 1976 and 1985, Anderson 1986, Dunning 1977 and 1988). One important aspect is here the pace of this process. One built-in precondition for the internationalization process to take place in a successful way is that the organization should have time to digest the increasing market knowledge and to allocate resources. For instance, Newbold, Buckley and Thurwell (1978) suggest, based on a study of 42 British exporters, that firms embarking on a step-by-step approach fare better than those “jumping” directly on to direct foreign investments as their first step in international markets.

The challenge for born global companies in general is then the lack of the *gradual* incorporation of the knowledge and commitment that is “prescribed” by the incremental school of internationalization. The rapid pace of international involvement of these companies makes them particularly vulnerable to resource constraints – both financial and managerial, and to faulty decisions on fundamental aspects of firm strategy based on derisory

or inadequate knowledge and experience. Yet, a growing number of companies are international already from inception. These companies often raise capital, manufacture and sell products on several continents, particularly in advanced technology industries where many established competitors are already global. Increased attention has been given to this phenomenon that has been named both international new ventures (Oviatt and McDougall 1994, 1997) and born globals (Knight and Cavusgil 1996). Oviatt and McDougall (1994: 24) define the phenomenon as a business organization that, from inception, seeks to derive significant competitive advantage from the use of resources and the sale of outputs in multiple countries.

According to Oviatt and McDougall (1994) the changing environment is responsible for the increased number of companies that are international oriented already at start up. The changing economic, technological and social conditions in recent years are supposed to have reduced large established companies competitive advantage in international communication and trade. The changes are related to increases in speed, quality and efficiency of international communication and transportation that have reduced the transaction costs of doing business internationally. In addition to increased homogenization of markets that have made it easier to conduct international business (Porter 1990). The results are according to Oviatt and McDougall (1994) that more and more business executives are exposed to international trade, that international financing opportunities are more available and that the human capital becomes more mobile.

Oviatt and McDougall agree with the view of Barney (1991) and Hamel and Prahalad (1990) and state that sustainable advantage is dependent on the possession of unique assets. According to Oviatt and McDougall (1994) valuable unique assets should permit companies with scarce resources to enter international markets. A shorter internationalization process should also be possible based on the homogenization of markets and the developments in technology related to communication and transportation. This means that companies may skip stages of international development or that internationalization may not occur in stages at all (Oviatt and McDougall 1994).

Knight and Cavusgil (1996) mention six factors that have contributed to the rise of born global companies. The first factor is related to the importance of niche markets that have followed the growing demand of specialized and customized products. A second important

trend is the recent advances in process technology that have made small scale production economically viable. Knight and Cavusgil (1996) further mention the recent advances in communication as a third trend. The fourth factor is related to small companies advantage of quicker response time, flexibility and adaptability. This means that small companies may be more flexible and quicker to adapt to foreign tastes and international standards. A fifth factor concerns that knowledge, technology, tools, facilitating institutions and so forth are becoming more accessible for all companies. Finally, the last factor relates to the trend of global networks and the importance of partnerships that facilitate international commerce. By building long term alliances with foreign partners inexperienced managers may improve their chances for success.

This last point leads us to discuss the role of networks. According to the network approach (Johanson and Mattson 1988) internationalization is seen as a process in which relationships are continuously established, developed, maintained and dissolved with the aim of achieving the objectives of the company. Relationships are developed through interaction in which the parties build mutual trust and knowledge. These relationships are connected by networks that consist of several companies including customers, customers' customers, competitors, supplementary suppliers, suppliers, distributors, agents, and consultants as well as regulatory and other public agencies (Johanson and Vahlne 1990).

It is assumed that without a good network in international markets the company will have problems with future growth. According to Johansson and Mattson (1988) the internationalization of the company begins with the company being initially engaged in a network that is primarily domestic. The company then internationalizes by developing relationships in networks in other countries. The main purpose of these networks – particularly for born globals - is related to reducing the uncertainty in the beginning of the cooperation with new partners (Solberg 1999).

The network approach can according to Johanson and Vahlne be seen as an extension of the internationalization process. They state that an extension to take into account the network perspective should make the concepts “commitment, knowledge, current activities and commitment decisions” as multilateral rather than unilateral as in the original model. This means that the process is also interorganizational and not just intraorganizational (Johanson and Vahlne 1990: 19).

The importance of company and personal relationships varies related to different industries and countries. It is indicated by Johanson and Vahlne (1990) that networks are especially important in turbulent, high technology industries. A study by Lindqvist (1988) of the internationalization process of small high tech companies shows that some do not follow the traditional internationalization pattern, but go directly to more distant markets and more rapidly set up their own subsidiaries. One reason for this seems to be that the entrepreneurs behind these companies have international networks of colleagues dealing with the new technology.

*Literature on Internet enabled internationalization*

Internet's applications include both being a vehicle that enables more efficient processes of conducting international business and a tool for promotion, information and communication (Hamill and Gregory 1997, Samiee 1998). Samiee (1998) argues that the use of the Internet may enable business processes that traditionally have been performed manually to be automated. Bidding, purchasing, inventory management, and order/shipment tracking are examples of processes that have the potential of being automated through the Internet in an international setting. The Internet can also be deployed as a vehicle for revenue enhancement, for example, direct sales, promotion, and as a communications tool (Samiee 1998). Putting up a website can according to Hamill and Gregory (1997) provide an attractive, low-cost method of sales promotion and advertisement to global customers, including brand name recognition, public relations, press releases, corporate sponsorship, direct sales, customer support and technical assistance.

According to Quelch and Klein (1996) the internet will revolutionize the dynamics of international commerce and in particular lead to more rapid internationalization of small companies. Several factors point in that direction. In particular, they expect the competitive advantage of scale economies to be reduced as a consequence of the Internet, making it easier for small companies to compete internationally. Global advertising costs, as a barrier to entry, are also expected to be reduced given the global customer reach at a lower cost of the Internet. Furthermore, companies offering specialized niche products will be able to find the critical mass of customers necessary to succeed through the worldwide reach of the Internet.

Other implications that are mentioned by Quelch and Klein (1997) include the standardization of prices or at least the narrowing of price differentials across borders as customers become more aware of prices in different countries. Furthermore the importance of traditional intermediaries like agents and distributors is expected to be reduced. Quelch and Klein (1996) argue that in order to maintain their critical role and extract value, these companies will need to begin offering a new range of services. The Intermediaries value added may no longer be in the physical distribution of the goods, but in the collection, collation, interpretation and dissemination of vast amounts of information making the critical resource for these companies information not inventory. The Internet will also become a powerful tool for supporting networks both internal and external. Furthermore it is an efficient new medium for conducting worldwide market research and gaining feedback from customers, establishing on-line consumer panels and tracking individual customer behavior. Overall Quelch and Klein (1996) argue that low cost communications over the Internet will permit firms with limited capital to become global marketers at an early stage in their development.

Samiee (1998) is somewhat more reserved on the opportunities offered by the Internet, stating that firms that have not been exporters cannot expect to become exporters overnight by virtue of developing and maintaining a website. He argues that developing an export-specific infrastructure is fairly involved and costly, and that international marketing involves a wide range of considerations including meeting local product standards, target market pricing and competitive factors, legal and regulatory considerations etc. Furthermore he argues that a sustainable competitive advantage cannot be solely derived from access to the Internet or the development of a website. As an increasing number of firms acquire the necessary skills and technology to connect to the Internet, competitive advantage is acquired through the skillful and proprietary ways in which the technology is deployed (Samiee 1998).

In a recent paper, Petersen, Welch and Liesch (2000) discuss three general different prediction regarding the effect of the Internet and electronic business on the internationalization of firms. The first prediction is that the effect of the Internet on firms, foreign market expansion will be very modest based on that an important limiting factor in the internationalization process, the accumulation of experiential knowledge, remains largely unaffected by the Internet. In contrast the second prediction is of faster foreign market expansion as a result of the “borderless marketplace” induced by the Internet. The third prediction maintains that Internet will prompt firms to undertake faster international expansion than has been seen until now.

However, attempts to penetrate foreign markets more thoroughly will reveal the “borderless marketplace to be illusory. The result being that a gradual contraction emerges as geographically diversified firms experience the serious cost disadvantage of foreignness in certain markets. Petersen, Welch and Liesch (2000) maintain that both different industries and different firms operating in the same product area may be affected in different ways and follow different predictions, indicating the complexity of Internet’s effect on the internationalization process of firms.

Donovan and Rosson (2001) investigate the internationalization process of six Canadian firms using Internet in their international marketing. They conclude that “‘Access’ does not equate ‘reach’ and the experience of Nova Scotia companies confirms that global Internet commerce is not realistic for SMEs at this time. Opening a web site does not automatically open the door to the world. Bringing people to the site and then encouraging them to buy requires great effort and this has not been sufficiently attractive for the sample companies to pursue.... Yet even with these companies, personal sales efforts are still required to offset the geography. The potential of global Internet commerce is there, yet the practical realities will take some time to realize ” (p. 11).

Devinney, Coltman and Midgely (2000) review previous predictions made regarding the effect of Internet’s impact and the current state of reality. They argue that the predictions regarding disintermediation, less importance of scale and the lowering of prices have not been currently fulfilled. Also they question the importance of first mover advantage and small-scale operations. Concerning this latter, they maintain that – on the contrary – large scale internet based operations are more attractive to its users. Markets for portal companies (Yahoo.com), hardware (Intel), and software (Microsoft) all provide examples of companies deriving increased value from wider reach. Although there is a difference of opinion between researchers regarding the predictions of the Internet’s influence on markets in general (Quelch and Klein 1996, Devinney, Coltman and Midgely 2000), the Internet does provide several applications that support small firm internationalization (Quelch and Klein 1996, Hamill and Gregory 1997, Samiee 1998). However, the effect on the *pace* of internationalization is disputed (Petersen, Welch and Liesch 2000).

## Model and propositions

In this section a research model and propositions are presented. The model and propositions are primarily derived from the theories presented in the literature review.

### *Research model*

It is expected that Born Global Internet firms show many of the same characteristics as born global firms and international new ventures. Traditional theories regarding the need for experiential knowledge are expected to apply for born global Internet firms as well as for traditional firms. It is however believed that Born Global Internet firms gain this needed knowledge by other means than traditional companies. The factors that enable the born global companies their accelerated internationalization is shown in the research model.

The Internet has been described as a “borderless market place”, but although it has a global reach, international marketing on the internet still involves a wide range of considerations such as cultural, currency and legal issues. A website on the Internet may produce sporadic orders from around the world, but according to Samiee (1998) in order to receive and handle a growing amount of international orders, a high commitment to international markets and a export specific infrastructure is needed. It’s believed that the Internet has distinct advantages related to it’s capabilities of low cost instant communication, more cost efficient business processes, easy accessible market intelligence and low cost marketing and promotion (Quelch and Klein 1996), (Hamel and Gregory 1997), (Samiee 1998). It is believed that when these applications and commitment to a internet infrastructure is combined with a high degree of commitment to foreign markets, the Internet may enable firms accelerated internationalization as indicated by the research model.

The role of the entrepreneur was pointed out during the review of theories of born globals and international new ventures. It is expected that the entrepreneur has aggressive growth goals, previous international experience and a network of connections in the industry. As the research model indicates and based on the work of Oviatt and McDougall (1994, 1997), Knight and Cavusgil (1996) it is believed that the entrepreneur is one of the factors that enable these companies their accelerated internationalization.

The firm's international network is expected to consist of different companies with complementary capabilities (i.e. local knowledge). It is believed that the firm cooperates with partners (i.e. Strategic Alliances, Joint Ventures) and thereby gain knowledge and competencies especially important in relation to entry into international markets. As the model shows, based on the work of Johanson and Mattson (1988), Blankenburg (1992), Blankenburg and Johanson (1992), the firm's network is expected to provide an additional factor that influence the firm's international expansion and enable accelerated internationalization.

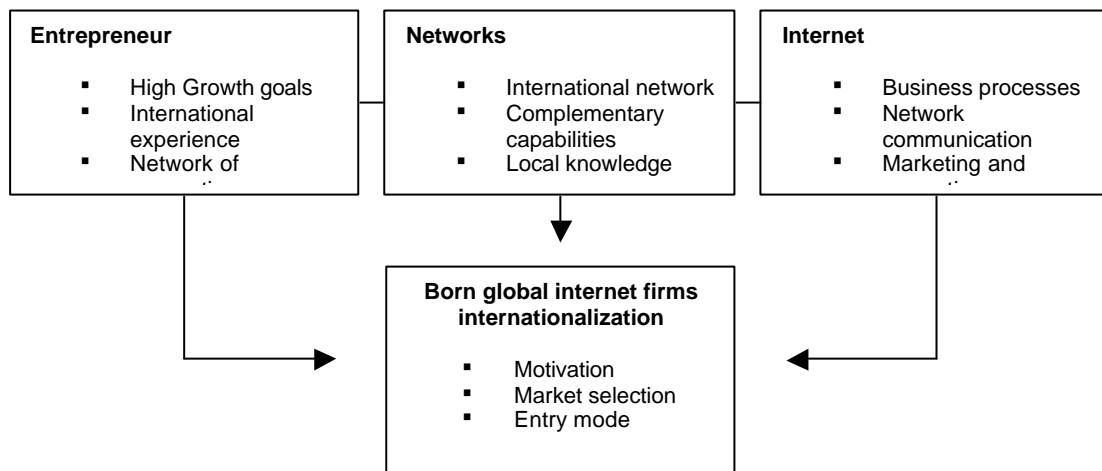


Figure 5: Research model for Born global Internet firms internationalization

The model also includes a connection between the entrepreneur, the Internet and the firm's network. It is believed that these factors influence each other i.e. the use of the Internet in network communication and the entrepreneur's previous network of connections.

### *Propositions*

Five propositions are advanced in order to cast light on the issues raised in this paper. They concern the motivation, the motivation, the market selection, the entry mode, the use of internet, and finally the performance of born global internet firms.

### Motivation

Oviatt and McDougall (1994, 1997) argue that the entrepreneur's previous experience is very influential in the development of international new ventures. They propose that the past international experience and present competencies of the entrepreneur enable them to avoid domestic path dependencies. Madsen and Servais (1996) suggest that a founders with

international experience may not see national borders as an obstacle, but rather see international markets as open and accessible. These indications from research form the basis for the first proposition regarding why Born Global Internet firms internationalize.

*Proposition 1a: Born Global Internet firms have low barriers to internationalize based on the fact that they are founded by internationally experienced entrepreneur(s).*

According to Knight and Cavusgil (1996) Born Global firms have aggressive growth goals. This is exemplified by their early commitment to selling in international markets. In addition, Born Global firms do according to Madsen and Servais (1997) have specialized products or services and serve niche markets. It is suggested that these characteristics also influence the internationalization of Born Global Internet firms. In a small country like Norway the domestic market may be too small in order to acquire satisfactory return on investment. The following proposition is developed based on this:

*Proposition 1b: Born Global Internet firms have aggressive growth goals and are motivated to internationalize in order to receive greater returns on their unique product/service (i.e. Small domestic market).*

### Market selection

The Uppsala model indicated that firms followed a pattern of gradually entering markets with successively greater psychic distance. Psychic distance is related to factors such as the difference in language, culture, political systems, level of education, or level of industrial development. (Johansson and Vahlne 1977,1990). Companies doing business internationally on the Internet are according to Samiee (1998) dependent on the absence of structural constraints. These constraints are similar to the idea of psychic distance and regard computer literacy, access, ownership of PCs, data flow and related regulations, language, and culture. According to Levitt (1983), Porter (1986) and Nordstöm (1990) however, the world has become much more homogenous in recent years. Nordstöm (1990) believes that companies may be willing to enter directly into large volume markets. Based on these arguments the following proposition is developed.

*Proposition 2a. Born Global Internet firms select markets based on opportunities/prospects (i.e. market volume and growth) rather than psychic distance.*

According to Bodur and Madsen (1993) firms may be pulled into markets by participants in their network. This might make them enter countries that are quite distant markets in terms of geography and culture. Reve et. al (1995) mention several strategies for internationalizing, which are influenced by the firms network. One strategy involves companies establishing foreign operations in order to be closer to where their already existing customers are located. It is expected that firms' networks influence the internationalization pattern of Born Global Internet firms and the following proposition is based on this.

*Proposition 2b. Born Global Internet Firms selection of markets is influenced by network relations (i.e. client followership).*

#### Entry mode

According to network theories, firms can gain capabilities and knowledge through their networks (Johanson and Mattson 1988, Blankenburg 1992, Blankenburg and Johanson 1992). It is believed that by cooperating in the entry into foreign markets local knowledge can be obtained. Based on the fact that Born Global firms have an accelerated internationalization and limited financial resources available (Oviatt and McDougall 1994, 1997) the following is proposed:

*Proposition 3a. Born Global Internet firms have limited resources and are more likely to choose collaborative modes of entry (i.e. strategic alliances, joint Ventures,) that give access to local knowledge, rather than modes that enable full control (i.e. wholly owned subsidiary).*

Alternatively Dunning's eclectic paradigm (Dunning 1977, 1993), which builds on theory of internalization, argue that firms wish to have control over the exploitation of their competitive advantages and thereby choose a hierarchical mode of operation over an external mode. This is particularly true in firms supplying service products where the control of the service offering is essential to secure the service quality. It is expected that, based on the fact that Born Global Internet companies have unique products/services, they prefer to have a high degree of control over their resources. The following proposes this view:

*Proposition 3b. Born Global Internet firms are more likely to choose modes of entry that enable a high level of control such as direct exporting or entry modes that involve equity*

*investment (i.e. joint ventures, wholly owned subsidiary) that reduce the risk of knowledge appropriation regarding their unique product/service.*

### Internet

Hamill and Gregory (1997) mention three main applications for the Internet in the internationalization of firms. These include using the Internet for network communications, market intelligence and sales promotion. Samiee (1998) adds that the Internet can be a vehicle that enable automation and thereby more efficient processes for conducting international business. He argues that bidding, purchasing, inventory management, and order/shipment are examples of processes that have the potential of being automated through the Internet. Based on this, two propositions are developed regarding born global Internet firms use of the Internet in their internationalization:

#### *Proposition 4a:*

*Born global Internet firms are more likely to use the Internet for market intelligence, sales promotion and network communications rather than other more conventional media.*

#### *Proposition 4b:*

*Born global Internet firms use the Internet to automate business processes (i.e. bidding, purchasing, inventory management, and order/shipment tracking) in order to conduct international business more efficiently.*

### Performance

Born Globals often operate in markets where the growth rate is so high that if the firms do not take part in this growth in international markets, they might later be outperformed in their own home market (Solberg 1999). An accelerated internationalization can be seen as a necessity and successful firms seem to have the ability of leapfrogging the initial and difficult phases of associated with traditional internationalization. The three main characteristics believed to enable these firm their accelerated internationalization are having strong abilities in collaborating, taking advantage of new communication technology and being founded of internationally experienced entrepreneurs.

Although new communication technology, such as doing business over the Internet, can be said to simplify internationalization it does have its limitations. Petersen, Welch and Liesch

(2000) argue that companies selling globally over the Internet are faced with major challenges if they are to penetrate markets beyond getting occasional unsolicited orders. In order to penetrate markets it is according to Petersen, Welch and Liesch (2000) required to have some form of physical presence. It's believed that the need for a physical presence of some kind applies for Born Global Internet firms as well, in order for these firms to become successful. There are however several ways of achieving a presence as indicated by the different entry modes reviewed in the literature review.

As the propositions regarding entry modes indicate there are two general opposing views on the choice of entry mode. Dunning with the eclectic paradigm may be named a spokesperson for gaining control through establishing wholly owned sales subsidiaries. It is believed that by setting up a wholly owned subsidiary in each country a high turnover can be acquired. The following proposition is base on this:

*Proposition 5a. Born Global Internet firms, which mainly use sales subsidiaries as entry modes in their internationalization, are likely to achieve a higher revenue growth than firms that mainly use cooperative modes of entry.*

The internalization of international operations is however costly and should be compared with finding and maintaining an external relationship to perform the same functions in the international market. Mattson and Johansson (1988) and the network theories describe collaboration as a mode of entry. It is believed that Born Global Internet firms may gain access to market through collaborating with partners and thereby avoid excessive investments. This may enable higher operational results. Based on this the following is proposed:

*Proposition 5b. Born Global Internet firms, which mainly use cooperative modes of entry in their internationalization, are likely to achieve higher operational results than firms that mainly use sales subsidiaries as entry mode.*

### Methodology

In order to explore the propositions advanced in this study, we have analyzed four Norwegian Internet based Born Global companies, using both secondary data and in-depth interviews. Table 1 gives an overview of the firms included in the study.

	<b>Founded</b>	<b>International sales</b>	<b>Number of employees<sup>1</sup></b>	<b>Sales in 2000</b>	<b>Activities</b>
<b>ActiveISP</b>	1998	88%	200	NOK 79 mill	Internet service provider
<b>StepStone</b>	1996	70% <sup>2</sup>	1000	NOK 420 mill	Career&recruitment portal
<b>Opera Software</b>	1995	98%	110	NOK 27 mill	Web browser
<b>FIRM</b>	1996	80%	85	NOK 25 mill	On-line market analysis appl.

<sup>1</sup> Employees in June 2001

<sup>2</sup> StepStone's international sales outside Scandinavia

Table 1. Case company overview – general characteristics

These firms were contacted by telephone and asked if they wanted to participate in the case study. The respondents in the interviews were all decision makers that had insight into the different firms' internationalization. The interview was carried out at the focal firms' corporate headquarters with the respondents and the interviewer as the only participants. The interviews were, with the acceptance of the interviewed, recorded on a tape in order to limit note taking and to try to avoid misinterpretation based on low recollection by the interviewer.

After the interviews transcripts were written down based on the recordings. The interview summaries were sent back to the respondents for control and acceptance. After the interviews the firms also provided other documentary evidence including financial reports, corporate presentations and promotional pamphlets. Follow up questions were asked to respondents in areas where information was missing. After all data was collected a summary and report from each case was written. To ensure the reliability of the data that had been collected, these were sent back to the respondents for control.

In evaluating the propositions it has been focused on replication patterns rather than sample logic as proposed by Yin (1996). Although there are few fixed recipes of how to conduct analysis of case studies, this analysis uses analytical techniques in order to make the data easier to evaluate. By making matrices of categories and placing the evidence within such categories an effort is made to provide a better overview of the results. Cross case pattern matching is then carried out.

## Results

This section gives a brief overview of the main findings and relate these to the propositions advanced.

### Motivation

The first two propositions were related to the company's motivation for expanding internationally.

P1a: entrepreneurs' international background->low barriers to internationalization

The argument that international experience of the entrepreneur would make it easier and more natural for the company to expand internationally did not seem to be the situation for the four case companies. None of the entrepreneurs in this case study had any significant previous experience with operation in international markets. However, the entrepreneurs of StepStone and FIRM stepped down from their CEO positions relatively early in their firms' internationalization and let more internationally experienced management guide their firms to further international expansion. The entrepreneur of ActiveISP has also recently left his position as CEO, but currently no replacement has been appointed. Although Opera Software still has their entrepreneur in the CEO position, they have like the other firms strengthened their management with more internationally experienced personnel. This does however not imply that the entrepreneur's role was unimportant. All entrepreneurs started their companies' international expansion and no one left the position as CEO before they had established the company's first foreign subsidiary. Two of the entrepreneurs including those of ActiveISP and of FIRM had several years of experience in running their own company in a similar industry. Although they had no international experience they did have experience in managing companies. The background of the entrepreneurs seemed to be quite different in the four cases. The orientation of the entrepreneurs varied between being market oriented and technology oriented and no specific pattern is here obvious. Other issues seemed however to be more significant for motivating the expansion as indicated by the table five.

	<b>First int. sale</b>	<b>Int. experienced entrepreneur</b>	<b>Entrepreneur orientation</b>	<b>Main motivating factors</b>
<b>ActiveISP</b>	1999	No	Technology/ Marketing	Economies of scale Small domestic market
<b>StepStone</b>	1997	No	Marketing	Economies of scale Synergy effects
<b>Opera Software</b>	1996	No	Technology	Small domestic market
<b>FIRM</b>	1999	No	Marketing/ technology	First mover advantages Small domestic market

Table 5: Case overview - motivation

P1b: Small home market -> Rapid international sales growth

All firms had their first international sale early in development. For ActiveISP, StepStone and Opera Software this occurred already in their second year of operation. FIRM took some years to develop their product, but had in their fourth year made the first international sale. This aggressive international expansion underlies the second proposition.

This proposition seems to be corroborated in our study. ActiveISP has standardized their services and focused on being scaleable for international operations already from the inception. They wanted to internationalize in order to achieve economies of scale based on that Norway has a limited amount of their customers, which are small to medium sized companies. StepStone saw the potential of becoming large and achieve both scale and synergy effects. Both Opera Software and FIRM needed a larger customer base than Norway could offer them and thereby internationalized at an early stage.

### Market selection

The second pair of propositions was related to the research question about how the firms selected markets.

P2a: Market selection based on market volume/growth rather than psychic distance

Psychic distance is according to Bell (1995) based on an observation that trade is favored between countries of roughly the same level of economic development and which have similar cultures. StepStone was the only firm that mentioned culture as an important factor in

their initial market selection. The other firms seemed to be more focused on the technological level of the company such as number of Internet users.

Stage of internationalization seems to determine market selection in the present study. ActiveISP, Opera Software and FIRM entered early markets that offered potentials of large volume. The first markets that were entered were Germany, the UK and the US. StepStone however, moved gradually to markets with greater geographic and cultural distance. They entered first Scandinavia and then gradually into larger volume markets in Europe. This may be linked to the fact that the internationalization of StepStone was not planned from its inception. After entering the rest of Scandinavia StepStone did enter directly into Germany based on its large volume and technological level. All participants referred to technological level and market volume as important criteria for the selection of market during their internationalization. These factors are closely linked in that technological level, such as high Internet use, is a necessity for offering these firms a large volume of customers.

In addition to culture, technological level and market volume influencing firms' selection of markets, the firms also mentioned other issues. The results regarding market selection are summarized in table six.

	<b>Int. markets entered</b>	<b>First three int. markets entered</b>	<b>Int. market selection criteria</b>
<b>ActiveISP</b>	15	1. Germany 2. France 3. USA	Technological level Market volume and growth Tapping knowledge
<b>StepStone</b>	18	1. Sweden 2. Denmark 3. Germany	Geography and culture Technological level Market volume and growth
<b>Opera Software</b>	N/A <sup>1</sup>	1. USA 2. Germany 3. UK	Unsolicited orders Technological level Market volume and growth Client followership
<b>FIRM</b>	40	1. UK 2. Germany 3. USA	Market volume and growth Technological level Client followership

<sup>1</sup> Opera has users in approx 2/3 of the worlds countries

Table 6: Case overview – market selection

Research regarding Born Globals has also revealed that network relations have influenced firm's selection of markets (Madsen and Bodur 1993, Reve et. al. 1995).

P2b: Network->market selection

Although factors such as market volume and technological level seemed to be the major determinants in the firms' market selection, other factors including network also seem to play a role. FIRM relies partly on their large global network allies such as Accenture and Agency.com to successfully market their products internationally. By offering their software together with the partner's services such as e-commerce solutions the company is introduced into new markets. Opera Software is also introduced to new markets as their software is bundled with Internet devices by international network partners such as Ericsson, IBM, Sony and Psion.

Other interesting criteria for market selection, were also observed. ActiveISP for example, chose to enter the US mainly to tap into the American market for knowledge about the developments that were occurring there. The US office was important for them for among other reasons, to study the emerging ASP market, based on state of the art position of American companies in this field. Unsolicited orders were also in some cases the basis for entering markets. Opera Software and their desktop browser is an example of this. Opera received orders or downloads from parts of around the world including Africa and Asia where they had deployed no marketing effort.

### Entry mode

The third pair of propositions regards the companies' choice of entry mode.

P3a: Limited resources of Born Global Internet firms->collaborative modes  
or alternatively

P3b: Need for control ->integrated modes

These conflicting propositions focus on two major challenges faced by all internationalizing firms, the need for local knowledge and the need for control of foreign operations. The choice of entry mode made by the different firms in this case study varied and each firm followed very individual patterns.

StepStone set up sale subsidiaries in each country that they entered. Investors believed in their business model and provided the firm with the financial resources necessary to expand in this manner. Setting up a sales subsidiary can be done in two ways, either by setting up a new operation or by acquiring an already established firm. StepStone acquired companies in the beginning of their expansion, but as the valuation of Internet firms sky rocketed, they turned to setting up operations themselves.

ActiveISP followed a similar pattern as StepStone and relied mainly on setting up wholly owned sale subsidiaries. Their initial entry mode in each country was however direct exporting, which was made possible by setting up a localized version of their website and making marketing arrangements with local partners. Although the company used direct exporting as an initial entry mode, this was only used for a few months before the sale subsidiary was up and running. In addition to having a sale subsidiary in each country, ActiveISP also relies on web designers and system integrators as local non-exclusive sales agents. This has given the company access to local knowledge, but also control over the end-customers by retaining the billing relationship. Using mainly sales subsidiaries as entry modes have included major investments. The company has recently announced that they are closing down five of their offices to revert back to direct exporting and their sales agents in some countries in order to reduce costs.

Opera Software has used the widest variety of entry modes of the participants in this case study. Until recently the firm did not have any significant marketing budget and relied mainly on word of mouth. The sale of their desktop browser has been distributed mainly by direct export via their own web page. After making their browser free, they have also been exporting the product by distribution on CD's that follow magazines and through a limited number of resellers. Their internationalization with regards to their browser for Internet devices has followed a different strategy. The company has focused on collaborating with large international partners for distribution through bundling. By doing this Opera has managed to license their software to companies such as Ericsson, IBM, Sony, Psion and the strategic alliance Symbian. The company has also established two subsidiaries. A sales and marketing subsidiary has been established in the United States and a research and development subsidiary was established in Sweden through an acquisition. Both these subsidiaries are according to Opera Software important with regards to the emerging market of mobile devices and were both established or formalized in the year 2000.

FIRM had early a strategy to get some of the largest companies in Europe and the world as their clients. Their first entry mode was to export directly. Later they have set up sales and marketing subsidiaries in the UK, the US and in Sweden in order to be closer to where their customers are. The company uses also a large amount of partners which here has been classified as strategic alliances. In addition to selling their product through direct export and subsidiaries, large international partners such as Agency.com and Accenture provide Conformat as part of their services and have introduced FIRM into new markets. Currently the company's product and services are used in 40 countries around the world.

	Int. markets entered	Int. subsidiaries	Entry modes used
<b>ActiveISP</b>	15	10 <sup>1</sup>	Direct exporting Sales subsidiaries Local sales agents <sup>3</sup>
<b>StepStone</b>	18	18	Sales subsidiaries
<b>Opera Software</b>	N/A <sup>2</sup>	2	Direct exporting Licensing <sup>3</sup> Distributors <sup>3</sup> Sale subsidiary R&D subsidiary
<b>FIRM</b>	40	3	Direct exporting Sales subsidiaries Strategic alliances <sup>3</sup>

<sup>1</sup> ActiveISP subsidiaries after announced cost reduction in 2001

<sup>2</sup> Opera has users in approx 2/3 of the worlds countries

<sup>3</sup> Non-exclusive arrangements

Table 7: Case overview - entry modes

The use of entry modes was quite different for each firm as indicated by table 7. While some rely heavily on having full control via mainly setting up subsidiaries others use mainly cooperative modes in order to get access to local knowledge. All companies hired local personnel when setting up subsidiaries. Although the choice of entry modes seems to be very individual, some patterns appear: the firms that used cooperative arrangements seem to select arrangements that were non-exclusive only. By doing this, the firms retained their flexibility. Another pattern is that, compared to traditional expansion, these firms have set up international sales subsidiaries at a much more rapid pace. It can be questioned whether the recent international contraction made by ActiveISP and the reduction of the international staff

made by StepStone is related to the high cost of having full control via subsidiaries. This is much in line with the propositions advanced by Petersen, Welch and Liesch (2000).

### Internet

New communication technologies have been named as one of the factors that have contributed to the rise of Born Global firms. The first proposition reflects this.

P4a: Internet applications support accelerated internationalization

The way the case companies use Internet in their internationalization varies from company to the other. It is evident that the firms knew that this new technology offered some advantages. Finding and acquiring market intelligence on the Internet was one of the applications all firms use. They also carry out online searches and investigations, although at varying degrees. ActiveISP uses the Internet in order to study international markets with regards to competitors, price levels and so on. StepStone uses the Internet in evaluating potential takeovers in international markets that they have been considering to enter. After entering countries this medium also enabled them to measure customer behavior and user preferences in different countries. Although Internet provided these companies with an important low cost and easy access channel for market intelligence, they still used additional secondary sources.

Sales promotion is another application in use. StepStone uses online advertising with banner ads and buttons on popular websites in order to both internationally build their brand name and to direct traffic to their site. ActiveISP has used affiliate marketing across Europe with a network from the company tradedoubler.com. Affiliate marketing involves an affiliate website giving free advertising space in exchange for parts of an advertiser's revenue when sales are made. According to ActiveISP the company has at the present 15 000 affiliate websites across Europe linking to their web pages. FIRM uses their web page for promotional reasons and tries to direct potential customers to their site for online demonstrations of their services. Opera Software has used their website as their main tool in marketing their desktop browser and believe that this has made it possible for them to reach globally.

The companies also use the Internet as a low cost approach to communicate with their network. Opera Software has from the beginning tried to build a strong community surrounding their product by exchanging ideas with their customers. Currently they have 38

different online discussion and news groups divided into categories such as language and operating systems. Users can thereby interact and post ideas, suggestions or get answers to questions. In addition the company also has five different e-mail newsletters. By subscribing to these, the subscriber can be kept updated on current issues regarding the Opera browser. StepStone uses also e-mail to communicate with their customers and offer newsletters with carrier advice and personal notices when specific jobs are available. The Internet is the main communication channel for ActiveISP. The company provides everything from product information to customer support by e-mail. FIRM has in addition to using email also developed an extranet, a protected area of the Internet, where their customers can communicate and exchange ideas. This gives all their international customers the possibility of interacting and provides the company with important feedback. All results regarding the four firms use of the Internet is summarized in table eight.

	<b>Market Intelligence</b>	<b>Network communication</b>	<b>Global sales promotion</b>	<b>Automation of business processes</b>
<b>ActiveISP</b>	Yes	Yes	Yes	Customer support Ordering Payment Distribution
<b>StepStone</b>	Yes	Yes	Yes	Customer support Distribution
<b>Opera Software</b>	Yes	Yes	Yes	Customer support Ordering Payment Distribution
<b>FIRM</b>	Yes	Yes	Yes	Customer support Distribution

Table 8: Case overview – Use of Internet technologies

In addition to market intelligence, network communication and promotion, Samiee (1998) argues that the Internet also provide firms with the opportunity of automating business processes.

P4b: Born Global Internet firms use Internet to automate business processes.

Customer support is one important area that the firms use the Internet to automate business processes. All firms used their web pages to provide question and answer pages regarding their products and services. ActiveISP developed their own site dedicated at providing a range

of tutorials and answers to potential problems that customers might face. FIRM has, as previously mentioned, developed an extranet for their customers that include a variety of step-by-step guides, template guides and an overview over frequently asked questions. Although all firms rely on Internet for customer support and thereby reduce the need for a large customer support staff, they still rely on traditional support as well. ActiveISP and Opera Software also enable purchasing of some of their products and services through their websites. Both firms enable ordering, payment and distribution through the Internet. ActiveISP wanted to be scalable internationally and has developed their technology accordingly.

It appears that if these firms had performed all these processes manually they would need a larger staff in order to cater to the same amount of customers. The advantage of using Internet technology probably varies between industries. All firms in our study have products and services that can be transferred and distributed over the Internet, thereby being well placed to take advantage of such technologies. For the firms in our study, it is argued that the Internet to some extent can limit the disadvantages of being a small corporation and thereby making their internationalization easier.

### Performance

Different entry modes have different advantages and disadvantages and should be used based on specific situational factors such as the importance of the market, market objectives etc. The following propositions reflect proposition 3a and b.

P5a: Collaborative entry modes -> higher performance

or alternatively

P5b: Integrated entry modes -> higher performance

Performance may be evaluated by several criteria including attainment of goals, profitability and growth. The present study measures performance of firms in terms of financial results such as operating profit/loss and growth in sales revenue. The companies performance from 1999 and 2000 are summarized in table 9. None of the companies are currently profitable as indicated in the table.

ActiveISP have reached their goal for 2000 of how many countries to enter, but are in 2001 faced with a lower growth in customers than expected. They have on the other hand achieved an incredible growth in revenues of approximately 888% from 1999 to 2000. ActiveISP has mainly used high commitment entry modes and has set up subsidiaries in each of the 15 countries they have entered. Accordingly their loss of operation has grown considerable in this period and reached NOK 170 million in the year 2000. The firm has recently announced a reduction of costs including downsizing of 33 employees and the closing of several subsidiaries. They are on the other hand also continuing their expansion by acquiring companies. They believe that based on synergy advantages, that are derived from combining firms, they may be able to turn cash positive at an earlier time than expected. Currently the company expects to turn cash positive in the second half of 2002.

StepStone has managed to reach the goals they had set for 2000. They have managed to turn cash positive in Scandinavia and to reach their growth goals by entering 18 countries. The company has also reached its goal with regards to becoming the best known brand in online recruitment through out Europe. StepStone's revenue grew as much as 315% from the year 1999 and reached NOK 423 million in the year 2000. Although the company has the highest revenue of the firms in this case study, StepStone has also by far the highest loss of operations. Setting up 18 subsidiaries has been costly and StepStone's loss of operations ended at NOK 1125 million in 2000. In order to target the company's high costs StepStone announced that they would cut back approximately 385 of their 1385 employees in the two first quarters of 2001. There have later been indications that additional cost reductions are necessary and that new capital may be needed before the company turns cash positive. By continuing cost cuts, reducing the staff to 850 employees and consolidating some of their local sales subsidiaries, the company expects to reach breakeven during 2002. StepStone is on the other hand also continuing their expansion and has recently announced a partnership with the New York Times for exchange of vacant positions and potential candidates. By collaborating StepStone gains access to the United States, and the New York Times gains access to Europe, both without making major investments.

	Main entry mode	Revenue 1999	Revenue 2000	Revenue growth	Result 1999 <sup>1</sup>	Result 2000 <sup>1</sup>	Result growth <sup>1</sup>	Expect break even	Employees 1999 <sup>2</sup>	Employees 2000 <sup>2</sup>	Employee growth <sup>2</sup>
<b>ActiveISP</b>	Subsidiary/ local agents	8	79	888%	-17	-170	-900%	2002	25	121	384%
<b>StepStone</b>	Subsidiary	102	423	315%	-203	-1125	-454%	2002	360	1385	285%
<b>Opera Software</b>	Direct exporting/ licensing	7	27	286%	-4	-13	-225%	2002	25	100	300%
<b>FIRM</b>	Subsidiary/ strategic alliances	12	25	108%	N/A	-50	N/A	2001	15	80	433%

All financial numbers are in Million NOK

<sup>1</sup> Result represents earnings before interest tax, depreciation and amortization (EBITDA)

<sup>2</sup> Number of employees is measured on 31. December each year

Table 9. Case overview - company performance

Opera Software have grown considerably the last year and reached their goal with regards to expanding their workforce to 100 at the end of the year 2000. They have used a variety of entry modes, but direct exporting of their desktop browser and licensing of their device browser have been their main modes of entry. Opera managed during the year 2000 to increase their revenue by 286%. Based on their aggressive expansion, such as setting up two subsidiaries, the firm also increased their loss of operations. Opera's loss of operations did not outgrow their revenue and ended up "only" 225% higher than the previous year. The company recently announced that it has been affected by the market conditions and the negative trend in the telecommunication sector. Several of the mobile Internet projects that Opera Software was supposed to deliver to have been put on halt. The company has however focused on costs from the beginning and is still in a strong financial position. Based on the circumstances the firm expects to break even in 2002 rather than in 2001.

FIRM have during the year 2000 had the highest growth in employees (433%) of all firms in this case study. This is linked to the establishment of four sales subsidiaries. The company has also taken advantage of strategic alliances with large international partners such as Accenture and Agency.com when entering new markets. FIRM has from 1999 to 2000 doubled their revenue. The increased international commitment has also brought losses from operations reaching NOK 50 Million in the year 2000. The company had planned during 2000 to establish two additional subsidiaries in Europe, but put this on hold as they saw the industry's development. Although the company has not seen the growth that they expected, they have kept a strong focus on costs the whole time and are therefore still expecting to exhibit profits by the end of 2001.

All firms in this case study have had an impressive growth compared to traditional companies. The need for accelerated internationalization is a strategy shared by all firms, although they have followed different paths. The companies that have used mainly high commitment entry modes that enable high control, such as subsidiaries, are the firms that have the highest turnover. On the other hand these are also the firms with the highest deficits. Judging these firms' performance may be a bit premature. The return on their investments will probably be shown in the years to come and the outcome can be surprising. It is however argued, based on this case study, that excessive use of subsidiaries only as an entry mode can be too costly. The contraction made by ActiveISP and StepStone in 2001 may epitomize this.

Discussion and implications for management and research

Born Global Internet firms are by nature remarkably expansive and encounter thereby steep challenges in international markets – both concerning building an organization that tackles managerial constraints such as lack of network, know how on local market conditions and international experience, or the mere number of employees - and limited financial resources. On the other hand, the very nature of their product or service offering gives them invaluable tools in connecting to the international market place, both in the product/service itself but also in the ability of the organization to handle and exploit the technology.

The role of the entrepreneur is paramount in such companies. It was proposed that international experience was an explanan to their international growth. However, none of the firms were founded by people having previous international experience. We therefore need to look for other causes for their rapid international growth. The present research has shown that firms in this situation are mostly driven by factors such as economies of scale and a small home market. In small countries such as Norway this factor seems to be of particular importance. Only one of the firms mentioned first mover advantages. In a global market place this factor - although contested (Devinney, Coltman and Midgley 2000) - is believed to play an important role in order to preempt competition to settle before the market has been penetrated by the innovator (Solberg 1997, Hamel and Prahalad 1986). Also the gradual geographic expansion pattern predicted by the Uppsala school is refuted. One possible conclusion then is that – although the case firms do not seem to follow the incremental internationalization pattern concerning geographic expansion, somewhat more cautious steps in international markets pays off in terms of absorption and integration of the acquired market knowledge in a better way, thereby corroborating parts of the Uppsala school. The mixed pattern of entry modes indicates different preferences to control and cost containment / resource constraints. It seems as though that firms that expand less dramatically – using to a lesser extent integrated entry modes - FIRM and particularly Opera in the present study, perform better (or rather “less worse”) in terms of profits, suggesting that international rapid growth has its price.

Even though firms with less rapid growth seem to fare better, all four firms exhibit extraordinary growth rates, in great part facilitated by the use of Internet technologies. Internet is used both in carrying out marketing activities and in the automation of business

processes, thereby allowing greater reach and more efficient resource utilization. Yet, the contention of Petersen, Welch and Liesch (2000) that the advantages of Internet facilitated rapid international expansion are overstated seem still to hold true. The expansion / contraction pattern proposed by Petersen, Welch and Liesch (2000) is typical of ActiveISP and Step Stone, closing down sales subsidiaries and reducing their workforce from 121 to 88 and 1350 to 850 respectively. This development suggests that problems of foreign market risks, transfer of tacit knowledge via the Internet, adverse selection and need for customization are realities that are not eradicated by the use of Internet.

Opera seems to be the only one that responds to unsolicited orders. The very global reach of the Internet makes possible such a strategy as long as one does not have to follow up with physical presence or other heavy commitments. On the other hand, such “needle sticks” in international markets may make the firm more vulnerable to competition in the relevant markets and may in the longer term not give the wanted rewards. One may in fact risk to end up with one customer in Jamaica, four customers in Spain, one in Peru and three in Japan, without really achieving any foothold in these markets.

This study should be followed up by research along two different paths:

1. In particular, the propositions regarding the pace of internationalization should be tested more comprehensively. This could be done either by carrying out survey research that enables patterns to emerge, or by following a number of companies over a longer period of time. One of the challenges of research in this field is the immature nature of the markets in which these firms operate. This has led to many ill defined projects that at inception were deemed profitable. Also, the role of potential competition in explaining the growth rate of Born Global Internet firms have not been investigated here. The preemption and first mover arguments are compelling, but it is still unclear if they are essential in the development of viable strategies for this category of firms. An important question in this context is the trade off between rapid market coverage and the pains experienced by firms in terms of escalating costs, adverse selection and the ability to comprehend and assimilate the market knowledge.
2. Another avenue is the study of the usage and development of network relations that enable the firms to rapidly and successfully reach global markets. To what extent do founders and employees of successful BGIs have access to international networks?

Even though the firms in the present study employed people with international experience shortly after they were established, it has not been shown if these employees had networks that facilitated their access to international markets. So the more general question is then: to what extent does the reach and nature of the network of BGIs explain their success rate – both in terms of growth rate and profitability - in the short and medium term? How are these network being developed and maintained, given the resource constraints of BGIs?

### Conclusion

The focus of this research has been on how Born Global Internet firms internationalize. It has been shown these firms actively pursue an accelerated internationalization. They seem to follow a different pattern than the stepwise incremental process suggested by the Uppsala school. Although internet technology is one of the enablers of an accelerated internationalization, the prediction of Internet as a completely borderless market place seems to be illusory. Becoming a global firm in a shorter time frame than what previously has been seen, seems however possible. New communication technology is continuously being developed and a greater globalization is occurring, which indicates that the emergence of Born Global firms is an enduring phenomenon. The challenge then is to develop a theoretical framework that can guide managers to make sound decisions concerning both the pace of internationalization and the most appropriate modes entry given the trade off between control and resource constraints. The different schools of incremental internationalization may still apply in that the learning process must be given time to have effect on the organization. The framework suggested by Petersen, Welch and Liesch (2000) may offer interesting avenues for further research. Other aspects of the traditional explanation – in particular that of the gradual geographic expansion – should however be revised. Other factors than psychic distance seem to guide the choice of markets of BGIs.

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