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The globalization strategies of business-to-business born global firms in the wireless technology industry

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Abstract

This paper discusses the globalization process of business-to-business born globals in a rapidly growing industry, the wireless technology industry. Deviations in these patterns in regards to the mainstream pattern of internationalization and earlier born global literature are discussed. Furthermore, the roles of the founders and managers, the networks, the financial resources of the companies, and the innovations behind the companies under consideration are analyzed. A conceptual framework and propositions explaining the product, operation and market strategies of born globals are developed. The results suggest that born globals in the wireless sector do in fact deviate from the traditional internationalization process in many areas. Their expansion even to distant markets is rapid and they apply advanced product strategies at an early stage. However, their business operations are found to proceed at a more conventional pace and the notable difference from traditional firms is the rapid establishment of sales and marketing subsidiaries. Results emphasize the key role of the resources and capabilities of born globals in influencing the advancement of product categories, operation strategies, and global market presence. Born global firms were found to lack the resources and capabilities accumulated by traditionally internationalizing firms, and they therefore need to acquire them either through the earlier experience of the founding team, which should be complementary in nature, or from external domestic and international network actors.

Keywords: Business-to-business; Born global; Globalization process; Internationalization process; Globalization strategy; High technology

1. Introduction

Rapid change in the global business environment during the last few decades has had a strong impact on the internationalization processes of most companies in the world. During the 1990s a new phenomenon, 'born global' firms, emerged as many small and medium-sized companies started a globalization process that deviated from the mainstream of traditional internationalization processes (Knight & Cavusgil, 1996; Luostarinen & Gabrielsson, 2004; McDougall & Oviatt, 2000; Rennie, 1993). These born global firms started their globalization immediately after establishment without any prior domestic operations or simultaneously with domestic business operations (Luostarinen & Gabrielsson, 2004). For this study, we define born globals, in line with Oviatt and McDougall (1994, p. 49), as companies that "from inception, seek to derive significant competitive advantage from the use of the resources and sales of outputs to multiple countries".

Buckley (2002), and Jones and Coviello (2005) have called for new research in international business to compare and link the results with the traditional theories, but also for a more interdisciplinary approach. Also, Knight and Cavusgil (2004) believe that there is still a need for future research to deepen our understanding of born globals. Rialp, Rialp, and Knight (2005) in their review of the first decade of born global research argue that the phenomenon still needs further investigation of the

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process of internationalization, and especially of the factors behind it. It has been argued that the time-based process of born globals should be understood more thoroughly (Jones & Coviello, 2005). Recent research has highlighted the importance of studying the role of resources and capabilities of the born global firms (Jones & Coviello, 2005; Knight & Cavusgil, 2004; Moen & Servais, 2002). These views support the recommendation of Madsen and Servais (1997) to make relationships with other firms and the experience and competences of the founders a more integral part of the analysis. Based on this, it would be especially interesting to examine what are the unique capabilities and resources that enable born global firms to enter global markets rapidly. Thus, the research problem centers on how the globalization strategies of born globals differ from those of conventional firms and on determining the unique capabilities and resources that enable these deviations.

To bring new understanding on born globals' behavior, earlier research (Jones, 2001) has called for more study with a narrowly defined sample of firms in an industry or geographical area. It has argued that too many surveys have been too cross-sectional, covering firms of all types, and therefore their results may not bring out all the relevant differences in globalization processes, and that a more focused approach would generate richer data for theory development. It was decided to focus on the Finnish wireless technology sector, since many successful business-to-business born globals have emerged from this sector. The objectives of the study are hence to understand the globalization strategies of business-to-business born global firms and the unique capabilities and resources enabling rapid globalization in the Finnish wireless technology sector compared with conventional firms.

This research uses multiple-case study methodology (Yin, 2003) and it is based on in-depth interviews of four wireless technology born global firms originating in Finland, a small and open economy. The findings of the study are limited to the qualitative research approach and therefore one should be cautious about generalization beyond the companies studied. Nevertheless, the results are expected to be most relevant for wireless technology companies originating in small and open economies. Apart from Finland, these include countries such as Denmark, Sweden, Norway, Belgium, Israel, and New Zealand. After the introduction, the article presents a theoretical review of the relevant literature concerning the internationalization of firms and born globals, as well as their resources, capabilities, and networks. Thereafter, the conceptual framework and propositions are developed. Then the methodology is presented, followed by a cross-case analysis and examination of propositions, and finally the conclusions are drawn.

2. Theoretical review and framework development

2.1. Traditional internationalization and born globals phenomena

The internationalization of a firm has been one of the main areas studied in international business research. Traditional theories of the internationalization of a firm define it as an incremental and gradual process (Johanson & Wiedersheim-Paul, 1975; Johanson & Vahlne, 1977; Luostarinen, 1979, 1994). These 'stage models' argue that firms have first done business within domestic markets, then started to internationalize by entering neighboring international markets, and later expanded to other countries, but still on the same continent, and only thereafter started to globalize by entering the markets of other continents. Hence, globalization is defined to mean the spatial expansion of the firm outside its home continent, whereas internationalization refers to foreign expansion within the home continent (Luostarinen & Gabrielsson, 2004). Furthermore, according to the stages model, operation modes will develop only incrementally into more committed modes as a result of organizational learning. This view has also been supported by innovation-related models (Bilkey & Tesar, 1977; Cavusgil, 1984; Czinkota 1982).

Some recent studies have pointed out that companies usually start their internationalization with inward operations such as imports of technology, machinery and raw materials, and then enter foreign markets by outward modes. The companies subsequently evolve into a co-operative stage, in which they co-operate with foreign firms, for example in manufacturing and R&D. (Korhonen, Luostarinen, & Welch, 1996) Moreover, the Uppsala network model contends that firms increasingly become part of networks during their internationalization process (Johanson & Mattsson, 1988). This leads to the assumption that towards the later stages of internationalization, the amount of co-operation can be expected to increase with foreign firms.

During the past decade, a new phenomenon categorized as a 'born global' firm has come to public attention (Rennie, 1993), largely due to the changes taking place in the external environment over the last few decades. Global competition is present in almost every market in the largest economies in the world (Yip, 1989). The reasons for this have been identified as a range of factors that includes falling trade barriers, deregulation and privatization, maturity in domestic markets, faster information flows, improved communication and transportation networks, social developments such as more homogenous consumer needs, tastes, and values, globally standardized products, high technology investments that cannot be covered by sales in domestic markets only, combined with shortening product life-cycles, other economies of scale benefits, global sourcing of resources and ideas, globalizing competitors and competition, and free movement of capital goods, services, and people (see e.g. Yip, 1989; Madsen & Servais, 1997; Levitt, 1983). This change in environment has had a fundamental impact on the strategies of most firms in the world.

Since the beginning of the 1990s, more evidence of these deviations has been found and the emergence of these new kinds of firms has challenged the traditional 'stages' theories of internationalization (Autio, Sapienza, & Almeida, 2000; Bell, 1995; Bell, McNaughton, & Young, 2001; Crick & Jones, 2000; Jolly, Alhuhta, & Jeannet, 1991; Knight & Cavusgil, 1996; McDougall, Covin, Robinson & Herron, 1994; McDougall, Shane, & Oviatt, 1994; Moen & Servais, 2002; Oviatt &