Going International
-A Born Global Approach

Supervisor: Agneta Marell
Author: Emma Engström
Anna Levin
Acknowledgements

Before presenting our research we would like to present a number of people that have made this thesis possible and that have supported us in our research process.

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Emma Engström & Anna Levin

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Abstract

How is competition affected when market boundaries appears none-existing? Our way of communicating and interact has changed the business landscape and created one, international market accessible to all companies striving for competitive advantage (McDougall et al., 2000). Internationalization is the name of the process where firms cross national boundaries and take part of this international market. There are several theories describing this phenomenon, however one of the first models presented was one by the Swedish researchers Johanson and Vahlne in 1977. The Internationalization Process model, also known as the IP model, explains the internationalization of firms as an incremental process of international involvement where knowledge about foreign markets and market commitment affect the way a company proceed internationally.

Today’s business landscape has introduced a new kind of companies, a product of our connected world; born global firms are increasing in numbers and described as small, often high technological firms aiming for the international market right after establishing. As the authors of this master thesis we found it interesting that a model such as the internationalization model is still used, discussed and referred to. How can a model deriving from the 1970’s still have such importance in today’s changed world? Is it even applicable for this new business arena that the born global firms constitute?

Our research question has been as follows; How does Johanson and Vahlne’s internationalization process model work in practice for born global firms?

The way we have analysed our findings is according to our purpose of the study; to define a born global company according to existing theories, examine its relation to the internationalization process model and create a more dynamic version of Johanson and Vahlne’s model.

The research process has been carried out as a qualitative study where we have made a deep study of a small, high technological company in Umeå called Seaflex. We have also included an interview with the Swedish Trade Council to support and broaden our empirical findings. Since our aim is to draw conclusions about an existing theory, we have undertaken a deductive approach in our research.

After conducting our research we have in our analysis defined Seaflex as a born global company, examined its relation to internationalization and then, in specific to Johanson & Vahlne’s internationalization process model. Finally in our conclusions we present a new internationalization process model focused on born global firms. Our findings are that when born global firms go international, the knowledge needed can be mainly obtained through the development of relationships with partners and new opportunities are discovered through the deliberate use of networks.

Due to the fact that our research involves solely one company, we are aware of its limited generalization. Therefore, our main suggestion for further research is to examine our suggested model however with a much broader perspective taking several born global firms perspectives into account.
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1. Introduction

The purpose here is for you as a reader to understand our reasons for selecting the chosen research problem, which will be presented followed by the purpose of this research. Furthermore we will explain some key concepts, limitations of the study, some definitions that can be relevant for the study and finally present a disposition to give the readers an overview for the upcoming chapters.

1.1 Problem Background

None of us can ignore the fact that our world has changed the past decades. Can you remember the last time you wrote or received a letter, when you used a phone booth or when a facsimile was received? As a private person, the daily life is affected by our fast communicating society; we write e-mails, speak with people around the globe on Skype and create text messages with either MSN or our cell phones.

Naturally our changed way of communicating has also affected the business world and organisations striving to achieve competitive advantage. But how is competition affected when market boundaries appears none existing and become more and more blurry? The liberalization of trade and technological advances in the area of telecommunications, especially the Internet, provides our organisations with easy access to worldwide customers, distributors, network partners, and suppliers (McDougall et al., 2000). The possibilities increase when market boundaries become unclear; the cake is all of a sudden much larger than before, and shares can be achieved all over the world, although with a numerous amount of players to compete with.

In Sweden, there is a great interest for finding and achieving those international shares. The use of IT is extensive and Swedish companies are considered to be forerunners in this revolutionary changing process. Swedish companies embrace new technologies and ways of facilitating business processes which makes them aware of what is going on in the international market place. Sweden is furthermore a very small market compared to the international, which make Swedish companies more driven to cross the national borders and perform activities in other countries and markets.

Companies worldwide and in Sweden particularly start to look across the fence of what is known; information is extensive and accessible, profits are tempting and the possibilities are unlimited. There is a word for this process described where businesses integrate as one, international market; internationalization is a constantly reoccurring concept in the research world and phenomena that has attracted our interest for looking deeper into.

The term derives from the verb internationalize which according to The Concise Oxford English Dictionary (2006) means:

[internationalize, v]

1. make international
2. bring under the protection or control of two or more nations.
One might think the term is a bit too general, at least considering the way we will use it in a business context. Another definition that completes our definition of internationalization is one where knowledge about other markets seems to be the key to internationalization: "… internationalization is the process of increasing the accumulation of knowledge in markets and institutions abroad." (Blomstermo & Sharma, 2003, p739)

The phenomenon internationalization was brought up in the 1970’s when the research world spoke of a “revolution” that has taken place the past decades, in the economics of business management. An international environment, in which old rules, policies and theories are no more adequate, was the result of that revolution (Mantoux, 1961; Leighton, 1970). One of the first models of the internationalization process was presented by two Swedish researchers; Johanson and Vahlne (1977). The Internationalization Process model (also known as the ‘Uppsala Model’ or the ‘IP Model’) describes the internationalization of firms as an incremental process where the establishment of international activities occurs in small steps, from export to establishing sales subsidiaries and eventually production in host country. The model has obviously been modified during its 30 years of existence; the major improvements involve a focus on relationships, commitment and the importance of networks and opportunity development for international operations (Johanson & Vahlne, 1990; 2003; 2006).

One main reason why the model has been argued back and forth for three decades, because it has surely been the target of a lot of criticism, is that the business climate is not the same today as it was 30 years ago. Nevertheless; the model is still mentioned, referred to and used in current internationalization theory, which is why we find it so interesting. How can a model deriving from the 1970’s, in our ever-changing world and the world of international business in particular, still play an important role in the internationalization theories today?

One could argue that the prerequisites for businesses today are different; traditional industries have been divided into a number of micro-industries where small, innovative companies have developed. One example is high-technological companies acting on a changing, niche market; most of the time, these companies have no choice but to go international from the start, since their domestic market is not sufficient (Moen & Servais, 2002; McKinsey & Co, 2003).

Companies initiated in today’s business climate, as mentioned above, are referred to as born globals; firms that early in their establishment process address the international market (Rennie, 1993; McKinsey & Co, 1993; McDougall et al. 1994; Moen & Servais, 2002; Moen, 2002). We realize that the reality of these newly established and small companies is to immediately deal with challenges involved in an international business setting.

Apart from our own interest, there are many reasons for why born globals should be analyzed further. First of all the born global concept is of importance since the larger amount of companies will develop as born global firms in the future (Moen & Servais, 2002). Moreover; small, born global firms are increasingly vital in the international business setting in terms of generating new innovation and developing competitive advantage for firms (Moen, 2002; Rialp et al., 2005). Finally, it is stated that born global companies are the most extreme examples of SME’s and that they have a significant importance for a nation’s export and economical growth (Rennie, 1993).

Knight and Cavusgil (1996) seem to agree with how the subject is of interest for the research world in general; "The born global phenomenon presents an important new challenge to traditional internationalization theory” (Knight & Cavusgil, 1996 p17). The missing link in
the research about born globals is a theoretical framework that can explain and ease the understanding for how they relate to the internationalization process (Madsen & Servais, 1997; Sharma & Blomstermo, 2003).

Consequently; the theory of born globals seems interesting because of its importance for each country’s national economy as well as for the international business arena where new, innovative products and services are available for each awake and alert player on the international market.

But what does a born global company look like and how does a company like this relate to the traditional internationalization theory? How can we apply this old internationalization model that is still discussed and used, to the new business arena that born global companies constitute? An arena where new technology has changed the rules of the game completely, and where the players have adjusted in the best way they can -by accepting the international market as if it was their domestic.

1.2 Research problem

How does Johanson and Vahlne’s internationalization process model work in practice for born global firms?

1.3 Purpose

Our purpose with this study is to define a born global company according to existing theories, examine its relation to the internationalization process model and suggest a more updated version of Johanson and Vahlne’s model.

1.4 Key concepts

- Internationalization
- Internationalization Process model
- Born global
- Relations
- Network

1.5 Limitations

Although there are other internationalization models to apply on companies, we have focused on the Internationalization Process model only, since we find it most relevant in relation to born global firms. Furthermore we have made more of a deep study in one company, mainly due to time restrictions but also to gain a deeper understanding of the problem.

1.6 Definitions

For you as a reader to be ‘on the same page’ as us, we here explain our own definitions of some of the concepts used throughout this thesis.

Traditional company: A company with a sufficient domestic market and with the option to expand internationally, compared to born global firms who exists on the international market from being established.

Cooperations: Formal relationships and/or partnerships where there is a mutual goal.
Networks: A combined set of links and relationships which connects companies to a large source of exchanged information.

1.7 Disposition

The following disposition outlines the structure of this study:

- **Chapter 1:** In the *introduction* we have presented the background about the concepts; internationalization, the Internationalization Process model and the phenomenon born globals. This is followed by the research question, the purpose of the thesis, key concepts, some limitations, relevant definitions and is concluded with this disposition.

- **Chapter 2:** In this chapter a presentation of the *scientific methodology* is made. Choice of subject and ontological considerations have been discussed, as well as our preconceptions. Finally our scientific approach, choice of theories and criticism against the theoretical sources have been developed.

- **Chapter 3:** Here our *theoretical framework* is presented, which will help to design the study, analyze the empirical material and draw conclusions. The parts included are the phenomenon born globals, the Internationalisation Process model and finally cooperations and networks.

- **Chapter 4:** This chapter is presenting the *practical methodology*. In this part the selection of research method, choice of respondents, how the data was collected, and the respondent validation have been discussed. Consequently our analysis of the empirical data has been discussed.

- **Chapter 5:** The *empirical research* is presented containing the material from the different interviews. The findings are presented under different themes, this was mainly to facilitate for the analysis in the next chapter.

- **Chapter 6:** This part is the *analysis*, where the empirical material and the theoretical framework are used to find answers to the research question and the purpose of this study. The analysis is divided up in different themes to easier guide the reader through.

- **Chapter 7:** The *conclusion* of this thesis, where conclusions are drawn from the theory in accordance to the empirical material for being able to serve our research question with the study.

- **Chapter 8:** The *further research* section will discuss the main possibilities for further research on this topic.

- **Chapter 9:** In the *truth criteria* trustworthiness and the authencity of the study will be explained. The inter-subjectivity will also be analyzed here.
2. Scientific Methodology

This chapter will explain the choice of subject, ontological and epistemological considerations. Moreover, our preconceptions will be presented as well as the effects they might have for our research. Finally, our scientific approach, choice of theories and criticism against the theoretical sources will be developed.

2.1 Choice of Subject

It can be of interest for you as a reader to know how we came up with our choice of subject and how it has developed into this master thesis. We also believe it is of importance in order to understand how the research problem has developed.

Having studied International Business for over four years, the interest for international operations and how our world has become so integrated has developed. When searching for articles regarding internationalization theory, we came across the Internationalization Process model several times. We could not help to wonder how this model from the 1970’s could still be of such importance in today’s changed business landscape. As soon as we looked deeper into the concept born globals; Small high technological companies aiming directly for the international market rather than the domestic market, we realized that it was a really good description of what we felt had changed in the business world and how companies have adjusted to those changes; the contrast between the old internationalization model and these new ways of doing business triggered our investigative minds and resulted in our research problem.

In order to carry out our research, we had to find a company that we could define as a born global firm. Because of previous relations with a company called Seaflex, we started to examine whether if it would be suitable for our study or not. Seaflex is a small company with a high technological product that has expanded incredibly fast on the international market the past seven years. Seaflex was therefore the selected company for this study and will be presented further in our practical methodology.

The perspective from where this thesis is written from is born global firms, even though we focus on Seaflex only, our attempt is to provide other born global firms with important findings when expanding internationally. Instead of blindly follow traditional internationalization theories these firms need updated input in how to leverage their international operations.

2.2 Ontological Considerations

The view on how our reality is constructed can be multi-faceted. As authors of this thesis we need to explain what it looks like in order for the reader to understand the choices of directions we have made and why. The question we need to answer is “what we believe in?” since how each human being live her life affects her life and vice versa (Widerberg, 2002). We also find it important to clarify our ontological view since this will affect the research process and the conclusions that we will come up with (Johansson-Lindfors, 1993).

In line with Widerberg (2002) we believe that each person is totally unique and have a complex way of thinking, analyzing and acting, this is why we place the human being in focus.
in our study. Obviously our study is more related to the social science view compared to the natural science so when analyzing our company and their international undertakings; the human beings and their actions and behaviour have been the main focus. Our beliefs that the each human being is unique along with the nature of our research problem are the underlying assumptions for our selection of a qualitative study, something we will go deeper into in our practical methodology chapter.

2.2.1 Objectivism vs. Constructivism

One of the most important ontological matters is one regarding objectivism and constructivism. The question is whether social entities, such as people, organisations and cultures are to be understood as objective units solely observing our reality or if they should be understood as active units constructing and taking part in what is being studied (Bryman, 2006, p30).

The company focused on in this research is rather small with its own set of individuals and their behaviour affects the company to a large extent. Furthermore; a lot of our research-focus concerns relationships within networks and alliances, and we believe these relationships can be improved by each individual’s behaviour. A relationship is according to us a social construction between two individuals; all in line with the constructivist view, which is described as cultures and organisations built upon individuals, and changes according to the actions of those individuals (Bryman, 2006, p33).

A completely objectivistic approach is not suitable for our thesis, since we argue that each individual can change a situation and the reality she exists in, and that includes even us. We can not interpret information and completely exclude our own preconceptions, potential prejudice and bias in general. However; each researcher has a responsibility to mediate the observed reality as accurate as possible in order to understand their motives, actions and intentions (Saunders, Lewis & Thornhill, 2007, p108-109) which has been our aim in this research. Our constructivist view on each human being means that you as a reader is affected by your background and your preconceptions when interpreting our results. Although we have tried to exclude our preconceptions as much as possible, we believe it is necessary to present them as thorough as possible.

2.2.2 Preconceptions

The work of a researcher can be affected by her previous experiences, social background, attitudes and education. As a result, it is important to make sure that the reader is aware of these external influences for being able to critically revise the study (Johansson-Lindfors, 1993; Bryman, 2006).

Our preconceptions originate mainly from the fact that we have been students at Umeå School of Business at Umeå University for over four years. Our education has had an international focus from the start since we chose to study the International Business Program and continued with the Master Program within Management. This is where we have gained our theoretical preconceptions within the field of Business. Furthermore we have gained a broad, international perspective since both of us have studied abroad. Our theoretical preconceptions have given us the understanding how companies should act to succeed on an international market, which strategies they should utilize and how they should gain competitive advantage over others. Consequently; our education, mainly the management courses, has provided us
with a broad understanding for different organisations, the markets they act on, and the people within them.

Because of our theoretical preconceptions within the field of management and international strategies we started off with a good knowledge base when trying to find relevant theories for our study. We have had great access to existing theories through a large supply of databases at the university. Fortunately we have developed our ability to critically review the information we found, which made us find relevant theories among the existing ones. Discussions with our supervisor, classmates and colleagues have increased our perspective further and made us view our problem from many aspects and angles.

Our practical preconceptions have been developed since we both have a true interest of developing companies and find it challenging to make them grow, most of all on an international market. We have been introduced to problems regarding internationalization and gained experience from our work within several different companies. In addition to that; we are well aware of how rapid and changing today’s world is and how it affects all businesses at some point.

We first came into contact with Seaflex and their products during our strategy course November, 2006. In January 2007, one of the authors, Ms Levin accomplished a 10 week internship at Seaflex’s sales office in Florida, US. After introducing the other author, Ms Engström to Seaflex and their international operations, we found the company very interesting and much in line with our selected subject. Because of Ms Levin’s experience and practical preconceptions from working with Seaflex, Ms Engström took on a much more critical and objective role during interviews when processing data for the empirical part of our thesis; all this to avoid a skewed result of interviews and observations. For example she asked the questions during the interviews and also more critically reassessed Ms Levin’s interpretations of Seaflex.

Finally; both authors have a great personal interest of travelling and experience different cultures, and have lived in countries such as Germany, Denmark, France, England, USA and Australia to mention a few, which affect the way we perceive international business and embrace differences in the market place.

So what are the results of our preconceptions? Both theoretical and practical preconceptions influence our choice of subject, the research problem and the thesis in general, but of even greater importance; our preconceptions affect the interviews this study is built upon. Since our view on each human being is that she is unique and interprets her reality; our personal experience affects the way we interpret the carried out interviews and respondents. We will never be able to separate ourselves from our preconceptions; they will always affect us and our behaviour in some way. It is important to understand that our preconceptions will blend in with how we perceive the respondent and our relation while interacting. In other words we will never be able to reach a fully objective understanding of another human being since we can not put our own preconceptions totally aside.

We believe that our experiences and previous knowledge will show in our thesis but our understanding is that it has not limited us in any way of it and we have been open minded towards new knowledge and experiences both in the theoretical and empirical matters.
2.3 Epistemological Considerations:

Now that we have explained how we believe our reality is constructed, we need to explain how we find knowledge about that reality.

Epistemology concerns how knowledge about our reality is found. Is it possible to study our social reality with the same methods and principles as in natural science? We do not believe so. The distinction between the two is a matter of focus; either an explanation of people’s behaviour or an understanding of people’s behaviour (Bryman 2006, p26). The latter is a good description of how we as the authors of this thesis interpret our reality, since our study concerns a behavioural model where it is difficult to quantify our findings in a rational way. Instead they need to be interpreted, discussed and analysed in order to draw any conclusions.

2.3.1 Hermeneutical Knowledge Approach

The main theme of this research is social aspects of a behavioural model with an emphasis on relationships, networks and alliances and their importance when entering an international market. Since we are aiming for an understanding of born global companies in relation to the Internationalization Process model we find it necessary to take on a hermeneutic knowledge approach. This position is quite normal when the focus lies on interpreting people and their behaviour (Bryman, 2006). When it comes to hermeneutic analysis it is important to clarify preconceptions, experiences and expectations of the researcher. The more accurate and detailed this is explained, the clearer will each step in the analysis process become (Widerberg, 2002).

We believe that each human being is an active individual who can affect and influence her own situation. When studying a company, each individual within that company is able to influence and affect situations and challenges the firm faces. The view we have is all in line with the hermeneutic view on knowledge (Johansson-Lindfors, 1993) and it means that we interpret, translate, and clarify the data we receive. All this is based on fundamental assumptions that constitute the spine in analysis methodology (Widerberg, 2002), something we will go deeper into in our practical methodology.

The positivistic knowledge approach has distinguishing features of being objective and state that knowledge exists only if it can be understood by our senses (Bryman, 2006), which is why this objective view is not in line with our research. Instead we have made our research deep, rather than going broad when trying to understand and interpret a situation (Johansson-Lindfors, 1993).

Our approach to interpret and understand Seaflex’s situation, to strive for a relevant analysis and finally come up with rewarding conclusions, are obvious characteristics of the hermeneutic view. This leads us into the scientific approach of the study.

2.4 Scientific Approach

The research in this thesis is guided by theories of the internationalization process, born globals as well as theories concerning networks and relationships. Since the conclusion of the research will be to define how a born global company can relate to a traditional internationalization model, we are in a way testing an existing theory (the internationalization process model).
Deduction is said to draw conclusions about a current phenomena. The most common way to do this is to set up hypotheses and falsify or accept these depending on empirical findings. These kinds of studies are said to be more objective since the researcher start off in existing theories and becomes less influenced by subjective opinions (Patel & Davidson, 2003 p23; Bryman, 2006 pp20-21).

We will draw conclusions based on existing theories, but since the choice of subject we have selected concerns behavioural aspects, our findings need to be interpreted. Our aim is not solely to accept or falsify the model, but to create a more dynamic version of it. This is why we have a deductive approach, but do not use hypotheses, nor a quantitative research approach, instead are we trying to interpret and understand our findings.

2.5 Choice of Literature

Apart from the ontological, epistemological and scientific approach it is important for you as a reader to understand what criteria we have had when selecting theories and literature sources. Furthermore we would like to present the critique that can be directed to the chosen theories.

As recommended (Saunders, Lewis & Thornhill, 2007) we obtained an overview of chosen subject for our master thesis by reading newspapers, searching the internet and studying current internationalization books and scientific articles. Furthermore we discussed the theories and researchers that we found appropriate, interesting and relevant for our topic. We studied the researchers and their work but also their references in order to get hold of the primary source in each theory. Our main aim during our thesis work has been to, as far as it is possible; avoid using secondary sources since we wish to interpret each source on our own. However; when the original author/article was not found, the secondary source have been used.

Some of the search words we used as a start, to find relevant theories were; internationalization, the internationalization process and internationalization firms/companies. Quite early in the search process we found Johanson and Vahlne and their “Uppsala model” being a reoccurring topic in the internationalization theories. The model as it was presented in 1977 was examined, criticised and developed in articles by the same authors as well as others within the same field of research. The more current theories concerning today’s companies and their way of working the market was discussed and the concept born globals or born global firms came in to light and was then searched for. After realizing the importance of networks, we searched for additional theories using search words such as networks and relationships in combination with the words above.

The search for relevant articles has been carried at Umeå University library’s homepage and the databases Business Source Premier mainly, but also Emerald when the first did not help. We searched first of all for peer reviewed full text articles. However; when finding primary sources from the articles we read, we had to step away from the peer reviewed criteria in some cases, in order to find the specific article.
2.5.1 Critical Review of Literature

We consider it necessary to direct some criticism towards our selection of theories in order to see if the material provides the reader with a correct picture of what our research aim for.

As previously mentioned when searching for literature our aim was to go deep and use only primary sources. Hence we went deeper and searched for the initial sources in books and articles. This is of importance according to Holme, Krohn Solvang (1997) since the more referenced a primary source is, the more credibility can be applied to the statement. However; some of the theories in their original form might be understood as a bit out of date. We therefore presented the original theories, criticism directed to them and then improvements and more current research, this way we tried to balance old theories with new updated research on the topic to see how the research field developed.

We mention briefly other internationalization theories and these could of course had been developed further and actually involved and tested on our focus company. Here we have to say that lack of time restrained us from performing an even broader study of internationalization theories in relation to born global companies.

2.6 Reference System

When it comes to referring our sources we have used the Harvard system (Saunders, Lewis & Thornhill, 2007, pp 578-584). If a whole article has been reviewed and used in our thesis, no page reference is given. However; when a more specific subject is discussed, or when a quotation is presented, the page is displayed.
3. Theoretical Framework

We will now introduce the reader to the literature that has been used to challenge the problems outlined in the introduction. Our goal has been to carry out a discussion to increase the understanding for what born global firms actually are, followed by a presentation of what the traditional internationalization process looks like; how it has been criticized and developed. Finally we will present issues regarding networks and relationships since they have occurred in both internationalization and born global theories. When completing this chapter, you as a reader should have a comprehensive understanding of relevant theories for our research.

Before going deeper into our selected theories, we would like to present a model of how the theories relate to each other and how our research field has been narrowed down. The theory of born globals and the internationalization theory constitute the foundation. The theory of networks and relationships are to be found in both fields and is therefore the bridge between the two. Our focus, as you will see, is placed on top of networks and alliances, but considering both internationalization and born global theories.

3.1 The Born Global Theory

3.1.1 Globalization and Born Globals

Globalization is probably one of the most complicated terms to explain since it includes so many aspects; social, political, economical, environmental, technical, demographical etc. The way we refer to the term is based on its impact on companies acting on the global market.

The term globalization is according to Oxford University’s Dictionary of Economics (2002) described as follows:

“The process by which the whole world becomes a single market. This means that goods and services, capital, and labour are traded on a worldwide basis, and information and the results of research flow readily between countries.”

Globalization has increased the integration of national economies in general (referring to advanced countries) but is also said to integrate and involve developing countries (O’Neill, 2004). Globalization enlarges the market; from domestic to international, and therefore increase the division of labour, speeds up productivity gains as well as economic growth.
(Weede, 2004). Being such a debated subject and affecting us all in some way, globalization surely involves negative aspects as well; controlling people with its totalitarian, global, economic regime and rewarding some while making others suffer (Yeates, 2001). Good or bad, the process of globalization does occur every day and affects us as private persons as well as companies.

Some of the most dominant actors on the global market are the ones known as multinational enterprises, (MNEs). These companies make a positive contribution in economic efficiency and control the globalization of economies, they are responsible for 40% of the world trade and leverage and arbitrage capabilities on a world scale (Dowell et al., 2000). However, these are not alone acting on the global market. Small, often high-technological companies with an insufficient domestic market have no choice but to involve themselves in international operations, in order to sustain profitable (Moen & Servais, 2002; McKinsey & Co, 2003). These companies are referred to as “born globals”.

**Born Global Firms**

Current internationalization theories have in the past decade been challenged by this concept of born globals, also known as international new ventures. These firms go international from the start and involve themselves heavily in mainly export (Chetty & Campbell-Hunt, 2004). This is confirmed by researchers (McKinsey & Co, 1993; Rennie, 1993; McDougall et. al 1994; Moen, 2002; Moen and Servais, 2002) supporting that born globals are firms that operate on an international market very shortly after their establishment.

Although small, high-technological companies are most in focus in born global theories, Madsen and Servais (1997) argue that born globals may come from many different industries, market very diverse product lines and state that the phenomenon is not limited to high technology firms.

What is agreed upon though, is that born globals often exists on a small market niche where they can avoid the competition and threat from other large global firms (Moen, 2002). Born global firms often sell products and services that are either totally new or radically different from existing products on the market. This is made feasible because born globals (re)combine scientific principles and discoveries to develop new concepts (Sharma & Blomstermo, 2003). Furthermore; born globals are often developed from a large breakthrough within a process or a technology (Moen & Servais, 2002 and McKinsey & Co, 1993).

The competitive advantage of born globals is embedded in their knowledge intensity and the ability to recombine current knowledge for developing new products or services makes the knowledge base of born globals depending on their network of relationships. The networks are codified and difficult to imitate, something that in the end will become a competitive advantage for the born global firms (Sharma & Blomstermo, 2003).

Traditional companies normally has a sufficient domestic market start their internationalization process by exporting products to similar or nearby countries-very much in line with the internationalization theories we are about to present. However, this is in contrast to born globals, who enter the international market directly or at least shortly after the establishment (Sharma & Blomstermo, 2003). Born global firms do not see the international market as something additional to their domestic market; they consider the world to be one market place from the start (Moen & Servais, 2002). It is also said that the longer a company
waits to initiate its international activities, the more difficult it becomes to grow globally (Sharma & Blomstermo, 2003).

A good summary of the “criteria” for small firms associated with rapid internationalization (i.e. born globals) is presented by Freeman et al. (2006, p59) through a number of key variables.

- A domestic market that is perceived as too small to achieve financial viability
- A strong commitment by management to the idea of internationalization
- Personal network that provide the basis for establishing partnership and alliances
- Unique technology that provides a source of competitive advantage
- A commitment to growth through partnership and alliances with both suppliers and distribution partners
- Adaptation of relationships over time so that they are sustained and can meet the changing needs of partners and development of new relationships to enter new markets
- The use of multiple entry modes in different combinations for different markets

3.1.2 Increasing Number of Born Globals

The progress in communication; IT in particular, but also distributor networks and global production, increases the capabilities for entrepreneurs and founders of born global firms (Madsen & Servais, 1997 p565). Oviatt and McDougall (1997) point out the increasing global scope of cultural homogeneity, social changes and also international firm strategies as one reason for why born global firms increase. Environmental conditions such as a changing industry and market conditions, the internationalization of industry competition and finally the firms’ international customers make born globals more widespread and facilitate their international activities (McDougall et al. 1994).

It is also stated that Born Global firms “may behave accordingly to an evolutionary framework” (Madsen & Servais, 1997, p573) where the history of the founder, his or hers industrial experience and the network established before the launch of the firm should be regarded as important factors for the internationalization process.

3.1.3 Difficulties for Born Global Firms

Problems that smaller born global firms in general face are often lack of economies of scale, lack of resources (financial and knowledge) and dislike to risk taking. There are three main problems in the internationalization process that high-tech firms in particular face (Freeman et. al, 2006);

- Difficulties to establish and maintain international networks and partnerships.
- Lack of experience and competences within international activities.
- Difficulties to gather information about market, technology and competition.

Moreover, according to Karagozoglu and Lindell, (1998) international competition demands large resources, R&D competences and other crucial functions (marketing, HR, etc.) within the firm. All this can be hard to set up since smaller firms often have limited resources and competences.
Karagozoglu and Lindell (1998) assert that small firms in general find it hard to reach strategic targets and goals since they often have a more informal organisation. Smaller firms also tend to have less developed processes and irrational decision processes. Furthermore there is a need for external resources for the companies. To summarize; the main problem for most born global firms are the lack of experience and explicit knowledge of foreign markets, small resources for acting on such a great market and finally; difficulties to get access to and maintain contact with suitable business relationships and networks.

3.1.4 The Importance of Networks and Alliances for Born Globals

For born global companies to achieve competitive advantage they often use networks to develop a range of alliances and collaborative partnership globally (Freeman et al., 2006 p33). Crick and Spence (2005) argue that companies who succeed in going international early and rapidly, use multiple business relationships, for example joint ventures, strategic alliances and wholly owned subsidiaries in comparison to more traditional entry strategies. The internationalization process of born globals is to a large extent influenced by their network of ties (Sharma & Blomstermo, 2003) and networks are said to be of even more importance to smaller companies when overcoming export-marketing difficulties (Ghuari et al., 2003).

International relationships are often uncertain because of the difficulty of enforcing contracts across borders, geographical distance, information asymmetry and the difficulty in ascertaining capabilities of an international distributor (Freeman et al., 2006). However; current network ties supply born global firms with knowledge of markets and clients abroad. Thereby, the risks involved in going abroad are reduced (Sharma & Blomstermo, 2003).

Born globals benefit by the increasing interest for global networks. Managers see the importance of building personal and professional networks based on mutual, rewarding and long-term relationships with partners, representatives, customers and distributors (Moen, 2002).

3.1.5 Selection of Clients

Since born global firms work with cooperations across the globe to such an extent, they find it hard to select foreign clients for cooperation. Since there is no blueprint to follow, they improvise and learn their lessons from a ‘trial and error’ period. The product have to sell in the foreign country, so the exporting company need to find an “optimal resource mix” (Sharma & Blomstermo, 2003 p748) with the local counterpart. The process of finding clients is co-evolutionary, gradual, and based on feedback, and so important since these existing ties allow born globals to acquire knowledge to serve international markets. Each foreign client is a source of new relationships and new knowledge. New ties increase the current stock of business and institutional knowledge at born global firms, which in the end allows them to engage in further internationalization (Sharma & Blomstermo, 2003).

3.1.6 Strategies for Born Global Firms

The major question is now how born global firms are supposed to act on the international market? A good summary of available strategies for born global firms is presented by Freeman et al. (2006). These are based on a research with 20 senior managers in born global firms, and present guidelines for how to overcome the constraints discussed above.
Extensive Personal Network Contacts
Managers in small, born global firms display a strong, personal commitment to participate in international markets, since this will speed up the internationalisation process. Senior managers in particular possess high commitment, drive and a willingness of taking risks.

Collaborative Partnership with Large Foreign Customers and Suppliers
Ritter et al. (2004) argue that business relationships are embedded both within a company; employees, departments and functional units, and externally; customers, complementors, competitors, and suppliers. The authors point out that a company seldom has control over all these relationships and that a network approach is useful but demands further research. Freeman et al. (2006) suggest that managers of born global firms should develop strong relationships with large suppliers of high quality that raises the switching costs, or even accept exclusive arrangements with a foreign buyer for early commitment to orders and to get access to a specific market.

Client Followership
Through client followership; the risk of making fast penetration decisions concerning rapid, international expansion for small companies can be lowered (Bell et al., 2003). By developing relationships (alliances, joint ventures, licensing), small born-global companies can share the financial risks and burdens with partners, customers and suppliers and also rapidly follow their client for sourcing and sales, without considering downturns in the global environment. Small companies build new relationships quickly and their rapid international expansion raises its visibility in the foreign network. Due to client followership, the number of referrals increases. In the end; firm-specific factors (internal factors) are more important than environmental factors when it comes to how a born global firm interacts on the international market (Freeman et al., 2006).

Use of Advanced Technology
Crick and Spence (2005), state that born global firms are more proactive in their internationalization strategies than traditional companies and have flourished in the new global economy. A major reason, according to the research of Freeman et al. (2006), for rapid growth of born-global firms was high technology combined with innovativeness in the firms’ nature or its processes.

Multiple Modes of Entry
According to the findings in the study of Freeman et al. (2006), managers in small born global firms tended to rely on multiple strategies for fast market entry, which were achieved through collaborative partnerships and client followership. The alternatives; strategic alliances, joint ventures, wholly owned subsidiaries etc. have received little attention in international business.

We will now leave our focus on born global firms and look deeper into what the process in general looks like for companies expanding to an international market.
3.2 The Internationalization Process Model

3.2.1 Background

Before going deeper into the internationalization process model and its implications, we would like to present the underlying phenomenon to the model -internationalization and the factor causing it; competition.

*Competition* in the business world is seen as one of the pillars for capitalism and stimulates innovation, encourage efficiency and drive down prices. Furthermore; competition causes firms to develop new products, services and technologies (Porter, 1990 pp11-12) which in the end provide the consumer with a greater selection of products (for a lower price).

We argue that if companies were not forced to achieve competitive advantages and compete, they would probably not even consider going international, even though national boundaries have become more and more diffuse in today’s integrated world.

How do we define *internationalization* then? It is one of those words we use on a daily basis without really being able to define it because it involves so much. In the introduction we learned that one definition of the word internationalize was “*bring under the protection or control of two or more nations*” (The Concise Oxford English Dictionary, 2006). This is exactly what has happened during the past years of internationalization, more and more companies have the ability to become under the protection and control of other countries. The question is how to do it in a controlled and advantageous way? This is where internationalization theories and models for internationalization processes become relevant.

3.2.2 Presentation of the Model

One of the most reoccurring models in the research field of internationalization is “The Internationalization Process Model”, “The Internationalization Model”, “The Uppsala Internationalization Model” or “The U-model”; (Johanson & Vahlne, 1977; 1990; 2003; 2006) just by reviewing all the different names for the same model we can conclude that it has existed for quite some time.

The *IP model*, as we prefer to call it, came into light in 1977 when Johanson and Vahlne presented it as a model of the internationalization process and based it on empirical research from 1975. The model displays an incremental process of international involvement where knowledge of foreign markets and commitment are leading concepts. The characteristics of the model are based on two aspects involved when going international, where to go and how to do it.

**How to Go International?**

The authors found empirical evidence for that the internationalization process is a gradual process which follows a number of steps in the *Establishment Chain* (Johanson & Wiedersheim-Paul, 1975) where a company as a first international engagement normally export to another company. When export becomes a substantial part of that company’s sales, the next move might be to engage agents who can represent the company in a specific country. An internal sales subsidiary is then to be established in those countries where sales are high and then the final step of the internationalization process is to set up own production abroad.
A company moves from one stage to another in terms of how people within the company involve in international market activities and gain experience in the market place. The first stage gives practically no experience at all, while the second stage provides the company with information about the market and the market conditions. The following two steps lead to actual experience and a more differentiated and extensive market knowledge (Johanson & Vahlne, 1990 p13).

**Where to Go?**

The internationalization of a firm is described as an incremental process partly because of how activities proceed; from export to production, but where the company goes is also an incremental process. The pattern for a firm is to approach markets and countries where they perceive the market uncertainty to be low and where the flow of information is not disturbed by differences in language, culture, political systems and so forth (Johanson & Vahlne, 1990 p13). This is the trend because of what is described as *psychological distance* and was first introduced by Beckerman (1956) but became popular when Johanson & Vahlne brought it up in the IP model in the 1970’s. The impact of psychological distance seems to decrease with experience but is even after the first market entry, a crucial factor to consider since knowledge is easier to obtain from countries (geographically and psychologically close) than others (Dow, 2000; Brewer, 2007).

The theory concerning psychic distance has been questioned though, as much has changed since the concept was introduced. Because of the information flow today, markets are more homogenized and the awareness of differences in cultures, languages and people is much higher. There is no empirical support that differences in countries affect the flow of information –other than the understanding that it does affect business relationships. Since relationship is the key, the person involved in a business relationship across the country borders, and the nature of that person, is of great importance. In other words; the person’s existing or potential familiarity with the country market is the key element, not psychic distance; even though it contributes to the understanding of a foreign relationship (Brewer, 2007).
This presentation of the model is based on Johanson and Vahlne’s article published in 1977, unless any other reference is given.

State Aspects
The state aspects are considered to be commitment in terms of resources to foreign markets; including both market knowledge and market commitment.

Market commitment is the result of a company’s perception of opportunities and risks within a market. Degree of commitment is one factor involved in the general commitment to a market. The more resources already addressed to a market - the higher the commitment is. When human resources are carried out to a specific market they tend to be most committed to that specific market. Committed resources are the other factor involved and this is basically just the physical size of the investment in the market, for example marketing, organization, personnel and so forth.

Knowledge about opportunities and/or problems is the foundation for many decisions. For example when it comes to evaluating which market to focus on, knowledge about the market environment or current performance in that specific market are crucial.

The authors make a distinction between objective and experiential knowledge. Experiential knowledge is the kind of knowledge a person obtain from experience and can only be learned, meanwhile objective knowledge is the more theoretical kind of knowledge that can be taught (Penrose, 1959). Johanson and Vahlne argue that when activities are unstructured and undefined, such as for example relations to other human beings, the experiential kind of knowledge is more important. Furthermore, experiential knowledge creates more “real” opportunities and strengthens the feeling of the opportunities explored, compared to objective market knowledge.
Another distinction of knowledge is the one between *general* knowledge; marketing methods and consumer behaviour, and *market specific* knowledge; business climate, culture patterns and characteristics of the individual companies and their people. Both kinds of knowledge are useful when operating on a new market, however general knowledge can be acquired more easily and transferred from one market to another, meanwhile market specific knowledge comes from mainly own experience in that specific market.

The link between market knowledge and commitment is that the greater the knowledge about a specific market is, the greater are also the resources devoted to that market. As mentioned before; when a large amount of resources are devoted to a market, the commitment to that market increases.

**Change Aspects**
The *change aspects* are all about what is actually making a change in how a market is perceived. Ongoing activities such as business trips, meetings, marketing efforts, market research etc. along with commitment decisions affect the market knowledge and the commitment about that specific market.

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<th>Current Activities</th>
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<td><em>Current activities</em> on a market provide a company with experience and specific market knowledge. When carrying out activities; both <em>firm experience</em> (internal knowledge about the company and its culture) and <em>market experience</em> (people with knowledge and experience about a specific market) are needed in order to interpret the inside information and market information correctly.</td>
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One option is to hire people with the specific market experience and make use of their knowledge -a setback could be the time it takes to integrate that person in the company. However, if the person has already worked as a representative for the company the integration process is not that long; an effective way to gain market experience is therefore to involve representatives or even buy a part or the whole company in the specific country. Unfortunately, this kind of knowledge is not always for sale and might not even exist at the point of entry which is why the long road of experience and learning through current activities makes the process proceed in a much slower speed.

What needs to be considered when carrying out these business activities is the delay in time between the activity itself and its consequences. Marketing activities is a good example of how resources committed to a market creates an increased commitment to that market. The more complicated the product is the more market activities are needed, with the result that commitment increases even more.

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<th>Commitment Decisions</th>
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<td><em>Commitment decisions</em> (decisions about what resources to devote to foreign operations) are based on perceived problems and/or opportunities on the market, which further depend on experience in that specific market. Both problems and opportunities are identified primarily by those responsible for activities in question and both findings normally lead to some kind of extension of the current operations; increased commitment in order to examine opportunities or increased commitment to ‘fix’ occurring problems. Opportunities may also be identified by individuals with whom the organization is interacting with. This partner might propose an offer or create demands for the company in question. The more committed a company is to a market, the higher are the chances of being offered external opportunities.</td>
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3.2.3 Criticism to the Model

As mentioned in the introduction the IP model and its implications have been the target of a lot of criticism, which is rooted in the fact that the model is old and the business climate of today has changed quite a lot since the model was first presented. We believe it is necessary to bring forward criticism that other researchers have directed to the chosen model.

**Deterministic Model**

One of the major issues has concerned the “stages theory” deriving from the establishment chain. The model is considered too deterministic, (Reid, 1983; Rosson, 1987; Young et al. 1989) meaning that according to the IP model, companies who go international have no choice but to proceed incrementally, and have to follow the given steps. The same critics argue that the choice of entrance depend on factors such as foreign market opportunity, the firm’s internal resources and the selection of export mode, affect the decision to go international to a larger extent than psychological distance and insecurities of markets.

**Too Simple**

The model is said to be too simplistic and general, lacking explanatory power. It is hard to identify how the process proceeds and move on from one stage to another, and the time dimension is ignored. Other critical factors such as the company’s export behaviour are lacking and should be added. Furthermore; it is difficult to test the model in order to see if it actually works, since the theoretical level is so different from the operational. Evaluation of the IP model suggests that it has the potential to explain the initial stage of the internationalization process only, provided that additional research complete the model and its mentioned weaknesses (Andersen, 1993).

**Leave out Strategic Planning**

Another opposing argument is that companies do have a strategic choice when it comes to entering a new market. Internationalisation strategies play an important role and the internationalization process involves strategic thinking and action, but is mixed with emergent developments, chance and necessity (Johanson & Vahlne, 1990 p14-15).

**A Changed World**

One of the major reasons for why the IP model has been questioned, and the reasons for why we aim to develop it further, is that our world has changed quite a lot the past decades and the IP model has lost much of its explanatory power when it comes to incremental internationalization. Things occur much faster and easier today; information flows, monetary transactions, transportations, cultural integration etc., and the way companies compete on the international market is so different compared to in the 1970’s (Hedlund & Kverneland, 1985; Sullivan & Bauerschmidt, 1990).

3.2.4 Improvements of the Model

The creators of the IP model are today surprised of how their initial model has managed to survive for so long in the world of international business research. As mentioned above, a lot of criticism has been directed to the theory they represent but the IP model is still of current interest. Johanson and Vahlne (2006, p166) state that the model would have been created in the same way today, however with a somewhat different underpinning.

The authors clarifies that the IP model is not synonymous with the establishment chain, but solely the empirical phenomena observed when creating the model (Johanson & Vahlne 2006, p 166). The IP model has rather behavioural theories as its theoretical base (Cyert & March,
1963) and focuses on the relation between market commitment, market knowledge, current business activities and commitment decisions (Johanson & Vahlne, 1990).

When taking part of the Johanson and Vahlne’s more recent work it is obvious that the expression of stages and the focus on psychic distance has been replaced by knowledge and how relationships in different forms can create mutual commitments. Furthermore; they focus on relationships and networks in order to obtain this kind of knowledge and explore opportunities in the market place. The model beneath is to summarize how the IP model has changed focus and developed:

![Figure 4: Improvements of the IP model (Own)](image)

**Dual Focus on Commitment**
Experiential learning and commitment building was initially related to the company in focus only, however with time, the authors realized that this process occurs as an interplay between at least two partners (Johanson & Vahlne, 1990) where there is a mutual interest for future business and where new business opportunities are developed (Johanson & Vahlne, 2006 p168). Furthermore; if the partner company is linked to a wide network of shared knowledge which the exporting company can get access to, the relationship is worth so much more than just future business with the partner company in question. Setbacks with this type of reasoning though is that the process is time-consuming and risky, since the relationship and knowledge access may not always develop the way it is supposed to (Johanson & Vahlne, 2006 p168).

**Relationships & Networks**
A relationship might be formed because of an unplanned event but could also be systematically searched for in order to suit the company’s agenda. A relationship is according to Johanson and Vahlne characterized by “... mutual existence of interdependence, trust and knowledge about each other in many dimensions such as capabilities, needs and routines” (2006 p169). Although one should be aware of that it takes time to build relationships and sometimes the relationship does not result in what the company expects. However; because of the time and the efforts spent on building a relationship works well, it should be regarded as an asset for the company (Johanson & Vahlne, 2006 p169).

One of the main reasons for involving oneself in a relationship is to learn from each other and create new knowledge (Johanson & Vahlne, 2006 p170). Some of the knowledge is easy to acquire by simply just take part of the information meanwhile some knowledge can only be obtained by experience (Penrose, 1959).

We have so far spoken of relationships as existing between two partners and how that can generate knowledge. It is important to realize though that each partner have their own set of relationships. When a company involves in a relationship with a new partner, it engages in an even wider network of relationships. These networks are crucial for getting access to more extensive knowledge and to create new opportunities (Johanson & Vahlne, 2006).
Network or partner commitment is of great importance, not only for uncertainty reduction, but also for opportunity development. A company engaged in a network of business relationships is involved in some way with customers, customers’ customers, suppliers, distributors, agents and public agencies and so on. Industries can in the same way be regarded as networks of businesses and can involve partners from around the globe. Business relationships and industrial networks are subtle in nature and difficult for someone from the outside, for example a potential entrant, to observe –inside experience is the only way to gain market knowledge. The IP model is because of this an inter-organizational process involving external companies in the company’s internationalization process, and not just an intra-organizational process where the company on its own creates opportunities outside its domestic market (Johanson & Vahlne, 1990 pp18-19).

The network view argues that an exporting company first of all engage themselves in domestic networks that eventually can bridge to international business relationships. Since there is normally no legal connection between the companies involved in these networks, social and cognitive ties play an important role. Personal influence on a business relationship is expected to be of most importance in the early stages, followed by routines and systems later on in the process (Johanson & Vahlne, 1990 p20).

Opportunity Development
We know that the IP model has been questioned for its incremental and planned internationalization process. Researchers (Kirzner, 1973; Denrell et al. 2003) have argued that many international companies’ actions are the result of a serendipitous strategy, where some efforts as well as luck combined with a natural alertness and flexibility create opportunities for international activities.

Although serendipity has an impact on every aspect in life, a serendipitous internationalization strategy can be argued though; Shane (2000) has found that prior information have a strong impact on who discovers entrepreneurial opportunities and suggest that the company should look for opportunities in areas they are familiar with, (and have experience in) rather than doing what seems to be popular at the moment.

Based on this, Johanson and Vahlne (2006) conclude that a connection can be made between privileged knowledge derived from good relations with a partner, and created opportunities on the market. They withhold that the process is the same as for the IP model and relationship development.

3.2.5 Theoretical Limitations
Internationalization theories involve many different fields of research and focus and the Internationalization Process Model is only one of them. We therefore feel obliged to mention theories we have come across, but for various reasons decided to neglect.

The Eclectic Theory
The eclectic theory was presented by Dunning in the 1950’s and explains the scope, form and pattern of international production (Dunning, 2001). We know by now that international production is in accordance with the final step of internationalization in the IP model. However this might not be such a natural move for small, born global firms to make, which is the main reason for not exploring this theory further in our thesis.
Transaction Costs Theory
The concept was first introduced to economic analysis by Ronald Coase (1937) who argued that transaction costs (costs involved when making an economic exchange) appear for companies going international when for example searching for information, finding partners, negotiating contracts and so forth. When the transaction costs reach a certain number, it might be more profitable to internalise, i.e. set up own sales organisation in a specific country. Although the transaction cost theory is line with both the IP model as well as a possibly advantageous move for a born global company, our research will mainly focus on behavioural aspects of a firm’s internationalization, this theory regarding costs and figures is therefore of less relevance, and also the reason for excluding it in this study.

The Innovation-Related Internationalization Model
This model, presented by Bilkey and Tesar (1977) describes the very same incremental process as the IP model, however with an innovation-related perspective stating that internationalization decisions are considered an innovation for the firm. The model is behavioural-oriented and considers internationalization to occur in a number of steps with export as the first. (Andersen, 1993) Because of the similarities between the models we have chosen to focus on the IP model only, partly because this model seems to be the most accepted one in the research field of internationalization but also because the IP model is much more developed and have made more attempts to approach today’s business climate.
3.3 Relationships and Networks

The necessity of relationships and networks for born global companies was mentioned in the first part of our theoretical framework, furthermore; improvements regarding the IP model with emphasis on relations and networks have been presented briefly. It is obvious that relationships and networks play a part in both theories, however we believe it needs further developing which is why this last part is now presented.

3.3.1 The Connection

*Relationships* are formed continuously. Companies are heterogeneous which means that they can relate to each other in different ways, adjust gradually with time and eventually become more depending on each other (Anderson et al., 1994).

![Figure 5: Model of relationships and networks (Own)](image)

The term *network* is an abstract notion that is referred to a combined set of links and relationships which connect them (Fornbrun, 1982). We have displayed this in figure 5; a relationship between two companies, for example A and D; gives company D access to knowledge and information from C and B, and in return company A achieve valuable information that might derive from company E. Together all these companies make up a network of alliances and relationships. It is obvious that companies who make use of a network like this get access to invaluable information and create future business opportunities.

Networks are a source of information to companies regarding what is currently happening on the market. Companies placed in the centre of this network, in the model company C, do naturally obtain specific and extensive knowledge, and much earlier, in comparison to their competitors (Sharma & Blomster, 2003). It is even said that a company who achieves a central network position can easier leverage and make use of its position for further country expansion (Autio et al., 2002).

3.3.2 Impact of Culture

The impact of networks has affected the business world in recent years, networks are said to “*reshape the global business architecture*” (Parkhe et al., 2006, p 560) and bring a single, autonomous firm into dyadic alliances, global networks and eventually becomes virtual companies. Network theory development has been criticised though, for its unwillingness to take cultural influences such as; national culture, attitude towards cooperation and “willingness to trust outsiders”, into account (Park & Ungson, 1997). Many ideas connected
to network theory such as status, prestige, influence power, trust and social capital, are definitely depending on a country’s host culture, and the network theory should more fully grip the phenomenon of globalization (Parkhe et al., 2006).

One way to address cultural differences and to overcome problems with relationships and networks with different countries is to actually involve people with different backgrounds. Joshi (2006) speaks of diversity in teams (we use the term company) and how it can create access to a wider set of external networks and how this can enhance a company’s knowledge and improve performance. It seems natural that a company with a more diversified workforce has an advantage compared to others when it comes to working the international marketplace.

3.3.3 Networks as Policies

Internationalization of a firm and the use of strategic planning are, in contrast to the critique presented before, possible to combine. According to Welch & Welch (1996) this is done through the use of networks; network development can not be controlled but the importance of networks must be recognized and supported by management through for example deliberate company policies.

Welch & Welch (1996) also argue that careful management is required to make sure that formal planning involves these clearly defined policies and strategic planners within the company, they must be well aware of important company relationships and be able to identify these. The complexity involved in network mapping is that those people trying to identify networks are often outsiders to the very network they are trying to map. This is the case particularly in international markets where geographical and cultural distance accentuates the differences. This emphasize the importance of building strong linkages to key actors within the company so that those separated from day to day operations still have access to the networks a company takes part in. Another way for management to actively take part in important relationships and networks is to visit foreign market and strengthen important network connections.

A company should have at least two people in contact with key foreign networks in order to avoid loosing access or information because of a single person’s withdrawal or disappearance and even reliance on people for visits etc. This can be accomplished through staff rotation, job sharing or alternating staff. These kinds of policies help monitoring and protecting networks as well as assist knowledge development (Welch & Welch, 1996).
4. Practical Methodology

This fourth chapter will explain how our research has been conducted in practice. Included in this section is the selection of research method, data collection and how the interviews were performed. Moreover the respondent validation has been discussed. Finally the chapter will present how our analysis of empirical data has been carried out.

4.1 Selection of Research Method

Our selection of research method is based on our research problem where we want to develop an existing model. We decided to examine a company to see how its internationalization has occurred, this in order to see how it relates to the existing model. We selected a qualitative method which normally aims to analyse “soft data” in forms of words rather than figures from questionnaires (Bryman, 2006 p 249).

Our aim has been to gain a deep understanding of the model, and interpret its relation to the business climate of today; moreover we want to develop the model rather than to verify or falsify it. A qualitative method was therefore the more suitable alternative. By choosing this method, we have been able to draw significant distinctions compared to the results we would have achieved from a quantitative research (Saunders et al., 2007).

Our qualitative research was carried out as interviews from where the data has been collected and interpreted.

Our qualitative analysis is carried out in the following order:

1. Formation of general interview questions.
2. Choice of relevant respondents.
3. Data collection.
4. Interpreting data.
5. Analysing data and theories simultaneously.
6. Conclusions and suggestions made out of analysis.

4.2 Selection of Respondents

4.2.1 Seaflex AB

Physical access to appropriate sources is crucial in order to obtain primary data (Saunders et al., 2007). The access issue was a major reason for selecting Seaflex as the representative for a born global firm in our research. Since one of us had been in contact with Seaflex before, there were no problems with getting in contact with adequate respondents.

To make sure Seaflex could be defined as a born global company; we decided to carry out a pre-interview with the CEO, Lars Brandt. After we had labelled Seaflex as a born global company as well as achieved important background information, our research could proceed.

Further reasons for choosing Seaflex was the company’s geographical location (close to us) and the fact that the company is a known international company in the region. Hence, Seaflex was a suitable and convenient selection according to us.
Employees with key roles (suitable working positions and working tasks) at the selected company were asked to take part in our interviews. The CEO furthermore confirmed our selection of respondents. Our conclusion was to interview:

**Lars Brandt; CEO at Seaflex**
Lars is son of the innovator of Seaflex, the owner of the company and the person with the most insights of the organisation. Lars has the main responsibility over personnel, strategic decisions and the general development of the company.

**Anders Berntorp; Export Manager at Seaflex**
Anders was the one with a great deal of both practical and theoretical knowledge, mainly from working with the Swedish Trade Council since 1982 but also from working with Seaflex since 1999.

**Brian Burns; Market Director at Seaflex**
Brian is fairly new at Seaflex but has worked in different countries before and therefore has great international knowledge and experience. Our belief was that he could provide us with a more international view on Seaflex and how it relates to the market.

**4.2.2 The Swedish Trade Council**
In order to get a different perspective than Seaflex and to see how companies similar to Seaflex (small, high technological) are advised to carry out their international operations we decided to contact the Swedish Trade Council. After speaking with a representative at the head office, we were directed to the regional office here in Umeå since our questions would concern small companies trying to establish themselves on the international market.

**Magnus Persson; International Trade Advisor for the Swedish trade council**
Magnus is the main representative for the Swedish Trade Council in Västerbotten which is why we selected him for our interview.

**4.2.3 Critique to Selection of Respondents**
Critique could be directed to the fact that we have focused on one organisation only. However; we found it hard to identify companies under the definition born global where we had the same access as we had with Seaflex. To gain a comprehensive understanding of the internationalization of a company like Seaflex takes time, and unfortunately time was a restraint in this research.

Further interviews could have been conducted at Seaflex with for example the market directors for North America and Asia, however these were not physically available within our time spectrum. Another reason was that during our last interview we started to feel satisfied with the information we achieved, meaning that we recognized most of the respondent’s answers.
4.3 The Interview Process

Our research design needs to be presented since it defines the kind of data that have been collected. Furthermore we have to make sure the design fits the research problem. Since we have mainly focused on one organisation in this study, our research could be viewed as a case study where the researchers concentrate on a certain episode or organisation (Bryman, 2006). One could argue that the feeling of conducting a case study can be bit “unscientific”. However, according to Saunders, Lewis & Thornhill (2007 p 140) a case study can be worthwhile when exploring an existing theory, which is the case for us. Moreover, a well-constructed case study strategy can allow us to challenge an existing theory and in addition also provide a source of new research topics.

4.3.1 Type of Interview

This first pre-interview we conducted was unstructured, meaning that we let Lars speak freely about the history of Seaflex, its background, the product and how they work in general.

However, the rest of our interviews were carried out in a semi-structured manner since it encourages a dialogue between the interviewer(s) and the respondent, we had the ability to pose relevant follow-up questions that come to our mind during the interview. Critique against semi-structured interviews is that the interviewer might affect the respondents and their answers by interacting in more of a dialogue than a formal interview. However; we had this in our mind during the interviews and tried not to affect the interviewee in any negative matter but solely retract as much information as possible. The main reason for not selecting a structured interview was that it would not give enough room for the respondents to express themselves freely. The unstructured way of interviewing is on the other hand time-consuming and makes it hard to retract the exact information needed. Hence; a semi-structured interview technique with a number of themes was selected (Bryman, 2006, p 300-304).

4.3.2 The Interview Guide

When designing the interview guides (Attachment 1), we broke down our theoretical framework into a number of themes and then formulated questions related to each theme and respondent, this to avoid loss of focus on the research question, all in line with Saunders et al. (2007, p321). Our aim was to be as open as possible and not pose leading questions. We explained to the respondents at Seaflex that our questions were aimed for them to answer for the whole company, but some of the questions were more personal.

The interview with the Market Manager was conducted in English, except for translating the questions this interview followed the same manual as the one with the Export Manager. Our interview with the CEO had some additional questions regarding Seaflex as an organisation, personnel and strategic decisions in the past and in the future. Finally, for the interview with the International Trade Advisor at the Swedish Trade Council we came up with a new interview manual with more general questions regarding internationalization for small, high technological firms.

We decided to not send the interview guide to the respondents in advance. This to avoid having the respondents discussing the interview questions with each other beforehand (at Seaflex); furthermore we wanted their answers to be as spontaneous as possible and not too “over-analyzed”. Also the interview guide to the International Trade Advisor was neither sent in advance for the same reasons as above, a spontaneous interview.
4.3.3 Performing the Interviews

Initially, our contact with the respondents was through e-mail and phone in order to decide when and where to meet. The most natural way of interviewing according to us is to do it face to face. Even though we have not interpreted the respondent’s body language, tone of voice etc. intentionally, we believe that we have achieved a more correct understanding of the respondent’s personality by meeting them in person. Since the office landscape at Seaflex is open we found it hard to carry out our interviews undisturbed, we therefore decided to meet the respondents in their homes. The interview with Magnus Persson at the Swedish Trade Council was also carried out face to face at his office.

The interview process should be flexible so that the respondents can understand and interpret the questions in a correct manner (Bryman, 2006 p301). Our interviews turned out to be fairly open, more of a discussion between us and the respondent where we filled in with follow-up questions when we wanted the answers to be clarified. We followed the pre-determined themes although the specific questions were not always asked in the exact order.

Because of our previous experience with Seaflex, we decided to let the one of us with the least experience to lead the interview and pose the predetermined questions. The other one took notes during the interviews and handled the tape recorder used as a backup, to make sure no relevant information was left out. We did not transcribe our interviews since we found our notes, complemented with listening to the tape, to be sufficient.

During the interviews at Seaflex the respondents were all very accommodating, showed large interest in our topic and answered our questions without any problem. Therefore, we argue that the access of all respondents at Seaflex were good. We would also argue that the access of the last interview with the International trade advisor was good since he was really interested in our topic and very keen on answering our questions in a correct way.

We carried out five interviews in total. One pre-interview with CEO Lars Brandt, three interviews focused on internationalization and then one interview with a more objective view on internationalization with the Swedish trade council.

<table>
<thead>
<tr>
<th>Name</th>
<th>Title</th>
<th>Organization</th>
<th>Date</th>
<th>Duration</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lars Brandt</td>
<td>CEO</td>
<td>Seaflex</td>
<td>25th of April</td>
<td>2 hours</td>
</tr>
<tr>
<td>Anders Berntorp</td>
<td>Export Manager</td>
<td>Seaflex</td>
<td>10th of May</td>
<td>2 hours</td>
</tr>
<tr>
<td>Brian Burns</td>
<td>Market Manager</td>
<td>Seaflex</td>
<td>11th of May</td>
<td>3 hours</td>
</tr>
<tr>
<td>Lars Brandt</td>
<td>CEO</td>
<td>Seaflex</td>
<td>21th of May</td>
<td>2 hours</td>
</tr>
<tr>
<td>Magnus Persson</td>
<td>Int. Trade Advisor</td>
<td>Swedish Trade Council</td>
<td>22th of May</td>
<td>1 hour</td>
</tr>
</tbody>
</table>

4.3.4 Critique of Primary Sources

We would like to argue that the selections of respondents in order to answer the research problem was done in a correct manner and well thought through. However, there are some relevant issues regarding our interviews that can be discussed.

Due to an open office landscape and lack of undisturbed space at Seaflex’s office, we decided to conduct the interviews with Anders and Brian in their homes. The interview with Lars Brandt was conducted at the office but after office hours.

According to Saunders et al. (2007, p321) a location where the respondent feel comfortable in should be selected. However, critique to the interviews we conducted in the respondents’
homes might be that they were a bit too relaxed which might have influenced their answers. Regarding the interview conducted in English with Brian Burns, some cultural differences might have led to misinterpretations (Saunders et al., 2007 p327). This was something we were aware of though and tried to have in mind when conducting the interview, we tried to be as clear as possible to avoid misunderstandings. Even though both of us are fluent in English, the fact that we conducted the interview in another language than our native tongue can have affected how we interpreted his answers. Hence we asked him to elaborate further on issues where we found the answers a bit unclear. When meeting with Lars it was late afternoon and it could have affected him, and us, in a way that we were a bit tired after a long day. This was one of the reasons for why we recorded the interview so that we would not miss out on relevant information.

Another issue during the interviews at Seaflex was trying to keep the respondents on the right track; some of the respondents were eager to talk and could often end up on side tracks. To be time efficient, we tried to stop them when talking about irrelevant issues and proceeded with the next question. Even though one of us posed the questions during the interview, both of us took part in the discussion and filled in with follow-up questions.

Critique against the interview with the International trade advisor, Magnus Persson, was that he could only meet us for one hour due to lack of time in his work schedule. Our questions were adjusted so that we would not exceed in time. However; we think that we had enough time to sit down in a relaxed atmosphere and conduct the interview. Although his answers were a bit brief, they were very precise and enough satisfying for us.

Finally an appropriate and natural behaviour from the interviewer is of importance in order to reduce the scope of bias during the interview (Saunders et al., 2007 pp 325-326). We tried to be calm and natural during the interview; not too positive nor too negative, to avoid influencing the respondent in any way. Moreover, we avoided posing leading questions and gave them time to think about their answers.

4.3.5 Respondent Validation

Respondent validation is common within qualitative studies and a good way to confirm that the researcher’s interpretation of the interview has been made in an accurate way (Bryman, 2006 p259). To make our interpretations as flawless as possible, we asked the respondents if we could send them our summarized findings to go through, before publishing our thesis. They agreed to read it through and made a few comments where something was missing or misunderstood. For example we made a correction when Lars realized he had given us a wrong amount of countries where installations have been carried out. We also completed our findings with e-mails when additional information was needed (years, names etc.)

4.4 Analysis Method

As mentioned, our empirical findings were mainly gathered during the actual interviews and completed with the recordings. In the presentation of our empirical data we have used the selected themes derived from our theory and used in the interview manuals. Since we combined all interviews from Seaflex in one chapter, we wanted to ensure a clear and visible structure. We separated the presentation of Seaflex findings and the empirical data from the Swedish Trade Council. To strictly follow our themes might have had an impact on how
freely we could interpret the data; we have argued that it is of greater importance for the reader to easily follow our presentation.

According to Saunders et al. (2007, pp489-492) there are a number of ways to analyze qualitative data from a deductively-based procedure. In our analysis we have used the themes in theory and empirical chapter to compare differences and similarities in the existing model and the way born global firms internationalize. In the analysis however we structured it mainly according to logical aspects, all in order to facilitate the argumentation for the reader.
5. Empirical Findings

In this section there will first be a short presentation of the studied company followed by data retracted from our respondents, finally the interview with the Swedish Trade Council is presented. The significant findings will then eventually be discussed in our analysis and further generalized in our conclusions.

5.1 Background – Seaflex AB

Seaflex is a company that produces and sells a flexible anchoring system for floating docks. The product is just like the company called Seaflex, and was created by innovator Bertil Brandt in 1970 when he thought of a way of securing pontoons and floating wave attenuators in marinas, after having observed their vulnerability to storms and powerful winds. The first Seaflex was installed in 1975 and the product was patented in 1980. Today there are about one thousand installations in over 30 countries. Interesting and important to mention is that Seaflex has grown organically without external finances.

The headquarters of Seaflex is situated outside Umeå, Sweden in the village Stöcksjö. This is where 10 of the 11 employees are working and where the product is produced. The company has a sales office in Florida, USA where one person is employed.

This first part is based on the pre-interview we had with CEO Lars Brandt.

5.1.1 The Product and How to Sell It

Seaflex is used for anchoring docks in different conditions. The difference with Seaflex compared to traditional anchoring methods like piles and chain, is that it is an elastic anchoring system. The main components are single or multiple rubber hawsers that hold up to 1000 kilo each. These hawsers elongate and retract with horizontal force created by varying wind/wave/current impact.

The main selling arguments for Seaflex are:

- **Economical** Easy to install, long-lasting solution with hardly any maintenance.
- **Technical** Automatically adjusting and customized solution for different water depths.
- **Environmental** Does not harm the seabed or corals. Make a clean impression without disturbing piles and the dock stays still.
- **Quality** Dimensioned, tested and well-proven system with a great reference base to refer to.

Seaflex’s direct customers are dock manufacturers who produce floating docks; commercial (marinas etc.) and private docks. The largest dock manufacturers build docks all over the world. Seaflex works on project basis where each project is a marina or dock being built. A normal procedure when working with a project starts with an inquiry from a dock manufacturer, which are different companies that are planning and building marinas. Seaflex calculate and design the marina or dock supposed to be anchored and then submit an offer. If the dock manufacturer that Seaflex works with win the project, the Seaflex is produced, delivered and getting paid for. At some projects (especially the big ones) there is more than
one dock manufacturer competing to win the project. This makes it difficult from Seaflex’s point of view to know how much time and resources to dedicate and if it will be worth it in the end.

In order to sell Seaflex the company has adapted a strategy to focus on dock manufacturers who include Seaflex with their own docks and sell the complete solution to the end-user (for example a marina owner). The Seaflex personnel are not that focused on selling Seaflex, the company speaks instead of the importance of convincing their customers of the Seaflex technology and to build a relationship with the customer. The CEO, Lars Brandt mentioned that they have such belief in their product that if they make the customer realize the benefits with the product, they will convince the end-customers to choose Seaflex instead of piles or chain.

5.1.2 The Anchoring Market

The anchoring market for floating docks can today be divided into traditional and flexible anchoring solutions. The latter can be defined after that Seaflex created its own niche on the market with a product that uses a different technique to solve the anchoring problem in such a changed way.

Chain and pile manufacturers see the anchoring market as only one application of many they work with, meanwhile Seaflex focus on this market only and actually make business out of anchoring only. After the patent expired in some countries in the mid 1990’s, a few counterfeit products have entered the elastic anchoring market but with no real success yet.

5.1.3 History

After our pre interview with the current CEO, Lars Brandt we found out that Seaflex was innovated in 1970, and the product was initially sold by a company called Gislaved, as one of many products in their assortment. Many users appreciated the function of Seaflex, however the quality was varied and the required additional services that many times were lacking. Lars, who is also the son of the innovator, got more involved and ran the company as a leisure pursuit from 1987 with his sister and a close friend from a small garage in Umeå. There were different views on how to pursue with the company. According to Lars, he had greater visions and plans for the company than his sister did. Eventually Lars’s sister was bought out from the company.

In 1996 the company had a turnover of about one million SEK and had signed an exclusive deal with Swedish dock manufacturer Pontona, who after a few years went bankrupt. The interest about the product on the Swedish market was then cold since the rest of the manufacturers had been competing against the solution in the past. Relations with the Japanese market and the huge dock manufacturer Yamaha had been established through the former deal with Pontona and Lars along with his friend and colleague worked out a distribution deal with Yamaha in 1995. But it was not until 1999 that Lars quit his job and started working with Seaflex full-time. This is when all our respondents consider the company to have started its business “for real”.

Since 1999 things have proceeded fast; the turnover for Seaflex gone from 4 to 20 millions SEK (2006) and the company has employed 9 more people during these seven years. Furthermore they have increased their reference base both in quantity and quality of projects. Before, the main spectacular reference was a project carried out with the popular movie “Free Willy” where Seaflex secured the underwater cage for the killer whale. In 2001 Seaflex
secured a big marina in England that won the “Honda Marine Environmental Award” partly because of using Seaflex, and the project became a valuable reference. In 2005, Seaflex installed the impressive sailing marina for the Olympic Games in 2008, a prestigious project in the industry. Furthermore the company has just recently delivered Seaflex for an ongoing project in Dubai and the Palm Islands, considered to be “the world’s eighth wonder”.

5.2 Interviews with Seaflex AB

5.2.1 Presentation of Respondents

CEO Lars Brandt
As mentioned above, Lars’ father invented the product and he is today the main owner and CEO of the company. Lars has been actively involved with the product since 1987, but has been working full-time with the company from 1999. Lars has a background of marketing and business studies and has worked as a sales representative for IBM dealing with business computers for companies in the northern part of Sweden.

Export Manager Anders Berntorp
Anders has worked as export director for the Swedish Trade Council from 1982 and has been involved with Seaflex from 1999. Anders has great knowledge and experience when it comes to export, has even written a book within the field, and was of great help for Seaflex from the start. Anders speaks Swedish, French and Spanish which has been useful when working those markets. Today Anders runs his own business, working with export consultancy. He has some ownership in Seaflex and work part-time (80%) on consultant basis for Seaflex.

Market Director Brian Burns
Brian is originally from Ireland, has a degree in mechanical engineering and a bachelor degree in production/management and has worked in Ireland, France and Germany. He speaks English, German, French and Swedish. Brian got in contact with Seaflex when he worked for a supplier of the company. A good relation was developed and when Brian quit his job in 2005, Seaflex was fast to recruit him.

The following presentation of our empirical data will be presented in the number of themes used in our interviews. Since we asked the respondents to answer for Seaflex as a company, and not according to their own opinions, our presentation is mainly an integrated and combined view of the company and the respondents we interviewed. However in topics where the views or the answers seemed to differ, we presented the views as opinions of the respondent himself.

5.2.2 Internationalization

According to Lars, Seaflex realized quite early that their domestic market was too small for what they were capable of; partly because of the Swedish customers’ attitude towards Seaflex, but most of all because of the limitations on the market. Furthermore the product is customized for each environment but universal when being produced, and can easily be used in all parts of the world. Consequently; export became an important strategy for growing and expanding the business. Since Seaflex is quite alone on the market niche they exist on (the elastic anchoring market), the real competition that in many ways inspires a company is a bit
left out. However the challenge to replace the traditional ways of anchoring a dock (chain and piles) remains, and keeps the company at the top of their game.

We sense a challenging atmosphere in the company, much inspired by the owner and CEO Lars Brandt. He sees it as something positive to take on the world with such a small company, to create something great out of something small. The positive aspect of being a small firm is that everyone involved can actually make a difference and experience the implemented changes. Market director Brian Burns emphasize the importance of thinking of internationalization as something stimulating and fun, because it can also be tiring in the long run to travel as much as the market people of Seaflex do. The personal interest of travelling and making international business must exist.

Seaflex has a sales office in Florida, USA. Lars argued that this was however not a deliberate strategy but rather a consequence of the fact that one of the employed sales person decided to move to USA and Seaflex agreed on that he could set up a sales office there.

During the interviews we got the understanding that there are different views on how to look upon internationalization within the company. Export Manager Anders Berntorp has more of a traditional view and considers the domestic market to be of importance even though the Swedish market has much less potential than other ones. Furthermore, he is of the opinion that a company normally should aim for markets nearby with similar structures and cultures. For Sweden, such a market would be Norway or maybe Germany. The first international market that Seaflex entered was Japan, which can seem a bit strange with its totally different culture and geographical distance. A good relationship with Yamaha Boating through the former dock manufacturer Pontona provided the company with an incentive to begin exporting to Japan. Anders was against this venture as a first export activity, but Lars decided to take the chance since the project itself financed the trip and the efforts investigated in that export activity.

**Modern & Traditional**

Brian considered Seaflex to be a classic example of both a traditional and completely new company. One example of this is what Lars mentions to be the use of technology which is extensive and the company embrace the use if technology, partly because of competence but also own interest. Seaflex started using the web in 1994 when people hardly knew what it was and today they communicate through Skype, MSN, e-mails and all kind of mobile technology. Furthermore Seaflex has six different nationalities represented among employees, which reflects a contemporary, modern business and of great use when doing international business.

Anders explained how Seaflex still value to meet in person, shake hand to create genuine relationships. They respect and use different approaches on different markets and companies. Both Anders and Brian stated that Sweden in general is a forerunner when it comes to using new technology and being adaptive to different cultures, all which make Swedes good at doing international businesses.

**Taking the Step**

When it comes to leaving what is familiar and cross national borders Brian mentioned the importance of “… being convinced and prepared for actually doing it!” Each member of the organization involved in the international affairs must decide that he or she wants to do it. A company must have quite a clear organizational structure, be able to speak first of all English and preferably other languages of use in specific markets. Finally, the company can not fear
challenges, instead embrace changes and be prepared for hard work. All our respondents believe Seaflex represents a company with a genuine interest and ability of doing international business.

**Seaflex’s Internationalization Strategies**

Lars mentioned that an outspoken strategy for the company was formed already in 1994 when he and his colleague worked with the company as a leisure pursuit. The strategy was then to inform the market about Seaflex as an alternative to traditional anchoring methods. Both Anders and Lars explained to us that Seaflex identified the largest, most active dock manufacturers and tried to work with each one of these on a real project so that the knowledge about Seaflex as an anchoring solution increased. Furthermore; when the project went through, both companies had a common reference project and even better, the activity had been self-financed, very important for a company like Seaflex without external investors.

Further Lars argued that today, the strategy has changed; since most customers know of the product and the company, they now want Seaflex to be the first hand choice for each dock manufacturer.

**The Distribution Channel**

All our respondents mentioned that Seaflex is privileged in many ways because their relationships with dock manufactures like Swedish SF, Finnish Marinatech and French Poralu. Most dock manufacturers keep the company posted on new projects, and when new marinas are being built and so forth. Some of the dock manufacturers even market Seaflex as a way of anchoring docks at boat shows, fairs and conferences they attend to. It was through these collaborations that Seaflex gained their spectacular references which they believe have helped to spread the idea of Seaflex.

According to Brian the dock manufacturers have in many ways been a springboard for Seaflex to enter new markets; simultaneously Seaflex has used a direct approach of going international by examining potential markets deliberately. Moreover he argued that Seaflex need to be proactive and have an international approach to get the chance to work with reference projects like Palm Island and Olympic arenas.

Anders, Brian and Lars stated that even though the dock manufacturers are the main focus, the company needs to maintain good relations with the end-customer in ongoing projects. Brian gave an example with a project carried out in Scotland where there were a number of dock manufacturers bidding on a project and where Seaflex worked with a few of them. The project eventually went to a dock manufacturers that did not even like Seaflex, however the end-customer was so convinced to use Seaflex so that was the result of the affair.

When speaking of critical decisions in the past, Brian mentioned the fact that Seaflex decided not to use exclusive deals, which means that every dock manufacturers has the ability to work with Seaflex on a voluntary basis. As mentioned, Lars and Anders stated that the decision to step away from the end-customers and instead focus their efforts on a few large dock manufacturers and create an impressive reference base was critical for the future.

Consequently we summarize that Seaflex’s distribution channel through the dock manufacturers, their reference base and the decision to not work with exclusivities have been crucial tools to make the international marina industry aware of Seaflex as an anchoring method.
View on Markets & Priorities
All respondents explained how the main markets are divided between the sales representatives, formally in geographical areas; Europe & Africa, North America and Asia (including Australia and New Zealand). However in practice the distribution is more based on personal interest and language skills. Brian is responsible for UK, Ireland, France and Germany meanwhile Anders deal with Scandinavia and Spain. Kent Johanson has sales responsibility for the North America and Lars has the organisational responsibility for this market.

When it comes to prioritising different markets, Anders mentioned activity on the market and market potential as leading aspects. Some markets are ignored due to time and capacity; because of natural reasons like no coast line (Central Europe for example). Another reason is economic standard of a country and its inhabitants, since it is quite considerable when it comes to building marinas. Boats are luxury products and the marina industry depends on people with money being able to pay for mooring their boat in a marina. China for example is developing extremely fast but it might still be a few years until marinas start being built. However Seaflex has employed Stig-Valter Karlsson as responsible for the Chinese market, mainly because of the huge project with building the Olympic Games Marina in Qingdao. Stig-Valter is travels in China a few times a year and keeps Seaflex updated with market information.

Brian explains that most parts of Africa and South America are of less focus because of the small number of registered boats and Seaflex’s limited time and resources. Moreover, Anders argues that when working internationally it is important to stay focused and not involve oneself in too many projects at the same time. For example when a customer in countries like Malaysia, Singapore, India or Korea contact for information, they are provided with it but they do not put other things aside just to satisfy these first.

Markets that Seaflex do prioritize are “industrial countries with boat sport” according to Lars, we have summarized the prioritised markets this figure:

- Europe:
  - Norway, Great Britain & France (has not penetrated these markets completely).
  - Ireland, Spain, Italy & Croatia (a lot of marinas are being built).
- North America
  - USA (east-coast in particular)
- Middle East
  - Dubai (enormous project right now; Palm Islands)
- Australia/New Zealand
  - Seaflex has a Swedish entrepreneur in Australia who works these markets, the company does not focus efforts themselves, but they have representation in this region

The general approach of how to sell Seaflex is the same in Sweden as in other markets. Brian mentioned that the domestic market is not of such importance; however Anders argues that the domestic market should not be neglected. As market director, Brian keeps an eye on sales figures and relationships with Swedish dock manufacturers and in terms of market activities Seaflex do the Stockholm Boat Show once a year. This is debated since the costs for attending are high and again, the market is not in focus.

Lars stated that there is a deliberate strategy to focus more on some markets and less on others, but since each investment on a market must pay off in a short term perspective, the company focus more on each dock manufacturers, what projects they work on and which countries they focus on.

5.2.3 Knowledge

According to Anders; fundamental knowledge is crucial when entering a new market. Seaflex works with dock manufactures mainly who possess a lot of important knowledge about different markets, knowledge that Seaflex can take part of. An example that Brian Burns mentioned was a dock manufacturer who took their product to Russia, nothing that Seaflex had planned to do, but in the end the company carried out a project with the dock manufacturer there because of that company’s knowledge about the Russian market.

Lars believes that our international business setting in general has become more forgiving when it comes to knowledge about different cultures and customs, he consider information regarding customers, their networks and so forth to be of greater importance.

Further he argued that Seaflex prioritises dock manufactures to work with, they find out how big they are (how much they produce) and what market shares they possess. Knowledge regarding size and how well-established the companies are is something Seaflex has gained from working within the industry. Furthermore they keep themselves updated by reading industry magazines, attending boat shows and exhibitions, make personal visits, internet and talking with people in general.

All respondents argue how important it is to document obtained knowledge so that it does not stay with one person only. The company has an administrative system where the documentation of customers and distributors is gathered; every detail and every phone call is registered. Seaflex have several hundred dock manufactures in their system, this includes customers they have not worked with yet, today they work actively with around 25-30 dock manufactures. Filling in the info and knowledge must be done in a systematic matter so that new employees easily can use the information.

Brian mentioned that the information flow between Seaflex and the customer is important to be accurate from the start. The company has created a Project Data Sheet (the initial step of a project), where all the technical data from the customer is written down. This information is the foundation for the calculations made for the system. If problems with the installation should occur, the project data sheet proves what the system has been designed for and should hold. Overall, the company believes they have a good grasp of knowledge management.
Another way to acquire knowledge that Seaflex has made use of quite a lot is to tie knowledge to the company through people. One approach is to recruit people with specific knowledge and experience. Anders is a very good example of exactly this since he had over 20 years of experience regarding export but also to build international companies when he came to Seaflex. Brian was recruited from one of the suppliers partly because of his great knowledge about the British, Irish, German and French market that Seaflex has benefited from. Stig-Valter Karlsson was recruited because of his knowledge of China when it comes to language and culture.

Anders emphasizes the importance to tie knowledge to the company by attending seminars and other educative activities. Furthermore he speaks of having well-established relationships with the Swedish Trade council, the Swedish Chamber of Commerce, industry-people, engineers, customers and so on. This argument lead us into the next theme; cooperation.

5.2.4 Cooperation

From the interviews we got the understanding that Seaflex sees cooperation such as external relationships and partnerships as crucial for doing business. All our respondents stated that cooperation is necessary when working with export related businesses and these have been established deliberately. Brian declared that without cooperation Seaflex would not have been what it is today; “Seaflex lives and dies with cooperations.” was his statement. Just the fact that Seaflex has installations in 30 countries and consist of 11 people in total makes us realize the importance of cooperations in order to acquire right knowledge and necessary information.

Brian explained that most cooperations Seaflex has are informal ones, however the company has established a formal contract with some of the large dock manufacturers where they gain different levels of discount depending how much Seaflex they buy, how well they market Seaflex and if they install the system themselves. He also mentioned that the level of discount does not really reflect the cooperation, but it is very difficult to change once decided.

What is Valued?

When it comes to choosing whom to cooperate with, Anders mentions that the partner must have a serious approach, possess high competencies, be financially stable, be able to communicate, have a nice attitude towards Seaflex and be dedicated to the cooperation. Lars prefers cooperations with partners with a multi-faceted contact surface and emphasizes the importance of ethical stances and how these cannot be conflicted. Cooperation must add value!

Furthermore Lars explained that the foreign language abilities within Seaflex are important and without the several languages that the market staff speaks, they would have not been able to establish certain cooperations and carry out several of the projects they have. Furthermore Seaflex must be adaptive to different situations, to respect other organisations, their cultures and behaviour, for being able to establish relationships and cooperations.

Brian believe that culture do play a part when establishing cooperations, however; it is not always depending on what country a company or a person originates from, it is more how they value and use cooperations. He also mentioned that in some companies, cooperation is of second nature, and not considered as important. This is very depending on who represents a company and how personal relations are built up.
Cooperative Partners

Seaflex established cooperations are first of all those with customers, suppliers logistic companies etc., all crucial for a company’s operations. Brian described how Seaflex depends on good relations with their suppliers; lacking liquidity forces them to produce the product and pay for the material first when getting paid from the customer. The company relies heavily on their customers, the distributors, since these are often the face and mouth of Seaflex when communicating with end-customers, therefore this has to be first class cooperation.

Lars mentioned that cooperations are established with banks, the Chamber of Commerce, Swedish Trade Council and insurance companies. Because of the extensive cooperation with these, Lars thinks of them almost on the borderline of being suppliers. Universities have also been important cooperative partners most of all when it comes to research.

Seaflex has to reconsider every now and then if the collaboration is worth the effort, what they gain out of it. Seaflex contributes to their cooperations with many things, but most commonly they provide their cooperative partners with market and export knowledge, they keep track of all ongoing projects and dock manufacturers and have a lot of anchoring knowledge. Lars also stated the importance of that both partners benefit from the cooperation in some way.

Risks Involved

All respondents agree on the fact that there are always risks involved when doing business with other companies. Seaflex has to identify and handle these risks. To be clear when communicating without becoming tiresome is a way to avoid misunderstandings.

Payments are an ongoing risk that Seaflex deals with, whether if they will get paid for the products they have delivered, if the payments will be delayed and so forth. One thing the company has realized is that the payment terms must be explicit, serious and reliable.

Another risk concerns counterfeiting, former customers who copy the product and start producing their own. So far only two companies have done that. Anders believed that having control and keeping the companies close to you through cooperations and personal relationships prevent them from turning against Seaflex. Lars explained how they actually have discussed to cover some machines in the assemble workshop when receiving customers, this to avoid spreading crucial knowledge about the product.

Future Cooperations

When we ask for possible, up-coming cooperations, the respondents mention quality work such as ISO9000 to ensure the quality of the product. Insurance companies are another possible cooperation partner. If something goes wrong with an installation, someone has to be responsible. Brian also explained that Seaflex need to improve cooperation with designers (engineers) of the marinas and installations firms. Today this is done to some extent, the company tries to get in contact with engineers by attending conferences, giving lectures and market Seaflex and explain its applications as well as references. Relations with installation firms is very important to improve and increase since the number of people who can install Seaflex are not that many and most dock manufacturers do not do it themselves.

When asking whether there are other companies in the same kind of central position, the respondents mentions a company producing electricity poles for marinas. No cooperation exists today, but it could be developed in the future. Brian mentioned that he felt endorsement from the company when telling what projects Seaflex has been working with in the past; however Lars believed they have a different approach to cooperation and that one common denominator, in this case the distribution channel, is not enough.
Another way to make use of the established distributor network would be to initiate a structural cooperation with a supplier of diversified products for Seaflex.

5.2.5 Networks

According to our respondents, networks are important in the case of Seaflex. They view networks as a natural part of their business and welcome both formal and informal networks. Anders explained that Seaflex has always been taking part in network activities, although they are not as continuous as cooperations.

They also stated that the benefits from networking are many; that the company can easily come in contact with the right person and receive information needed much faster; the company can achieve valuable information they may not have asked for, but was served with it anyway because of the right contacts. Setbacks on the other hand are that it might be difficult to manage the accessibility and the information is hard to control. Furthermore; a risk with using networks could be that the company becomes over-reliant on others; some tasks are expected to be carried out by other people in a network. According to Brian, it takes quite a decisive moment to decide when it is time to internalize specific tasks instead of depend on others for carrying them out.

Example of Networks

According to our respondents examples of formal networks regarding support are the Chamber of Commerce and the Swedish Trade Council where a lot of market knowledge is obtained and valuable contacts are available. These institutions enjoy the collaboration with Seaflex as well since they can make use of their experience and success when it comes to export. Seaflex took part in a regional network called “The Exporter’s Club” where discussions regarding problems and opportunities were discussed. After a few years though most subjects had been brought up, and the network activities became less occurring.

Lars mentioned that the company has good relations with Umeå University and takes part in the valuable network the university represents. The interaction involves mainly technical aspects and issues, but collaboration has occurred with the Business School as well. The university is according to Lars the perfect place to obtain specific knowledge and create good relations with young competence.

Our respondents further argued that the relations to Seaflex’s customers create a valuable informal network which is further increased by attending exhibitions, seminars and conferences. This is also where they create critical relationships with industry people from all over the world, engineers, consultants, marina managers and politicians. These relations are based on personal contacts and Seaflex work hard to establish these.

The employees have personal networks from working around the world and the company seems to have realized the importance with personal attributes when recruiting people. Lars speaks of how they have discussed how to commercialize for example the important network Seaflex has in China that Stig-Valter Karlsson has created.

According to Lars, informal networks are very abstract and hard to maintain. It is also difficult to know when a specific network will become of use. He believes network structure and organisation will become an important issue in the nearest future.
Distributor Network
As mentioned Seaflex work with many different dock manufacturers and therefore has access to an important distributor network that could be viewed as a network where Seaflex achieves a lot of information. Because of the type of product Seaflex is, an inherent part of a complete system, the company becomes the recipient of data and sit on a pile of information derived from these networks. According to both Anders and Lars Seaflex has an optimal and unique position in the industrial network they take part in. Since all dock manufacturers compete with each other, Seaflex has a policy to never transfer information that they receive from one customer to another.

5.2.6 The Future

Our respondents all look very brightly on the future. Brian stated that the possibilities are limitless, for example Seaflex is at the moment mainly producing and selling the anchoring system to new marinas. Eventually these need to be replaced, and repeat sales will occur. Advance planning is necessary and the company has to be ready for that. Furthermore, Seaflex must be able to recruit the right kind of people, flexible with a broad experience and knowledge.

According to Lars, Seaflex aims for consolidating their position on focus markets at the moment. The goal is to make a number of dock manufacturers autonomous in terms of selling Seaflex as an integrated part of their product. The task for Seaflex would then be to produce, deliver, install and carry out all kinds of services needed, to provide their customer with brochures, selling arguments and facilitate the selling process.

The product has become more of a commodity product, accepted more and more on the market. Lars mentioned how they have quantified the market and believe anchoring for new marinas is around 500 million SEK per year, and with the replacement market included the figure is around a billion. The company has been self-financed throughout the years, however Lars speak of the possibilities if Seaflex would welcome external financing; organisational growth, higher sales volumes, different kind of management and a different structure.

Remote office management is another issue discussed. Brian mentioned that the company examines whether if they should have a couple of sales offices in markets where the activity is high, for example Dubai where hundreds of marinas will be built in the nearest future. Is possible to manage those businesses from Sweden? The company makes a continuous assessment of their activities; do they meet the demand on the market? Are the customers happy or do they demand a better service? These are all challenges for the future of Seaflex.
5.3 Interview with Swedish Trade Council

5.3.1 Presentation of the Swedish Trade Council

The Swedish Trade Council (STC) is a resource for companies planning to or already being involved in international businesses. Their services aim to establish and develop Swedish companies; their products, services and ideas on new markets. They are situated in 46 different countries and have approximately 500 employees. STC is partly owned by the government and partly by the Swedish trade and industry and has a turnover of 500 million SEK. The organisation is divided in regional, national and international offices. STC re-invest their profits in the organization by for example establishing new offices around the world.

Regional Offices: In Sweden there are 22 regional International Trade Advisors representing each county in Sweden. The regional offices work closely with both the national office in Stockholm as well as the international offices around the world. Moreover, STC cooperate with the Swedish Trade and Industry, the county administration, the Swedish Chamber of Commerce and companies within the county.

National Offices: The national office is more of a support office who develop market knowledge and statistics for both the regional and the international offices.

International Offices: In 46 countries, an STC office is located where Swedish companies can get assistance at that specific market with more explicit market knowledge. The international offices are also working close to the Swedish chamber of commerce and the Swedish consulates.

Altogether, the aim at the Swedish Trade Council is to help Swedish companies to grow internationally, and that goal is the same for the regional, the national and the international offices.

International Trade Advisor Magnus Persson

Magnus Persson is one of the 22 regional International Trade Advisors in Sweden. He is responsible for the county of Västerbotten and the office is located in Umeå. Magnus has been working for about 10 years with international trade.

Magnus main working tasks are divided between international activities (with the international STC), regional activities (county administration, municipalities and trade and industry) and about 70% of his time he works towards regional companies with export advising the management team, the export manager or the CEO of the company. These services are for free up to 3 full days in half a year, the companies receiving this free counselling can not exceed 50 employees and/or have a turnover of 10 million euro.

5.3.2 Duties of the Swedish Trade Council

STC mainly give companies directions of how to address the international market. If information about a specific market is needed, this might involve developing a competitive analysis, positioning the company, market analysis, global analysis and so forth. The main reason is for the company to get a broad foundation to stand upon when making decisions. Magnus emphasize the fact that if a company does not search for information needed, they will not be able to make sound decisions.
STC has developed a step by step program called “the export ladder” which involves a number of questions the company need to answer. This will make the company more aware of where they are and where they want to go. When Magnus advise smaller companies he first of all ask them to carry out substantial pre-work, set up a budget, an action-plan and decide who in the organisation to be in charge. After a certain period of time the company decides whether to continue with the plan or not. On the basis of that, the company then needs to position themselves.

According to Magnus, smaller companies do not have enough own resources to make their own global analysis. Lack of market knowledge can easily make a company loose market shares to competitors. An example Magnus mentioned was a small company that was very satisfied with their increase in market shares with 20%. In fact the market had increased with 30% at the same time, so in the end they had lost shares.

**Advice for Born Global Firms**

When talking with Magnus about small, high-technological companies, he said that these companies have even higher demands on their type of organisation and financial means, knowledge about whether if the product will suit the aimed market. Furthermore, he also argued that it could be preferable to have a partner to reduce risks. When it comes to the choice of entry market his advises are depending on the product and its characteristics; a company can either focus on a geographical segment or follow their larger customers, trying to develop a cooperative agreement with these (much depending on exactly where the customer goes and what position they withhold on the market). A third option Magnus mentions is to have a combined entry strategy. The decision of which option to choose is also depending on what kind of competencies the management possesses.

**5.3.3 Internationalization**

When asking Magnus what he believes are the main reason for why companies go abroad, he said mainly to find and attract new customers and increase its turnover. He also argued that due to fluctuations in the business cycle, companies working domestically expand internationally to avoid overcapacity when entering a down phase on the domestic market. Another reason to go international is that it can encourage large, domestic customers to follow since their product can be sold on new markets.

Magnus see a pattern of increased international activity that will increase even further with time. In the case of Västerbotten export activities has doubled in the past 10 years. Many companies have a domestic market but want to go international to gain higher margins in price, find niche markets and increase their marginal productivity.

Magnus argue that personality is important when doing international business, a personal interest and engagement is important to succeed. Many people like to travel, something that can be used as a good incentive for going abroad business wise, although internationalization must in the end be motivated with financial figures.

**5.3.4 Knowledge**

As presented above, STC is a great source of knowledge for companies going abroad. When asking Magnus for his view on market knowledge he emphasized its importance. Companies should have explicit knowledge about the market, competitors and the business world in general. STC work a lot with gathering and analyzing information and knowledge, all stored
in different databases accessible for companies about to make internationalization related decisions. One big database where all investigations and reports are gathered is the “MIC database” at the national office in Stockholm. Here the international offices can retract information as well as contribute themselves with valuable data of their specific market.

An example of information STC can provide its clients with is updates on regulations within the European Union that are rewritten and changed continuously, impossible for small companies to keep track on.

5.3.5 Cooperations & Networks

Magnus view on cooperations and networks is that a company makes a huge mistake not participating. He points out that business is all about relationships and connections. It is from cooperations and networks that a lot of valuable information can be gathered. A company should even cooperate with competitors if it is possible since it can actually strengthen a company, for example in defining trends, setting prices and doing campaigns.

The more international a company and its market is, the more important is networking. It is also strategically a good thing to be prepared for changes and act according to what is going on in the market place. Magnus also argues that companies with tough competition are more dependent on good and valuable networks to succeed. Finally, companies with short-lived products have great needs of information, and networks become crucial tools for these companies.

A small company can build up a network by attending industry meetings and meet with competitors and distributors. However; it is important that companies all the time clearly see the purpose with their cooperations and networks and evaluate them continuously; what are we getting out of this? or as Magnus put it; "Work smarter, not harder".

When asked Magnus what could be of importance when selecting collaborative partners he stated that first of all a company must be sure on what kind of collaboration that would benefit the company and further emphasized the importance of what the agreement between the different partners looks like. Magnus mentioned that STC has developed a special requirement profile when helping companies selecting out partners;

- What kind of product does the partner have?
- Is it a company or a brand name that we would like to be associated with?
- What does their sales organisation look like?
- What is their financial situation like?
- What kind of marketing activities are they doing?
- Sales activities-how far are they willing to go with your product?
- What is their attitude towards cooperations?

On the question whether it is important with a local representative on the international market Magnus answered that it depends on what type of product the company has, what the financial situation looks like, what the organisation looks like and which partners the company has. He further argued that a company can develop internationally without partners but it takes a lot more effort and financial resources compared to if partners are sought out. Furthermore; high technological companies might need local representation that can serve the market with reparations, and knowledgeable staff.
6. Analysis

This chapter presents a comparison of the information in the theoretical framework with the significant findings from the studied reality in the previous section. The analysis is divided in different themes to easier guide the reader through the section.

Our purpose with this study is to define a born global company according to existing theories, examine its relation to the internationalization process model and create a more dynamic version of Johanson and Vahlne’s internationalization process model.

Before being able to answer our research problem, we need to define a born global firm, see what the main aspects involved in internationalization for a born global firm are, and finally relate the defined born global firm to the IP model.

6.1 A Born Global Company

Before digging deeper into the IP model and how it relates to our modern business landscape, a part of our research was to identify a born global company; these are defined as often small, high technological firms (Moen & Servais, 2002; McKinsey & Co, 2003) that expand to an international market very soon after establishing (McKinsey & Co, 1993; Rennie, 1993; McDougall et. al 1994; Moen, 2002; Moen and Servais, 2002) and involve heavily in export (Chetty & Campbell-Hunt, 2004). During our pre-interview with the owner and CEO of Seaflex, Lars Brandt, we learned that the product Seaflex was invented 1970 and then sold by another company. The company Seaflex was formally established in 1987 however according to all our respondents, it is said to have started “for real” in 1999 when Lars began working with Seaflex full-time and when present export manager Anders Berntorp was consulted for an international expansion.

Initially Seaflex experienced serious problems on the domestic market, trying to convince the customers to consider Seaflex for anchoring their docks; this was mainly based on their negative experiences in the past with the product, when it was sold by another company. Furthermore the potential of the Swedish market in terms of coastal area and lakes is not that great. Sharma and Blomstermo (2003) confirm that companies with an insufficient market have no real choice but to go international to sustain profit which is exactly what Seaflex did. The company started to expand internationally to Japan, much because of already established relations with a client at that market (Yamaha). Traditional companies normally address markets in their nearest surroundings (Sharma & Blomstermo, 2003) however this was obviously not the case with Seaflex. We discovered that there are different views within the company for how to proceed on an international market. Export manager Anders suggested Norway as a first move, meanwhile Lars wanted to go where he already had access and where the resources Seaflex had to devote would not be that large (since the project itself financed the trip etc.).

6.1.1 The Product

Another factor that describes born global firms is what their product looks like; it is often a new and different product or concept (Sharma & Blomstermo, 2003) and the company normally exists on a small market niche where it can avoid competition and threat from other,
larger global firms (Moen, 2002). The Seaflex product has radically changed the way the anchoring market looks like. To create an elastic system in comparison to the traditional, static methods of anchoring a dock provides the system with many new advantages that can not be obtained with the traditional methods. Furthermore the Seaflex product is much more “intelligent” than competing solutions because of the calculations of environmental data needed.

Although big players in this market hardly exist, since competing methods are piles and chain produced by companies focusing on so much else than the marina industry, we believe the company has created a new niche on the anchoring market which is elastic anchoring systems.

6.1.2 A Genuine Interest

A summary of criteria for born global firms was presented in our theoretical framework, one of those criteria concerns a strong commitment by management to the idea of internationalization (Freeman et al., 2006, p59) which is something we believe is present in Seaflex. Market director Brian Burns states that each member of the organisation must have an interest in making international business and see it as something fun. CEO Lars Brandt explains further how taking on the world as a small company is challenging and rewarding for all people involved. Magnus Persson at the Swedish Trade Council confirms that a personal interest in international affairs is necessary in order to succeed on the international market.

6.1.3 The use of IT

Our global world is very much a consequence of the developments in communication and IT and born global firms tend to make use of this technology in order to grow (Freeman et al., 2006) which is also the case in Seaflex. The company embraces new technologies in order to communicate, document information and market themselves.

6.2 Internationalization for Born Globals

Now that we have defined Seaflex as a born global company according to its definition, we would like to see how they overcome problems related to international operations and then what strategies they have taken on in order to survive the international market.

6.2.1 Problems to Overcome

The main problems that small, born global firms normally faces on the international market are lack of experience, difficulties with gathering the right information about a market, technology and competition and finally, difficulties to establish (and maintain) international networks and partnerships (Karagozoglu and Lindell, 1998).

The fact that Seaflex had export manager Anders Berntorp, with his broad experience and knowledge about internationalization from the start helped them to overcome many difficult decisions and practical aspects of going international. To overcome these kinds of obstacles is not impossible, but it might consume a lot of energy for the people involved trying to enter a new market, because of Anders this was not the case for Seaflex. Another issue though was as mentioned, the first international operation that Seaflex carried out. Lars seems to have a lot of respect for Anders and his expertise in the field of internationalization; however Lars was the one in charge and decided to go for the project in Japan even though Anders objected. This shows that Seaflex has a “born global way of thinking” where relations are more important than market knowledge and psychological distance. However, Anders way of
critically examining the company’s international activities should be seen as strength since negative consequences due to unplanned circumstances are less likely to occur.

**6.2.2 Strategies for Born Global Firms**

We have learned that born globals exist on the international market from the day they establish themselves, that is the rough definition of these companies. What makes them different from traditional companies is that they from the start exist on one big market, so they do not have a choice to start looking for other markets to explore. Therefore, we see internationalization for born globals not as a planned process, but more as a part of their everyday business.

This is made clear when viewing strategies available for born global firms. These are not referred to as internationalization strategies, since the company (again roughly) already exists on the international market. Many suitable strategies can be identified in the case of Seaflex; none of them are sufficient to succeed internationally but rather indicates what focus the company could have. The most suitable strategy focus of Seaflex’s internationalization process has been *Client Followership* (Freeman et al., 2006) where a company penetrates international markets by developing relationships with partners, customers and suppliers. Financial risks are shared and the number of references increases. When the decision to go international was made, Seaflex identified the major dock manufacturers on the market and convinced each one of them to work together on a project they had. These firms were already internationally active and in some cases Seaflex got involved in projects and markets they had certainly not planned to, for example Russia. As a result; new markets were penetrated without directing large resources to them and common references were created; Seaflex used their direct-customers as springboards to new markets and created new sales.

The decision to focus on the dock manufacturers came quite early and today the strategic focus is to become the *first hand choice* for each dock manufacturer. In order to achieve this, Seaflex need to educate their customers about the product more than just sell it. This way the customer becomes mature enough to convince the end-customer to buy their docks with Seaflex as the anchoring system.

**6.2.3 Focus on Customers not Markets**

When carrying out our last interview at Seaflex with Lars, we started to realize that the company surely has a central thought to deliberately focus on a few markets, as we can see with their geographical classification of markets and the staff’s sales responsibility divided in different countries. However the company works the market mainly through the dock manufacturers and the countries and markets these are active on, play an essential part of where Seaflex goes.

A company’s customer is the client paying for the product. In the case of Seaflex, the customer is the dock manufacturer, who includes the product with its own and presents the solution to the end-customer. Seaflex will not sell any products unless the end-customer accepts the offered solution, since the product is custom made and the dock manufacturers can not keep Seaflex in stock for future projects. This is the argument for why the relation to the dock manufacturers could be seen as more of a cooperation; where Seaflex’s customers are viewed as partners, instead of a normal company-customer relation. The common goal is to convince the end-customer about the combined dock and anchoring system.
We started to wonder whether if Seaflex is international or its customers, and there was a bit of concern that Seaflex would not be such a representative born global company because of how they use their customers to go international. However, one of the characteristics of born globals is exactly a firm’s international customers and how these can facilitate international activities for a born global company and make them even more widespread (McDougall et al., 1994). This was additionally supported when speaking to trade advisor Magnus Persson who stated that a company can either focus on geographical segments or follow their larger customers and try to develop an agreement with these.

As a result of Seaflex’s focus on customers and not markets; information and knowledge about a market is not as important as information and knowledge about the customer – and most important of all is the development of relationships and more formal cooperations with the customers. We know from our interview with Magnus how important STC believe it is for a company to do its homework about new markets. Although, if a company cooperate extensively with their customer; specific market knowledge based on their experience can be taken advantage of through this relationship and/or cooperation.

6.2.4 Relationships & Cooperations

Companies who go international are said to use multiple business relationships as a tool for success (Crick & Spence, 2005). Magnus Persson state that business is all about relationships and connections since this is where all the valuable information can be gathered.

As mentioned above, companies who focus more on customers than markets, like Seaflex, are also heavily depending on relationships and cooperations. This argument is further emphasized by companies with high-technological products where relationships and cooperations are of even greater importance since the product itself is complicated. The relation between this kind of company and its customers needs to be much stronger. The customer first of all needs to be convinced that the product actually works; the next step is to get the customer to truly understand how it works so that he or she can further convince the end-customer. It becomes clear that good, personal relations are crucial in order to proceed in the selling process of Seaflex, which is also something we believe they have realized. Even though the company communicate and make use of IT a lot, they still prefer to meet face-to-face, shake hands and create genuine relationships that eventually can lead into more organized cooperations.

The fact that Seaflex consist of 11 people in total and involve in projects worldwide is according to Brian possible because of their cooperations, partnerships and relationships. This is where the right knowledge is acquired and necessary information obtained. We also believe that this relation-based way of doing business might be a result of Seaflex’s limited resources (being a self-financed company). We believe it is very hard for Seaflex as well as for other small, born global firms, to direct financial or human resources with the only mission to obtain knowledge and information about a market for example. Instead these companies should deliberately involve the gathering of information on a daily basis in their way of doing business; communicating and meeting with customers, suppliers and other potential partners.

Former Relations

Since relations is now in such a focus, we also have to consider the founder’s industrial experience and former networks, since these are of great importance for a firm’s international expansion (Madsen & Servais, 1997, p 573). The fact that Lars has been involved in the development of the product and its application make him well informed about the industry.
Furthermore, he has worked with Seaflex in his free-time before 1999, something that probably has favoured its international progress; Lars and his former colleague initiated important contacts at the time being when the company was a leisure pursuit. For example good relations with present export manager Anders Berntorp were created at that time.

**Risks**

Although risks involved with doing international business are avoided by creating relationships and establish cooperations (Sharma & Blomstermo, 2003) there can still be risks involved with cooperating, according to Seaflex these could involve for example payment issues, contracts and counterfeiting. In terms of payment issues and contracts it is important to be clear when discussing and negotiating, according to Lars. This is in accordance with Magnus and the STC who states that a company should evaluate opportunities but most of all risks before entering a new market.

**Evaluation of Cooperations**

The STC advises companies to evaluate their cooperations continuously, or as Magnus said: “Work smarter, not harder”. Seaflex follows these recommendations according to Anders since they evaluate their cooperations every now and then; what they gain out of it and if it is worth the effort to maintain the relation. We believe this is of great relevance especially for small, born global firms since they rely so heavily on these relations and collaborations. A continuous assessment needs to take place so that they do not spend valuable time on the wrong connections. In addition, we believe the personal relation plays an important role in what the cooperation will bring, but also the potential of the partner cooperating with.

**6.2.5 Selecting Clients**

It is said that born global firms have to improvise a lot when selecting clients for cooperation and initially apply a ‘trial and error’ method to evaluate what cooperations work and which ones do not. (Sharma & Blomstermo, 2003) Since cooperations are so essential for small exporting firms (Ghuari et al., 2003) and small companies normally have limited resources, we find it of great relevance to evaluate each cooperative partner so that the company gains as much as possible out of the cooperation. Seaflex mentions a number of criteria for selecting clients, they need to have a serious approach, competences, financial stability but also be dedicated to the cooperation and have high ethical stances. The company does not seem to choose clients based on cultural prejudice, maybe because of the multi-national company it is with six nationalities and valued language skills.

The Swedish Trade Council also emphasizes the importance of selecting the right partners to collaborate with and has even developed a requirement profile that we think can be a great tool for companies being introduced to a new partner.

We believe that small companies in general have a less formal way of doing business, however small companies depends more on the relationships they have established which could be an argument for formalizing these. Seaflex has both formal and informal cooperations and we think that it is up to each company, based on the characteristics of each relationship, to decide whether if it should be formal or not.
6.2.6 The Use of Networks

We know by now that relationships are formed continuously (Anderson et al., 1994) and when combining a set of relationships it can be described as a network (Fornbrun, 1982). We argue that networks in many ways could be seen as the key for born global firms to succeed, something that can be confirmed in our theoretical framework where Sharma and Blomstermo (2003) state that the internationalization process for born global firms is heavily influenced by networks of relations, but also of great importance for small, exporting companies (Ghuari et al., 2003). These relations provide born global firms with knowledge of markets and clients abroad and therefore reduce the risks with international operations (Sharma & Blomstermo, 2003).

Networking is one of those ‘buzz words’ used today and our understanding is that most companies try to use networks to some extent. Magnus at STC states that the more international a company is, the more important is networking. Seaflex sees networking as a natural part of their business, although Lars states that network activities are not as continuous as the actual cooperations they have. The major advantages according to Seaflex with networks are the fact that they have access to valuable information, and if the right information can not be achieved immediately, direction can be given of where to get it. The setbacks with networks according to Seaflex and probably according to most organisations are the difficulties with trying to control them.

Type of Networks and Activities

Networks that Seaflex mentions are mainly the more formal ones such as the Chamber of Commerce and the Swedish Trade Council. The fact that international activities have increased the past years has probably made governmental institutions aware of the importance to serve Swedish companies abroad. Informal networks that companies take part in are like most difficult of all to identify; networks are abstract phenomena (Fornbrun, 1982), which is one of the reasons for why it is so difficult to actually make use of them. Lars mentions that informal networks are hard to maintain and also that it is hard to know when a specific network will become of use.

Network activities according to STC and Magnus Persson could be industry meetings where they can meet with customers, partners and competitors, which is something Seaflex seems to be aware of. The company attends exhibitions, seminars and conferences and informal networks can be developed at these activities. Another important reason to attend these is to get in contact with people who can influence both the dock manufacturer as well as the end-customer about the Seaflex technology.

Central role

In our theoretical framework we displayed a model of different relationships and how they form networks; companies in the centre of these networks obtain the most specific and extensive knowledge sooner than their competitors (Sharma & Blomstermo, 2003). Seaflex has a central position in the network consisting of dock manufacturers (as mentioned both customers and collaborative partners) and obtain a lot of crucial information out of these collaborations when working on projects together. Seaflex is careful to maintain this central position by not spreading the information that is obtained, since the rest of the companies are competitors. The fact that information does not circulate freely could be seen as a limitation of the network itself, but it is still rewarding for Seaflex. An idea we came up with was to seek out other companies on the same unique position. Competing anchoring techniques
basically just deliver material (chain and piles) and do not work as intense with the dock manufacturers, so these were not an option. However we found out about a company producing electricity poles for marinas who works closely with dock manufacturers just like Seaflex. To initiate cooperation with a company like that is something we see as a perfect example of using collaborations and create rewarding opportunities for everyone involved.

**Deliberate Use of Networks**

Network development is difficult to control, however its importance needs to be recognized and supported by management (Welch & Welch, 1996). Lars speaks of networks as something useful that will become of more importance in the future, this we interpret as that the company does not work deliberately with trying to identify their informal networks today.

Deliberate company policies have been presented as one way to involve network development in strategic planning (Welch & Welch, 1996). Management should identify and involve important company relationships in strategic planning. Difficulties to overcome could be that a lot of people involve in relations and networks of different kinds, and the one person supposed to map all these relationships is often outside the very network he or she is supposed to identify.

We believe that Seaflex along with other small, born global firms should make use of both formal but also informal networks to a larger extent than today. We cannot draw any conclusions about other companies and how they use networking, we know though that networks are considered abstract (Fornbrun, 1982) and difficult to control (Welch & Welch, 1996), so we argue that many companies use networking subconsciously but not deliberately. Deliberate company policies are one way of paying networks more attention. If management emphasizes its importance maybe the people most involved in external relations (sales or market staff) will start to think of what people they meet with, talk to on the phone or hear someone else talk about, as members of an important network. If this information is further documented for other members of the organization to take part of, the network becomes more substantial and possible to involve in strategic planning for example.

A network can be identified objectively within a company as described above, however relations change over time and this documentation has to be continuously updated. The ultimate way of keeping a network alive would be to create a forum for it to “live its own life”. This should not be that hard in today’s connected world. We believe the internet is the perfect place for a network to materialize, without being forced to put so much effort into it. An example could be to create a virtual platform for the marina industry online, where companies can post information, communicate with each other, find collaborative partners and take part of industry news.

We have now clarified how a number of relations constitute a network and that this phenomenon is frequently spoken about, although difficult to identify and deliberately use in a company’s everyday business. We believe that if a company can identify its networks, it automatically obtain more control over relationships and can explore future opportunities to a wider extent.
6.3 A Born Global Firm’s Relation to the IP Model

In order to create a more dynamic version of Johanson and Vahlne’s Internationalization Process model, we need to relate Seaflex and its international operations to first of all the initial presentation of the model and then to how it has developed. We will try to draw some general conclusions for born global firms in general, however these are mainly based on Seaflex and the specific characteristics of that company such as;

- **Self-financed** – Although born globals are considered small and most likely have limited resources, a self-financed company is even more restricted.
- **Project-based** – Seaflex has a great deal of uncertainty involved in their business since they work and bid on projects which can not always be won.
- **Customer-dependency** – Seaflex works very close with their customers and if sales should occur, these must be able to sell in Seaflex with their docks to the end-customer.
- **Swedish company** – Characteristics of Swedish culture, language ability and adaptability affects the way Swedish companies carry out international business.

When a → is displayed, we have made an attempt, (aware of the factors above) to clearly show where our findings could be of use for other born global firms.

6.3.1 How to Go International

Johanson and Wiedersheim-Paul (1975) found empirical evidence for that the internationalization process is a gradual process that follows a number of steps in the Establishment Chain; from irregular export to independent representatives pursued by establishing sales subsidiaries and finally to set up own production abroad.

When looking at the traditional establishment chain, Seaflex could be defined as in the second step; independent representatives, considering the fact that Seaflex mainly works with their customers (the dock manufacturers) in different projects. Since Seaflex has established a sales office in Florida, one could argue that the company has moved on to the third step. However, the company is not planning to set up any more sales offices at the moment; instead the focus right now is to work closely with the dock manufacturers. Remote office management; the setup of sales offices, has been discussed within the company. We see this as something to be prepared for in the future for Seaflex if the customer base increase and market shares are gained, it might be difficult to coordinate all these relations with such a geographical distance.

The fact that Seaflex is depending on environmental aspects such as coast-line and/or lakes and attractive areas for marinas, might make it difficult to decide where to establish own production. Coastal area capacity is not unlimited, besides what is considered to be ‘attractive’ might change with time.

→ In general, we find it hard to state whether if a born global company should follow the establishment chain or not. This is so depending on internal resources, what type of product the company produces, how it is being produced as well as opportunities explored on the market.
6.3.2 Where to Go International

A traditional company normally starts expanding internationally by exporting products to similar or nearby countries (Sharma & Blomstermo, 2003) this is according to Johanson and Vahlne (1990) because of the impact of psychological distance where the flow of information is disturbed by differences in language, culture, political systems etc. This factor is less visible in markets and countries geographically and psychologically close to the home market (Dow, 2000; Brewer, 2007). As earlier mentioned Seaflex entered Japan as their first country to export to; a market quite different from the Swedish market and not in accordance with Johanson and Vahlne’s theories. Although different views are identified within the company, CEO Lars Brandt was the decision maker and when good relations were established, the obstacles for entering that market were not considered as high.

Markets are more homogenized today than when the model was presented, which is some of the critique directed to it (Hedlund & Kvemeland, 1985; Sullivan & Bauersschmidt, 1990). Even though psychic distance contributes to the understanding and interpreting of a foreign relation, the key is a person’s existing or potential familiarity with the specific market and how that affects the business relationship (Brewer, 2007). This was exactly the case when Seaflex went to Japan and a good description of how they do business today; the company considers cultural factors and tries to be as accommodating as possible with speaking different languages etc. Lars agrees with the fact that our cultural business setting has become more forgiving in terms of knowing about cultures and customs.

We believe that the relation itself should be the main concern, if that involves changing behaviour because of a customer’s different cultural background, so let it be. Development of foreign relationships increases knowledge about a specific market and a crucial tool for born global companies.

6.3.3 The IP Model

The IP model describes the internationalization process for firms and aims to clarify how commitment and knowledge affect the way markets are focused upon.

Figure 7: The IP Model (Johanson & Vahlne, 1977)
State Aspects

State aspects are the factors that currently affect the state of a company and its markets. The description is commitment to a market in terms of resources (Johanson & Vahlne, 1977).

According to the IP model market commitment is the result from a company’s understanding and knowledge about opportunities and risk within a specific market. Commitment involves both the physical size of the investment for example financial, but also the degree of commitment. The more resources devoted to a market, the more committed a company is supposed to be (Johanson & Vahlne, 1977). In the case of Seaflex we have understood that due to organically growth, the company has not been too keen on addressing financial resources to a market just to penetrate it. Instead, already established relations (with customers) and entrances to new markets through these, has been of greater influence when doing international business.

The degree of commitment naturally vary, but more from customer to customer than market to market. In the case of Seaflex, it is difficult to decide how committed they should be to a customer and a mutual project, since it is hard to tell whether if that project will be won or not. Another factor that might influence the degree of commitment is important references in a certain market. For example when Seaflex got to anchor the sailing marina in Qingdao for the Olympic games, they hired Stig-Valter Karlsson as responsible for that market, partly to deal with the sailing marina but also to take care of all up-coming projects because of that reference.

When focusing on relations and cooperation it is of great importance to evaluate each cooperative partner so that time and effort is focused upon the right partner. To be aware of this, and to for example follow advice from the STC, might avoid inefficient cooperations.

Seaflex has indeed moved from a market commitment focus to a customer commitment focus. However, as Lars stated, the company still tries to deliberately work different markets.

We believe that a major reason for why Seaflex as well as other born global firms with limited resources, mainly focus on partners and/or customers instead of specific markets, is that when collaborating with a partner the company can make use of that partner’s specific knowledge about a market and does not have to spend time and resources on obtaining it on its own. This is a prerequisite for a born global company to afford doing international business.

According to Johanson and Vahlne (1977) market knowledge is the foundation for making decisions, for example what market to focus on. They further distinguish between different kinds of knowledge;

The objective knowledge (Johanson & Vahlne, 1977) that Seaflex has acquired is theoretical knowledge that can be taught to others (Penrose, 1959). For example Anders sits on a great deal of objective knowledge from working with export counselling in many years and even writing a book within the field. Seaflex has a good way of documenting all events and experiences so that the objective knowledge obtained easily could be taught and spread to others. This is crucial for all companies working internationally, to document important data so that it does not stay with one person only.
The experiential knowledge (Johanson & Vahlne, 1977) is the kind of knowledge a person can only learn oneself (Penrose, 1959). Brian has been working in a few European countries and has experiential knowledge from those markets, which is why he is most suitable for working those specific markets. This is something the company has taken advantage of also in the case of Stig-Valter Karlsson and the Chinese market. Moreover, the company’s good relations with institutions such as the Swedish Trade Council and the Chamber of Commerce gives it access to partly objective knowledge but also experiential since these have offices around the world and can provide a company with specific information as well as create contacts with reliable partners for a specific country.

Johanson and Vahlne (1977) state that when activities become unstructured and undefined, as in the case with relationships, the experiential kind of knowledge becomes even more important. Furthermore experiential knowledge is said to create more real opportunities.

This is where the authors of the IP model has made some attempts to adapt the model to today’s business climate and the characteristics of born global firms. The authors emphasize the importance with experiential knowledge and relationships, however we believe this could be much further developed.

Johanson and Vahlne (1977) further distinguish between general and specific knowledge, this is much in line with objective and experiential knowledge since general knowledge is the kind that can be transferred, for example marketing methods and consumer behaviour while specific knowledge is more about a culture or business climate in a specific country that needs to be experienced.

Switched Focus
Just like the commitment focus has been moved from markets to customers, so has the knowledge focus. Seaflex needs to keep track on all dock manufacturers; their size, what projects they involve in and who they cooperate with. Since this kind of knowledge is mainly acquired by different individuals, it is important to document the knowledge in a systematic way so that others within the organization can make use of it.

When working mainly with customers, like Seaflex does, information and knowledge about different markets become less relevant. Surely Seaflex has to be aware of land specific information such as regulations and legislation, fundamental knowledge. Although the company works mainly with the customer, so that relation is in focus and this is where the main commitment is addressed to. According to Magnus and the Swedish Trade Council, companies should have explicit knowledge about a market. Since STC work with all kinds of companies and is a source of information themselves, we see this as a given opinion from his point of view and agree to a certain extent in the case of Seaflex.

We have mentioned how Seaflex can influence the end-customer so that the project in the end will go through, in this case more experiential and specific knowledge about a market and/or a country could be of use. This is also the reason for why the customer/partner focus can not be over-emphasized, a company can not rely solely on their partners’ specific, experiential knowledge, it does need some own especially when being involved with the end-customers in their own environment.

A major assumption with the stage aspects of the model is that the greater knowledge about a specific market, the greater resources becomes devoted to that market (Johanson & Vahlne, 1977). We now replace this statement with the assumptions drawn from above: The greater knowledge about a customer/partner (or a project’s probability to go through), the more
resources (business trips etc.) are devoted to that partner/customer. Seaflex must continuously reassess how much time and effort they put into different customers and what they get out of it.

**Change Aspects**
The change aspects are all about what actually makes a change in the way a specific market is perceived and looked upon (Johanson & Vahlne, 1977).

According to Johanson and Vahlne (1977) current activities on a market such as business trips or marketing activities provide a company with experiences and specific market knowledge. What needs to be considered is the time delay from when an activity is carried out and when the company can see any results. This is a major aspect for Seaflex and a reason for why the company mainly focuses on their customers instead of different markets. When financial means are limited, the company needs to see results quickly; Seaflex started going international with companies while working on a project. Today they can loose a project without as serious consequences, but it still affect how they prioritize the projects and work on those most likely to go through. Seaflex does not strategically aim for specific markets; rather go where the projects are carried out.

→ We believe that most born global firms with limited financial resources find it hard not to consider time delay and focus on customers or partners if the probability of doing business is higher with those than when aiming for markets. This is a short-termed way of thinking which prevents strategic planning to some extent, however still the reality for these companies.

A blend of firm experience (internal knowledge about the company) and market experience (specific knowledge about a market) is needed and the difficulties often lie within trying to combine these two (Johanson & Vahlne, 1977). The employees at Seaflex have firm experience, i.e. know how to sell Seaflex as a product, know what is valued within the firm and create a culture around this. Market experience on the other hand can be a person with knowledge about a specific market, but who also has the ability to interpret and understand the inside information and the market information in a correct manner. So how does a company obtain this blend of knowledge and experience? One alternative that Johanson & Vahlne (1977) suggest is to hire people with specific knowledge. As mentioned above this is something Seaflex has done through hiring Stig-Valter Karlsson and Brian Burns for example, all in order to obtain that specific knowledge.

→ To tie market specific knowledge closer to the company by hiring people with specific market experience is something we believe is crucial for small, born global firms. When acting on such a great market with a variety of people, cultures and business settings, the key is to maintain good relations with people who can speak for the company. It is so important (but also so difficult) to find those people with experience but where a mutual understanding of each other exists. However, if a company addresses resources to find these people, the conditions to succeed increase dramatically.

When looking at the commitment decisions and what resources to devote to foreign operations these are based on perceived problems and/or opportunities on a market which in the end depends on how much experience the company has in that market. (Johanson & Vahlne, 1977)
Instead of deciding what market to address resources to, Seaflex need to evaluate what customers are worth devoting time and effort onto. The relation itself is necessary to evaluate, how convinced the customer is about the technology surrounding the product and how the system works. Another major factor is the potential of the customer, for example how much the customer produce each year, and what potential anchoring this means for Seaflex.

When a person is being responsible for a market, both problems and opportunities discovered can lead to an increased commitment (Johanson & Vahlne, 1977).

This is a challenge for the management of Seaflex and born global firms in general, to decide where the experiential knowledge of a market sales person is too coloured by personal interest, and where objective knowledge becomes of greater use. The same goes for relationships, when a sales representative focuses too much on a certain customer because of good personal relations, management need to step in.

The opportunities can also be identified by people who Seaflex already cooperates with, which is another reason for working close with the dock manufactures who keep track on new marinas being built for example. Seaflex does not wish to be fully depending on these relations to obtain market information, so instead the company tries to be in the forefront when it comes to reading industry magazines, attending conferences and seminars etc. This way they can give something back to their customers, who feel they gain something as well out of cooperating with Seaflex. A problem though with spreading information is the company’s central position in the dock building network, the policy not to give away information obtained from a customer must be followed.

We believe that born global companies in general must base their commitment decisions on objective knowledge combined with experiential; partly their own (with an adjustment of personal interest and involvement in a market) but also experiential knowledge that their customers/partners have obtained and can make use of when carrying out mutual business. Opportunities can be further explored by collaborating and interact in network activities.

6.3.4 Development of the IP Model

**Dual Focus on Commitment**

Johanson and Vahlne (1990) have throughout the years realized that experiential learning and commitment building is interplay between at least two partners. The authors also conclude that a connection can be made between the knowledge derived from good relationships and created opportunities on the market. However it is further argued that the relation process is time-consuming, risky and hard to control.

It is clear in our previous arguments that we have switched focus on to relations and partners instead of markets. Johanson and Vahlne has done the same, however not to the extent needed in the case of born global firms, and not as convincing as we believe it should be.

**Relationships & Networks Creates Opportunities**

The authors speak of how partners can be linked to a wide network of shared knowledge, and how that relation can be worth so much more than just the single business partner (Johanson & Vahlne, 2006). The authors’ main argument for developing relationships and take part in networks is to reduce uncertainties and to create opportunities (Johanson & Vahlne, 1990).
Kirzner (1973) and Denrell et al. (2003) argue that numerous actions of many international companies are the results of a serendipitous strategy; where the efforts are a combination of luck, natural alertness and flexibility for creating opportunities in international activities. Our understanding is that Seaflex has both a deliberate way of working by dividing markets geographically and making some attempts for penetrating specific markets. However, business does also occur in a more serendipitous way when for example finding out about a big project somewhere and involving with a dock manufacturer on that. Another example is the set up of the sales office in Florida which was not a strategically planned event.

Johanson and Vahlne (2006) state that business does not just occur serendipitously and they find support with Shane (2000) who states that prior information has a strong impact when discovering opportunities. Johanson and Vahlne (2006) further argue that a connection can be made between knowledge derived from a business relationship and created opportunities.

⇒ Although creating opportunities is a major deal when carrying out business, small companies with limited resources and personnel must take care of the business they involve in at the moment, so called ‘ad hoc’ way of working. Serendipity plays its part when exploring opportunities, especially in these global firms.

A company like Seaflex, so depending on their relations in their everyday business (again, the product is being sold by their customers), does not only use relations as a way to withdraw knowledge, reduce uncertainties and to create opportunities, this is simply their way of doing business. “Seaflex lives and dies with cooperations” was the statement of Brian Burns at Seaflex, which indicates how important relations are for them.

⇒ In the case of Seaflex, as well as other born global dependant on relations and partners or customers, networks could be seen as more of a way to explore opportunities; this is where information is obtained that can be put together and create opportunities for the future.
7. Conclusions

This part of the thesis will present our final conclusions that we have been able to draw from our analysis. Here a concluding model of the findings will be presented that answers our research problem.

How does Johanson and Vahlne’s internationalization process model work in practice for born global firms?

In order to answer our research problem, a more dynamic version of the existing model was claimed to be created. The pre-work has been presented in the analysis and this is where our suggestion of an internationalization model for born global firms is offered.

7.1 The IP model for Born Global Firms

First of all, the state aspects in the model have moved from a market focus to a relation focus. This is something Johanson and Vahlne in their improvements of the model touch upon; however do not explicitly show in their initial model.

In the case of Seaflex, their customers are their main collaborative partners and ‘customers’ is the term used in our analysis for those Seaflex has collaborated with. However, in order to make the model as general as possible, we will state that the focus has gone from a market focus to a partner focus. This is how our suggested model for born global takes form:

![Figure 8: The IP Model for Born Global Firms (Own)](image)

7.1.1 Partner Knowledge

Partner Knowledge concerns knowledge about the partner that the company relies on. It could be the size of the company, its relations and cooperations with other companies, its view on
the born global firm in question and so forth. Partner knowledge lays the foundation for how the relation between the company and the partner develops and/or maintains.

The firm’s own experiential or specific knowledge is of course important and something the company can obtain by recruiting people preferably with market knowledge, and internalize the sales procedure. However in the case of Seaflex (depending on their customers as partners); specific knowledge needed to deal with a market is something the company can rely on that the partner already has, and since the company in question depend heavily on their partner, own experiential knowledge is not as needed. The relationship on the other hand is important to develop; otherwise a company might have to internalize those operations where the partner is active.

The objective and general market knowledge is included in the model since it is of use for all companies active internationally. This kind of knowledge can be documented and taught to others, for example by recruiting people in possession of that knowledge but also information that can be obtained from the Swedish Chamber of Commerce and the Swedish Trade Council.

7.1.2 Partner Commitment

*Partner Commitment* is in this model how much time and resources are spent on a specific partner. Just like market commitment increase with resources spent in a specific market, one could argue that the more developed a relationship is (which has a lot to do with personalities, and how people interact with each other), the more time and effort might be spent on that specific relation.

Surely market commitment must be considered as well, for example in the case of Seaflex who aim for markets deliberately to some extent, however due to financial restraints too much commitment can not be directed to a specific market if the results do not show off in a short period of time.

7.1.3 Commitment Decisions

*Commitment Decisions* is about which partners a company should devote resources such as time and money to. This depends on how rewarding the relationship is; mainly how much sales a certain partner is responsible of. The decisions of whom to cooperate with and not should be based on both objective and experiential knowledge, furthermore the business partner should be continuously evaluated.

7.1.4 Current Activities

*Current Activities* are mainly activities carried out in order to find the right partners and create stable relations with those most suitable for the company. The time delay exist even here and it might be difficult to see what a business trip this week might do for the relation in a few months from now, however a company could identify strategic relationships and develop these into a long-term advantage.

As mentioned when speaking of knowledge, specific market knowledge (market experience) should be obtained through a relationship rather than for a company to acquire it on its own. The other alternative is to hire people with specific market knowledge to internalize it and become more independent.
7.1.5 Relations and Cooperations

A relation is the existing phenomena between a company and its partner. Because of its constantly changing state this is placed in the middle of the figure.

Relations and cooperations affect all other aspects of the model; the knowledge a company has about a partner and how committed it is to that partner. Furthermore, relations to a specific partner affect commitment decisions and current activities.

Relations and cooperations is the key to obtain specific, experiential knowledge without being forced to spend time and resources to acquire it oneself. A company should do what it takes to develop these important relations, adjust to cultural differences and embrace partners willing to cooperate in some way.

7.1.6 Networks

The authors claim there is a connection between knowledge derived from business relationships and the creation of opportunities. We believe the business relationships deserve much more attention in the case of born global firms since these rely so heavily on their partners (or customer’s in the case of Seaflex) in their everyday business carried out around the world. This is also why the original IP model has been developed.

New business opportunities are necessary for a company’s future business in order to survive. We develop the model by stating that opportunities are created not simply through relationships but through a number of relationships intertwined into networks. The awareness and deliberate use of these networks is something we believe will provide born global firms with critical advantages.

A number of relations constitute a network, if relationships are difficult to control, networks are even harder. Due to this, the use of networks could be restricted. However if a company focus more on their relations, and the identification of what networks these create, we believe that they automatically obtain more control over their relationships and explore future opportunities to a wider extent.

Concluding: in order to answer our research problem, we state that the internationalization process for born global firms, according to our research with the limitations set due to selected company, has changed focus from a market perspective to a relation perspective. The relationship with a partner or customer is in focus, due to financial restraints to dedicate time and resources to a specific market, and experiential, specific knowledge is obtained through this relationship instead of own experience. Each relationship creates a network where information and knowledge prosper and for those companies being able to deliberately use these networks and interpret the information they can offer, new business opportunities will be created.
8. Further research

This section will discuss the main possibilities for further studies based on the topics related to our research.

Even though our aim has been to present a general internationalization model for born global firms, we are aware of that our research is mainly focused upon one company which makes it difficult to draw any conclusions about all born global firms. The model can be further developed; a broader study needs to be undertaken where born global firms with different products, financial structure and customer relationships are included.

The internationalization process is according to us a good foundation to describe how firms proceed internationally. Our research has been limited to born global firms which are described as small companies. Larger, global firms established recently but with less restricted financial means, could be examined further. Their relation to the IP model would probably provide us with a quite different development of the model.

Another research area we have acquainted ourselves with is the one regarding networks and how to make use of such an abstract phenomena. The importance of networks for opportunity development is underlined in this thesis, although how to use network in practice needs further research in order to become a helpful tool for companies worldwide.
9. Truth Criteria

In this final chapter the trustworthiness and the authenticity of our research will be discussed. Finally the inter-subjectivity will be analysed; all this in order for you as a reader to better comprehend the degree of truth of our thesis.

To prove our study’s legitimacy and to clarify how trustworthy it is, we will explain some of the judgement criteria we have tried to follow. Some authors argue that qualitative studies should be judged and valued from different criteria than quantitative studies (Guba, 1985; Guba & Lincoln, 1994). We agree with the fact that specific terms and methods are needed to assess quality in a qualitative research and have therefore chosen to discuss the two suggested elementary criteria relating to our qualitative study, namely; trustworthiness and authenticity. Finally we will present how inter-subjectivity has affected our study. The presentation of all these criteria are to be found in Bryman (2006, pp257-262).

8.1 Trustworthiness

This chapter involve issues regarding how trustworthy our study is and how careful we have been during our research and when presenting our findings. The four criteria for trustworthiness will here be explained and further elaborated.

8.1.1 Credibility

This is equivalent to internal validity in quantitative research and defines how well we have interpreted the situation of our respondent, and that we have followed certain methods when doing that. The fact that we have made respondent validation ensures that we have interpreted the respondent in a correct manner, and corrects whatever misunderstandings that we might have had. Furthermore we have used known research methods like qualitative interviews, and followed directions of how to do. In the end, we argue that the credibility of our study is good.

8.1.2 Transferability

Our qualitative study is quite focused on going rather deep than broad, with the aim to explain and understand a social context of one company. Transferability aims to see whether if the same study could be carried out in another context, or at a different point of time, however with the same result. Qualitative researchers normally want to focus on the context instead of transferring the study. Our aim has been to improve a commonly accepted model, but we realize that even though our single company is a good example, it can not represent all born global companies. Our study is transferable; however the same study should be carried out at other companies to further improve the model.

To improve the transferability, a detailed explanation of the study has been presented so that the reader can achieve the same results in another case; we have accurately and thoroughly described the research process in accordance with our research problem. Based on our investigation, we believe there are good opportunities to transfer our conclusions on similar cases, since many companies face similar situations when establishing on an already global market.
8.1.3 Dependability

The dependability in a research is partly a result of how critical we as researchers have been in the research process. It is even said that a researcher should take on an “auditing” approach, meaning that the researcher must confirm all steps in the research process in detail, from choice of subject to conclusion. We have tried to critique each other as researchers throughout the process and fortunately, our supervisor has commented our work and given us both positive and negative critique. We consider our dependability to be of high quality since we trust our own as well as our supervisor’s ability to review our work.

8.1.4 Confirmability

To confirm and strengthen our study, we have presented our insight regarding the fact that a qualitative study can not be completely objective. A researcher should limit the unavoidable subjectivism that occurs. In addition, less attention should be paid to the theoretical framework so that it does not affect or influence the conclusions.

The researcher should not let her personal values influence the conclusion. In our case, personal interest influenced the choice of subject and to some extent the theoretical framework used as a guide for the study, however we have throughout the process not consciously tried to affect the research. Moreover we have strengthened our confirmability by keeping tapes and findings from our interviews, hence we argue that the confirmability have been fulfilled in a satisfied manner.

8.2 Authenticity

Authencity deal with a number of criteria defining how “real” a study is considered to be; what has impacted the research process and how the company in question has been affected by our study.

One of the issues concerning authenticity is whether the presentation provides the reader with a fair view of different opinions and understandings of an organization. Once again, we refer to the fact that we have used respondent validation and that we of course have made our very best to present a “correct view” of Seaflex.

Our aim has been to make the organisation understand their social context in a better way than before. Seaflex as well as other born global firms are supposed to take advantage of our findings and highlight activities in their organisation such as cooperations and networks. Furthermore; we expect the participants to achieve a greater understanding of each other, their actions and how they relate to internationalization. We realized that there were different views on the subject beforehand and we hope our study can provide a more balanced picture of how they should act on the international market. We find it difficult though to state whether if our study has actually caused any differences in the respondents’ behaviour following our presentation of findings. Finally we would argue that Seaflex have taken our research seriously and hopefully will take advantage of our concluded findings which is to emphasize their relations with the customers and to use networks in order to discover new opportunities.

8.3 Inter-subjectivity

According to Johansson-Lindfors (1993) the inter-subjectivity is one of many criteria of trustworthiness and a tool that will facilitate the research process; from collection and interpretation of data to analysis and conclusions. Participants in our study as well as other
researchers and practicians should be able to accept our study as a contribution to the theory it concerns, in this case internationalization.

We have been two persons working with this thesis; a great strength since our findings are based on individual observations that have been compared to each other and discussed until we reached consensus in what to present. This increases the possibility the situations described have been observed and interpreted correctly. The accountability in the study have increased since we both been present at all interviews so we could control what actually was said. Moreover we have achieved an overview by constantly questioning and discussing findings, arguments and conclusions. Last but not least we have inspired and encouraged each other throughout the research process and contributed with valuable findings.
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Brian Burns, Market Manager, Seaflex, 11th of May, 2007

Appendix 1a

Interview manual; Anders Berntorp (in Swedish)

Bakgrund
- Berätta lite om din bakgrund!
- När du kom in i företaget? Varför rekryterades just du?
- Hur såg din roll ut då och hur har den utvecklats?
- Varför började du jobba på Seaflex och varför är du kvar?

Definition Born Globals
- Vad är din syn på Seaflex som produkt i jämförelse med konkurrerande produkter. vad tillför Seaflex marknaden?
- När anser du att Seaflex började jobba internationellt?
- Skiljer ni i företaget på hemmamarknaden och den internationella marknaden? I så fall hur?

Internationalisering
Vi vill prata lite om internationalisering och hur Seaflex har expanderat internationellt och varför.
- Hur kom det sig att Seaflex började jobba internationellt?
- Vilka kritiska händelser ser du i Seaflex’s historia, vilka var de tre viktigaste besluten?
- Hur definierar ni de marknader som ni jobbar på? Varför har de delats in som de gjorts?
- Hur väljer ni ut nya marknader att jobba mot?
- Finns det marknader ni fokuserar mindre på? I så fall varför?
- Ser ni några skillnader med att jobba aktivt på en internationell marknad i jämförelse med en nationell?
- Berätta lite mer om hur försäljningen av Seaflex ser ut idag.
- Hur ser ni på Seaflex’s framtid ur ett internationellt perspektiv? Hur bör företaget jobba i framtiden?

Kunskap
Vi vill nu prata lite om kunskap om olika marknader, hur viktig information är inför internationell expansion.
- Hur ser du på kunskap om andra marknader?
- Vad för typ av kunskap är nödvändig vid kontakt med nya marknader? Hur får ni tag på den kunskapen?
- Dokumenterar ni erfarenheter och lärdomar från marknader?
- Tror du att erfarenhet av olika marknader kan underlätta internationella aktiviteter?

Samarbete
- Hur ser ni på samarbete med andra företag?
- Har ni några etablerade samarbeten idag?
- Är samarbete något ni medvetet jobbar med?
- Vad värderar ni i val av samarbetspartners?
- Spelar kultur någon roll i val av samarbetspartner?
- Vad tillför dessa samarbeten er? (information, upptäcka möjligheter etc.)
- Vad bidrar ni med i dessa samarbeten?
- Ser ni några risker med att samarbeta med andra?
Finns det några samarbeten som inte existerar idag men som ni vill utöka?

**Nätverk**
- Hur ser ni på att medverka i nätverk?
- Anser du Seaflex vara delaktig i några nätverk? Hur etablerades i såna fall dessa?
- Vad är Seaflex roll i nätverken?
- Hur fungerar nätverken rent praktiskt?
- Vad ser ni för fördelar, nackdelar med nätverk?

**Övrigt**
- Är det något du vill tillägga?
- Okej att vi kontaktar dig om vi skulle behöva komplettera med information?
- Går det bra att vi skickar en kopia på det vi kommer att använda oss av från denna intervju, och att du ”godkänner” det?
Appendix 1b

Interview manual; Brian Burns (in English)

Background
- Tell us about your background.
- When did you start working for Seaflex Why were you recruited to the company?
- What did your job role look like and how has it developed?
- Why did you start working for Seaflex and why are you still there?

Definition; Born Globals
- What is your view on Seaflex as a product? What do you think Seaflex contribute with to the anchoring market?
- When did Seaflex start working the international market “for real”?
- Do you make a clear distinction between the domestic and international market.

Internationalization
We would now like to talk about internationalization and how Seaflex have expanded internationally and why.
- Why did Seaflex start working the international market?
- What critical events in the history of Seaflex’s internationalization can you define? (Before or during your time with Seaflex)
- How do you define the markets you work on? Why have they been divided the way they are?
- How do you select new markets to work at?
- Is there markets you focus less on? If so; why?
- Do you see any differences between working the international market compared to the domestic?
- How do you look upon the future of Seaflex from an international perspective, how should the company work the market in the future?

Knowledge
We will now focus on knowledge about different markets; how important information is in order to expand internationally.
- What is you view on knowledge about different markets?
- What kind of knowledge is necessary in order to get in contact with new markets?
  How does a company like Seaflex obtain that kind of knowledge?
- Do you document experience? How is that done and why?

Cooperation
- Tell us about cooperation and how Seaflex relate to it?
- Do you have any established cooperative relationships? Are those consciously set up?
- What do you value when it comes to partners to cooperate with?
- Does culture play a part when choosing partners to cooperate with?
- What are the gains from cooperating?
- What does Seaflex contribute with in these relationships?
- Do you see any risks connected to cooperating with others?
- Is there any cooperative relationships you wish to establish?
Networks
- What is Seaflex opinion about networks?
- Does Seaflex take part in any networks? Official or in official? How are these normally established?
- What does Seaflex role in a network look like?
- How does it work in practice?
- What pro’s and con’s do you see with networks?

Additionally:
- Is there anything you would like to add?
- Is it okay if we get back to you for some additional information?
- Can we send you a copy of what we will use from this interview for you to confirm?
Appendix 1c

Interview manual; Lars Brandt

Bakgrund
- Berätta lite om din personliga bakgrund!
- Hur har din roll sett ut genom åren och hur har den utvecklats? När började du engagera dig i Seaflex som företag?

Definition Born Globals
- Vad är din syn på Seaflex som produkt i jämförelse med konkurrerande produkter. vad tillför Seaflex marknaden?
- När anser du att Seaflex började jobba internationellt?
- Skiljer ni i företaget på hemmamarknaden och den internationella marknaden? I så fall hur?

Organisation & Strategi
- Hur ser personalen på att jobba internationellt?
- Vad ställs det för krav på organisationen att jobba så internationellt som man gör?
- Hur använder sig företaget av ex. IT och annan teknologi?
- Hur har rekrytering av ny personal gått till? Vad har ni haft för kriterier?
- Fanns det någon bestämd strategi från början (1999)? Har den förändrats?

Internationalisering
Vi vill prata lite om internationalisering och hur Seaflex har expanderat internationellt och varför.
- Hur kom det sig att Seaflex började jobba internationellt?
- Vilka kritiska händelser ser du i Seaflex’s historia, vilka var de tre viktigaste besluten?
- Hur definierar ni de marknader som ni jobbar på? Varför har de delats in som de gjorts?
- Hur väljer ni ut nya marknader att jobba mot?
- Finns det marknader ni fokuserar mindre på? I så fall varför?
- Ser ni några skillnader med att jobba aktivt på en internationell marknad i jämförelse med en nationell?
- Berätta lite mer om hur försäljningen av Seaflex ser ut idag.
- Hur ser ni på Seaflex’s framtid ur ett internationellt perspektiv? Hur bör företaget jobba i framtiden?

Kunskap
Vi vill nu prata lite om kunskap om olika marknader, hur viktig information är inför internationell expansion.
- Hur använder sig Seaflex av marknadskunskap i sitt arbete?
- Vad för typ av kunskap är nödvändig vid kontakt med nya marknader? Hur får ni tag på den kunskapen?
- Dokumenterar ni erfarenheter och lärdomar från marknader?
- Hur tror du att erfarenhet av olika marknader kan underlätta internationella aktiviteter?

Samarbete
- Hur ser ni på samarbete med andra företag?
- Har ni några etablerade samarbeten idag?
Är samarbete något ni medvetet jobbar med?
Vad värderar ni i val av samarbetspartners?
Spelar kultur någon roll i val av samarbetspartner?
Vad tillför dessa samarbeten er?
Vad bidrar ni med i dessa samarbeten?
Ser ni några risker med att samarbeta med andra?
Finns det några samarbeten som inte existerar idag men som ni vill utöka?

Nätverk
Hur ser ni på att medverka i nätverk?
Anser du Seaflex vara delaktig i några nätverk? Hur etablerades i så fall dessa?
Vad är Seaflex roll i nätverken?
Hur fungerar nätverken rent praktiskt?
Vad ser ni för fördelar, nackdelar med nätverk?

Övrigt
Är det något du vill tillägga?
Okej att vi kontaktar dig om vi skulle behöva komplettera med information?
Går det bra att vi skickar en kopia på det vi kommer att använda oss av från denna intervju, och att du ”godkänner” det?
Appendix 1d

Interview manual; Magnus Persson, Swedish Trade Council

Bakgrund
- Vad är din nuvarande position och arbetsuppgifter inom Exportrådet, (position på engelska?)
- Berätta lite kort om din bakgrund.
- Vad är Exportrådets huvuduppgifter, regionalt? nationellt? internationellt?

Exportrådets uppgifter
- Vad är det för typ av företag som söker sig till er?
- Vad bidrar ni vanligen med för typ av hjälp?
- Kan du berätta hur ni rådgör ett mindre företag som vill etablera sig internationellt?
- Finns det ett antal exportstrategier som ni använder er av? Hur ser dessa ut?
- Skiljer sig sättet ni rådgör ett företag på, beroende på vilken typ av produkt de säljer? På vilket sätt i så fall?
- Hur ser rådgivningen ut om produkten är av högteknologisk karaktär?

Internationalisering
- Vad tror ni är de största anledningarna till att svenska företag söker sig utomlands?
- Har svenska företags expansion förändrats de senaste 10 åren? På vilket sätt? Hur ser det ut om ytterligare 10 år?
- Hur väljer dagens företag vilka internationella marknader att bearbeta? Vilka faktorer spelar in? Hur rådgör ni dem att göra i val av marknad?

Kunskap
- Vilken typ av kunskap är nödvändig vid etablering på nya marknader? Hur får ni tag på den kunskapen?
- Kan kunskap om en marknad vara relaterat till att ett företag väljer att satsa på den marknaden? På vilket sätt? Kan det skapa nya möjligheter för ett företag?

Samarbete & Nätverk
- Hur ser ni på samarbetet och medverkande i nätverk?
- Vad har samarbeten och nätverkande för betydelse på en internationell marknad?
- Hur rådgör ni företag i val av samarbetspartners?
- Hur anser ni att företag bör använda sig av nätverk?
- Finns det typer av företag där nätverkande är viktigare än för andra?

Övrigt
- Är det något du vill tillägga?
- Går det bra att vi kontaktar dig om vi skulle behöva komplettera vår intervju?
- Går det bra att vi skickar en kopia på det vi kommer att använda oss av från denna intervju, och att du ”godkänner” det?