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**ENTERING NEW MARKETS IN A HIGH-  
TECH BORN GLOBAL COMPANY**  
Utilising dynamic capabilities

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# ABSTRACT

Perttu Rekola: Entering new markets in a high-tech born global company  
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Digitalisation and globalisation have given rise to a new type of companies that defy the traditional models of internationalisation. Instead of focusing on domestic markets, these born global companies seek rapid growth by entering foreign markets quickly after their inception. While their resources are limited due to their age and size, they successfully internationalise at a rapid pace. This study presents dynamic capabilities as enablers for that expansion. They are different from ordinary capabilities as they are inimitable ways for a company to use its competences and resources to match market needs.

The purpose of this study is to understand how high-tech born global companies enter new markets successfully, even though their resources are scarce. More specifically, this study examines what dynamic capabilities a high-tech born global company uses in its market entries. Those capabilities are not examined on a personal level but on an organisational level. The focus is set on B2B high-tech companies as the existing literature does not provide satisfactory descriptions of their market entries. In order to understand the studied phenomenon, different fields of research are combined. Market entry and dynamic capability theories are combined with born global focused theories to create a theoretical framework. That model describes how three categories of dynamic capabilities affect different stages of a market entry. Two born global specific dynamic capabilities are placed in that framework and further expanded in the empirical section.

To see how born globals enter new markets, six experts from a high-tech born global company were interviewed. They were carefully chosen by looking at their contributions to separate market entries that the company has made. Those semi-structured expert interviews provided deep insights as the interviewees were also leading the entries. That rich data was then analysed by using theory-based content analysis to find dynamic capabilities from it. In the analysis process, the researcher's role in the studied company was also utilized.

The analysed data revealed six different dynamic capabilities which the company utilises in its market entries. In them, multiple concrete processes and actions were recognized. With all those capabilities, the company gets the most out of its scarce resources by leveraging its unique competences and assets. One dynamic capability, leveraging the level of internationalisation was found not so important for the company. The recognized dynamic capabilities were then placed in the theoretical framework. By doing that, this study shows what dynamic capabilities the company utilises and needs in different parts of its market entries. In particular, this study highlights the importance of partners for high-tech born globals in their market entries. More specifically, born globals need small and large partner companies to provide credibility, scalability and adaptability. In addition to those managerial implications, this study has theoretical contributions. As dynamic capability theories are combined with born global market entry theories, existing theories are enhanced and expanded. This study also provides a way to look at the competitive advantages of high-tech born global companies by focusing on their dynamic capabilities.

**Keywords:** Born global, dynamic capabilities, market entry, high-tech

The originality of this thesis has been checked using the Turnitin OriginalityCheck service.

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# 1 INTRODUCTION

## 1.1 Rise of the born globals

When Spotify's founders Daniel Ek and Martin Lorentzon decided to revolutionise the music business in 2006, they did not plan on growing locally. Instead, their goal was to internationalise rapidly and become a globally known player as soon as possible. In a relatively short period of time, they did exactly that. While Spotify's success was made possible by worldwide digitalisation and a great product, it was their global focus that made the company what it is today. That focus is shared by countless other companies which are labelled *born global* companies.

During the last three decades, born global (hereafter BG) companies have emerged as new kinds of organizations that challenge traditional, slower and more gradual models of internationalisation (Andersson & Wictor 2003, 249; Laanti et al. 2007). They were first identified by McKinsey (1993) in their landmark study and are now found in every industry (Choquette et al. 2017). These companies seek foreign markets and rapid internationalisation from or quickly after their inception due to their international origins and global focus in management (Knight & Cavusgil 2004; Melén & Nordman 2009). Instead of focusing on developing operations in their home country, BG companies systematically aim for entries to foreign markets. Those entries then form the larger internationalisation process of the company. In practice, these companies prefer product exporting as their internationalisation mode (Knight & Cavusgil 2015). Other ways of entering markets are for example non-equity based methods like licensing and franchising, or equity based methods such as establishing a local firm or a joint venture. The goal in all of these is the same, to bring the company's product to new countries.

The rise in the number of these companies can largely be credited to digitalisation and globalisation (Knight & Cavusgil 2004, 2015). These two elements alongside the internet with its possibilities have lowered the cost of operating globally (Eid et al. 2002). This

increased ability to export is a practical reason behind the increase of BG companies. That is because in their domestic markets, BGs cannot leverage brand recognition, inter-firm networks or supply chain control like large companies can. All these elements have allowed smaller, asset-constrained companies to become a popular trend around the world (Martin et al. 2017, 527). For example, Knight and Cavusgil (2015) estimate that 20% of new enterprises in Europe are BG companies. In countries such as Belgium and Denmark, this number is close to 50% (Eurofound 2012). Especially information technology and other communication technology companies have benefited from the global development. In Great Britain, between 2011 and 2018, the number of information and communication enterprises exporting grew by roughly 38% (Statista 2019).

Resource scarcity is a defining factor of BG companies (Knight & Cavusgil 2004) and therefore, one of the main contexts of this study. This means that they often lack manpower and financial resources (Knight & Cavusgil 2015). In this study, resources are understood as Wernerfelt (1984, 172) describes:

“Firm’s resources that at a given time could be defined as those (tangible and intangible) assets which are tied semi permanently to the firm. Examples of resources are brand names, in-house knowledge of technology, employment of skilled personnel, trade contracts, machinery, efficient procedures, capital, etc.”

In addition to lacking resources, some existing resources, such as legal processes, can act as bottlenecks for growth. As they especially lack tangible resources, BG companies leverage their unique capabilities and intangible resources, such as innovations and differentiated offerings (Knight & Cavusgil 2015). A more specific way of looking at BG companies’ success are *dynamic capabilities*, which are ways of leveraging existing resources and removing those bottlenecks (Eisenhardt & Martin 2000). Dynamic capabilities help companies react to market changes and survive in the constantly changing markets (Eisenhardt & Martin 2000; Teece et al. 1997; Teece 2007). BG companies use them especially to develop cutting-edge knowledge intensive products to match market’s needs (Weerawardena et al. 2007). This in turn enables their characteristic

accelerated market entries. Therefore, dynamic capabilities play a big role in the successful internationalisation of high-tech BG companies and this study sheds light on that phenomenon.

Another inherent part of these companies is their management's proactive attitude (Laanti et al. 2007). BGs have very driven leaders who plan different dynamic strategies to match the targets of rapid internationalisation. Many dynamic capabilities in BG companies are related to their founders and that strategic thinking is one example of it. The rapid or accelerated internationalisation is another defining characteristic of a BG company (Knight & Cavusgil 2015; Weerawardena et al. 2007, 294). This means that in only a couple of years, they can enter multiple markets with great pace, and can even expand to many different markets at the same time. In practice, BG companies use multiple types of internationalisation modes simultaneously in multiple markets (Andersson & Wictor 2003). The personal networks and experiences of these leaders are one of the key factors in enabling BG companies to focus on multiple different markets extremely quickly after their inception (Freeman et al. 2006; Laanti et al. 2007). These networks benefit BG companies in many ways but most importantly they can be turned into inter-firm partnerships. As discussed later in this study, partners and alliances are crucial for BG companies' success in foreign market entries.

To describe what makes BG companies special, Choquette et al. (2017, 458) note that

“Born Globals exhibit superior performance in terms of turnover levels, employment levels and market reach (number of export destinations).”

In addition to those attributes, BG companies often rely on providing high quality solutions rather than a low price (Gerschewski et al. 2015). Often those solutions are very innovative and modern (Knight & Cavusgil 2004). Therefore, BGs have clear competitive advantages which explain why they can compete against larger companies even with limited resources. This study deep dives into those advantages in the form of dynamic capabilities.

## 1.2 Purpose of the study

The purpose of this study is to understand how high-tech BG companies enter new markets successfully, even though their resources are scarce. In order to achieve that, literature from marketing, strategy and international business is combined with interviewing experts from one company. This mix of literature offers different views regarding resources, dynamic capabilities and market entries. They are used as the theoretical framework to create a cohesive view of a fairly scattered research field. The interviewees bring the high-tech focus for this study, as they have been directly involved in the market entries of a high-tech BG company. That theoretical foundation and empirical evidence is formed to answer the following research question:

*What dynamic capabilities high-tech born global companies utilise in successful market entries, while limited by resource scarcity?*

The existing theory provides some answers to this question but only on a general level. For the past couple decades, the unorthodox success of BG companies has been studied and explained extensively. Knight and Cavusgil (2004, 2015) have been essential for the research of BG companies and their work is the backbone of this study as well. In addition to aforementioned more general descriptions of BG companies, there are studies focusing on their unique characteristics. Freeman et al. (2006, 2010) have focused on the importance of networks for BGs and others have studied the level of internationalisation among BG companies (Fernhaber & McDougall-Covin 2014; Kafouros et al. 2008). This study utilises those views and describes them in the context of dynamic capabilities. That is because in the existing literature, the categorizations and names for BG companies' features are too vague. Dynamic capabilities provide good theoretical context for researching those features and especially Teece (1997, 2007, 2014) has been pioneering the research of dynamic capabilities. He, like many others have not focused on BG companies and this study brings those two research fields together.

Another element that this study focuses on is high-tech BG companies. High-tech companies are firms which invest heavily in developing advanced technologies and

operate on the border of science and economy (Zakrzewska-Bielawska 2010). BG companies are usually innovative and focused on technology solutions (Knight & Cavusgil 2004), but a clear focus on high-tech companies is missing from existing research. By focusing on them and a certain part of their business, this study provides concrete answers on how these companies actually enter new markets with limited resources. This view is important to study as the scarcity of resources and rapid internationalisation are always mentioned when discussing BG companies. Sui & Baum (2014) mention that BG companies are more reliant on resources for survival than companies with a slower internationalisation rate. High-tech BG companies are even more dependent on available resources as they have to invest so much into their product development, while rapidly entering new markets. Therefore, the relevancy of this study comes from focusing on high-tech BG companies and using dynamic capabilities as a lens to study their market entries.

### **1.3 Definitions and assumptions of the study**

For this study, some definitions and assumptions are made in order to achieve a clear view of the studied phenomenon. First of all, this study focuses on business-to-business (hereafter B2B) companies. More precisely, the focus is on high-tech B2B companies which is one of the reasons why this study is relevant. That definition allows this study to contribute to the existing theory and expand it. Even though most of the theory used in this study describes BG companies on a general level, it is seen applicable to high-tech companies. The same applies to the definition of young companies, which means that this study addresses BGs which are less than five years old. To avoid defining the point where BG companies turn into “regular” companies, this study focuses on companies in their early years while they struggle with resource constraints.

The timeframe of a market entry is always very different and should be considered case by case. As dynamic capabilities are not tangible things that have measurable properties, they have to be studied on a wide enough timeframe. That is why this study focuses on these market entry phases: planning, executing and getting a foothold. Having systematic operations in the target market is left out to keep the focus on the actual entry. This focus

is visible in the interviews conducted for this study. Special attention was paid in the interview setting to not discuss the systematic operations in the target market, but rather how those operations were established.

Some assumptions were made to keep the language and tone of this study coherent. When new markets are discussed in this study, it means countries by default. While markets could also mean larger or smaller regions, the decision to use countries has been made for the sake of clarity. Market entries and internationalisation are not strictly the same thing, but in this study, they overlap with each other. Internationalisation in this study is understood as Calof and Beamish (1995, 116) describe it:

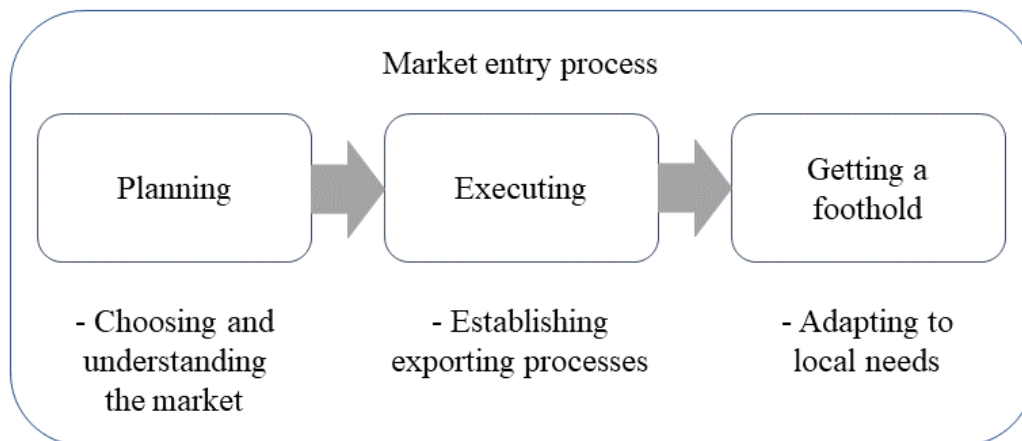
“The process of adapting firms’ operations (strategy, structure, resources, etc.) to international environments.”

Market entries are seen as individual parts of the internationalisation process and that is why they are often used to mean the same thing. More importantly, entry to a market is seen as a systematic focus towards a specific country. This means that a company must have made a decision to pursue regular operations in the market. So, a single product delivery to a new country is not necessarily enough to be considered as a market entry. The last important assumption is the use of the term *born global*. In literature, it is often used in conjunction with the term *international new ventures* (INV). But as Crick (2009) found out, no clear distinction without overlapping has been proposed in prior literature. Therefore, both of these terms were considered, and it was decided that born global fits the scope of this study.

## 2 DYNAMIC CAPABILITIES IN MARKET ENTRIES

### 2.1 Determinants of market entries for born global companies

There are a lot of risks related to market entries and planning the entry well will help attenuate possible problems (Barringer & Greening 1998). The first key decision is choosing the target market. As the available resources are scarce, the analysis and selection of the target country is crucial for BG companies' survival. Traditionally, companies would choose countries that are similar to their home country. This means that the economic, political and cultural environments in the new country resemble their counterparts in the company's country. However, digitalisation and e-commerce have lowered those requirements (Sakarya et al. 2007). This study argues that high-tech BG companies might follow traditional rules when selecting their first countries. This means that most BG companies internationalise regionally first (Ciravegna et al. 2009), but quickly search for more difficult and fruitful markets. In Figure 1, planning the entry is described as the first step of an entry process for a BG company.



**Figure 1.** Market entry process for a BG company

Before entering the target market, a company must gain sufficient information about it. The knowledge of international markets is often high within the management of BG companies, as it is one of the reasons why those companies can expand to foreign markets (Knight & Cavusgil 2004). However, that knowledge is not always enough to understand the targeted market and the company must gain first-hand experience from the market. That way it can accumulate institutional, business and internationalisation knowledge (Eriksson et al. 1997). More concrete examples of those are knowledge of regulation and customer needs (Sharma & Blomstermo 2003). That knowledge can come from informal and formal ties with local companies in the target market. It can also come from local presence by the BG company's employees.

When enough information about the target market is acquired, a company must choose its entry mode. Costs of entering a market are considerable (Das et al. 2007, 867) and for BG companies especially, the returns have to be great in order to justify the entry. Therefore, the situation for BG companies is slightly paradoxical, as they have to expand to new countries in order to grow (Knight & Cavusgil 2004), but those actions take up a lot of resources. Due to their resource constraints, many BG companies prefer exporting as their main entry mode (Knight & Cavusgil 2015). This is due to the fact that it does not tie too much resources from the company. Exporting is also described as part of the entry process in Figure 1.

When the targeted country and entry method are selected, it is important to understand what local requirements it has. As every country is different, there can be big differences how a BG company can gain a foothold in the market. The empirical section of this study provides some evidence what ways can be used. Especially the level of digitalisation, market trends and local competition have to be taken into account. One key advantage BG companies have, is that they adapt their entry approach to match the market. That flexibility between entry modes is a key factor for BG companies' successful entries (Sharma & Blomstermo 2003). It is also a great example of the dynamic capabilities in a BG company.

## 2.2 Dynamic capabilities and their categories

Defining capabilities and different parts of them is not a straightforward process. This study adopts Amit and Schoemaker's (1993, 35) definition that capabilities refer to a company's ability to deploy resources. That is why this study examines them on a firm-level, not on an individual level. Capabilities can then be divided into ordinary and dynamic capabilities (see Table 1). Ordinary capabilities are the regular and more basic functions in a company, which remain fairly similar over time (Collis 1994). They can also be benchmarked or bought if necessary. That imitability makes it difficult to form competitive advantage from those capabilities (Teece 2014). Therefore, this study does not focus on ordinary capabilities because market entries are always different. Every country has its own requirements and high-tech BG companies need to have unique ways to match those needs. Dynamic capabilities address that phenomenon and that is why they are the theoretical context for this study. The differences between ordinary and dynamic capabilities are further discussed in Table 1.

**Table 1.** Ordinary and dynamic capabilities (Adapted from Teece 2014)

	<b>Ordinary capability</b>	<b>Dynamic capability</b>
<i>Purpose</i>	Making and selling products	Match market needs/changes and stay relevant in the marketplace
<i>Managerial emphasis</i>	Control costs	Sense and seize opportunities, reconfigure assets and capabilities
<i>Processes</i>	Best practices	Signature practices
<i>Strategy</i>	Doing things right	Doing the right things
<i>Imitability</i>	Imitable	Unique to the company

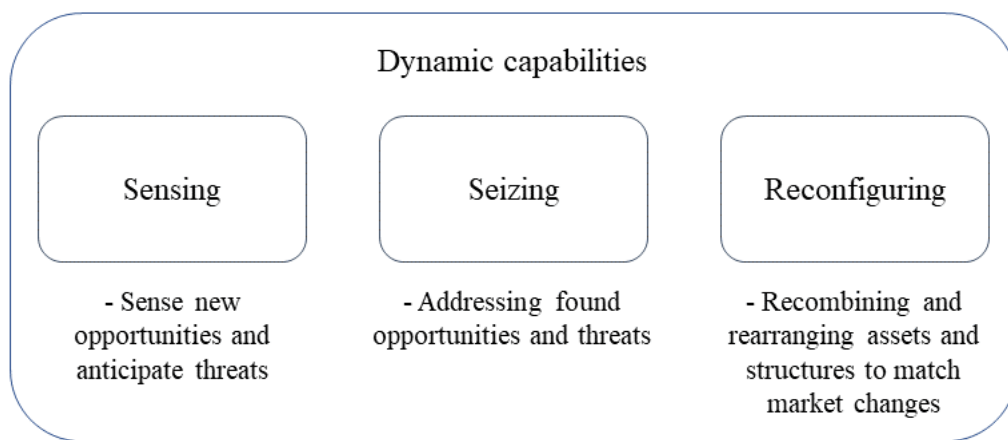
Roughly twenty years ago, the view of dynamic capabilities evolved from the resource-based view (Weerawardena et al. 2007). There was a need for a more dynamic description of competitive advantages as resource-based view only provides a static description of resources. Teece et al. (1997, 515) even note that the resource-based strategy “is often not enough to support a significant competitive advantage”. That is why they introduced dynamic capabilities as more important elements in building competitive advantage. In their foundational work, Teece et al. (1997, 516) define dynamic capabilities as:

“Firm’s ability to integrate, build and reconfigure internal and external competences to address rapidly changing environments. Dynamic capabilities thus reflect an organization’s ability to achieve new and innovative forms of competitive advantage given path dependencies and market positions.”

For BG companies, recognizing and maintaining dynamic capabilities is important as they cannot compete by relying on their resources or ordinary capabilities. Dynamic capability framework describes what are their actual competitive advantages as it provides insight on how a company can answer to market needs and changes (Eisenhardt & Martin 2000; Teece et al. 1997). Especially in the context of market entries, it is important to take dynamic capabilities into account, as small firms looking for rapid internationalisation need to develop a set of those capabilities (Weerawardena et al. 2007).

In practice, it might be difficult to point out dynamic capabilities in a company, but one only has to see how a company utilises its resources and matches market needs. Unlike ordinary capabilities, dynamic capabilities are developed over time and need to be built as they cannot be bought (Helfat & Peteraf 2015; Teece et al. 1997; Teece 2014). Eisenhardt and Martin (2000, 1107) note that for example Toyota has used its superior product development, which is a dynamic capability, to great effect in achieving a competitive advantage. Another example is strategic decision making where managers combine their experience and expertise to shape the firm’s strategy. Some dynamic capabilities focus on redistributing scarce resources within the company. Managers reconnect existing collaboration webs to generate new synergies to match evolving

market needs. As BG companies have limited resources, these capabilities in particular are extremely valuable for them. A good example of this shifting in a BG company can be the redistribution of work force, so that momentarily there are more people focusing on a new market and less people focusing on existing markets (Eisenhardt & Martin 2000). Lastly, an important dynamic capability is to identify resource combinations, markets, alliances and processes that no longer provide competitive advantage (Sull 1999). Especially for BG companies who cannot afford to waste resources, it is important to have an exit plan to end those routines, processes and resources.



**Figure 2.** Categories of dynamic capabilities (Adapted from Teece 2007)

To help describe and characterise dynamic capabilities, Teece (2007) presented the processes of *sensing*, *seizing* and *reconfiguring* (Figure 2). As dynamic capabilities can be difficult to identify in a company, this framework helps to see what roles those capabilities have. These three elements are the foundation of this study’s theoretical framework and further expanded in their own subchapters. As each of them helps to identify dynamic capabilities in different stages of a strategic process, the framework fits market entries well. That is because market entries have multiple phases and a BG company needs different dynamic capabilities at different stages. For those reasons, this study uses that framework to identify and categorize dynamic capabilities in the context of market entries.

### 2.2.1 Sensing

The first part of the framework consists of sensing, detecting and shaping opportunities and threats for the company (Teece 2007). To do that, companies need to actively scan, search and explore the business environment for possible opportunities and threats (Nelson & Winter 1982). That way companies can learn valuable information about customer demands, competitors and industry trends (Teece 2007). Therefore, dynamic capabilities related to sensing are very important for market entries. BG companies need all the information they can get from a market before the entry. As their resources are limited in terms of manpower, finances and other tangible assets, they have to make sure the market is a good fit and worth allocating those resources. Using dynamic capabilities to sense the market is a natural solution for that.

The scope of sensing and searching has to be regularly reviewed and modified to avoid tunnel vision. General Motors and IBM suffered from that problem as they used the same information filters and problem-solving strategies too long. Their competitive advantages suddenly turned against them as they did not see what was happening in the markets and what adaptations were required (Henderson 1994). One could argue that Nokia's mobile phone empire collapsed for the same reason as the competition was suddenly ahead. For high-tech BG companies, the correct scope of sensing is very important as adaptation is one of their most important competitive advantages. So, they need to stay ahead of competition and adapt to changes faster than others.

In practice, gathering and analysing information about the market is done by the BG company's employees. One way to learn about the target market is to have local presence there. It can be in the form of an employee who becomes an expert of that market or it can be a local partner company. Alternatively, the company can attend tradeshows and fairs in the target country to see what is happening within the industries and enterprises there. To avoid that only a limited group of people have the necessary information, the company should develop processes to ensure that the data flows to the management (Teece 2007). That is why it is good to have dedicated people who manage those information gathering processes and integrate them to business processes (Casson 1997).

For high-tech BG companies, identifying the most important segments in the target market is an important dynamic capability and part of the sensing processes. By focusing on certain segments, BG companies can understand their needs and become experts in those segments. Companies often direct resources to their R&D processes in the sensing phase to match the needs of their most important segments (Teece 2007). Then the company has to leverage those resources and changes when seizing the spotted opportunities.

### **2.2.2 Seizing**

When the opportunities are identified successfully, it is time to seize them. Seizing processes mean addressing spotted opportunities with new solutions, products or services (Teece 2007). In practice, companies must improve their technological competences to match the needs and opportunities which were spotted earlier. One seizing activity is to make investments in those competences and that way ensure offering's readiness. Then it comes down to timing the seizing activities right (Teece 2007). The right timing is very important, especially in market entries, as entering too early can bring about all the costs of an entry without the gains. On the other hand, waiting too long to enter can negate the R&D investments made to match certain market trends or needs.

In more traditional companies, acting quickly on sensed opportunities might be more difficult than anticipated. Hierarchical decision-making, bureaucracy and pending approvals are typical elements hindering seizing activities (Teece 2007). More traditional companies might be so focused on existing opportunities and technologies, that they cannot adapt to new innovations and competition (Nelson & Winter 1982). To tackle this issue, BG companies often have decisive management with quick approval processes that allow agile actions. Therefore, management's expertise and willingness to internationalise rapidly is an important seizing dynamic capability for high-tech BG companies. Teece (2007) expands the notion by mentioning that it is as important for the management to recognize its own weak processes and bypass them if needed.

Seizing activities include creating and/or choosing a business model. That model addresses for example costs, revenues, supply chains, innovation and product development related to the spotted opportunity. In essence, "it defines the way the enterprise goes to market" (Teece 2007, 1329). Therefore, dynamic capabilities related to creating, modifying and executing that model are crucial for BG companies when entering new markets. Modifying the model is crucial, as most markets require unique plans and models. As mentioned before, that adaptability is one of BG companies' key advantages (Sharma & Blomstermo 2003).

In all of the seizing activities, management's strategic decision-making as a dynamic capability is pronounced. Those decisions should be based on the information gathered in sensing activities and follow a set strategy. Those elements ensure that all the decisions have a purpose and can be beneficial for the company. However, managers and leaders are forced to make informed guesses about the markets as there is no way to have all the available information (Teece 2007). This means that a company has to take some risks when seizing opportunities and new markets. Making those decisions strategically helps minimise the possible losses from those decisions.

### **2.2.3 Reconfiguring**

Once the company has successfully sensed and seized opportunities, it needs to sustain its growth and manage available assets (Teece 2007). That is done by recombining, reconfiguring, integrating and building assets (Teece et al. 1997; Teece 2007). This is important because as the company grows, it naturally develops structures and routines that decrease its ability to address opportunities in an agile way. A good example of that is a more hierarchical structure of decision-making. By managing its assets, the company can at least slow that process down. But it is common that companies' important and effective routines turn into growth hindering processes (Rumelt 1995), which need reconfiguring. That is why the smaller, less well-resourced companies can rise to the top and compete with bigger enterprises, as they do not yet have those growth-hindering routines and processes in place (Teece 2007). That applies to high-tech BG companies as

well and their dynamic capabilities in reconfiguring are crucial for their internationalisation processes.

Teece (2007) notes that decentralized structures within a company are needed to reconfigure assets successfully. Therefore, those structures should be pursued and maintained. In practice, it means that the hierarchies in the company are low and the management is closer to the customers. Instead of multiple levels of management, decision-making is done near customer interface. That way the company can retain its dynamic capabilities like strategic decision-making and responsiveness to market changes (Teece 2007). It also makes the information flow in sensing activities more efficient. At some point, certain structures are needed to run a bigger company. So, not all of the growth hindering routines and structures can be modified but even a larger company can have that decentralized structure. For BG companies, such a structure is often natural and again one of the enablers for their growth.

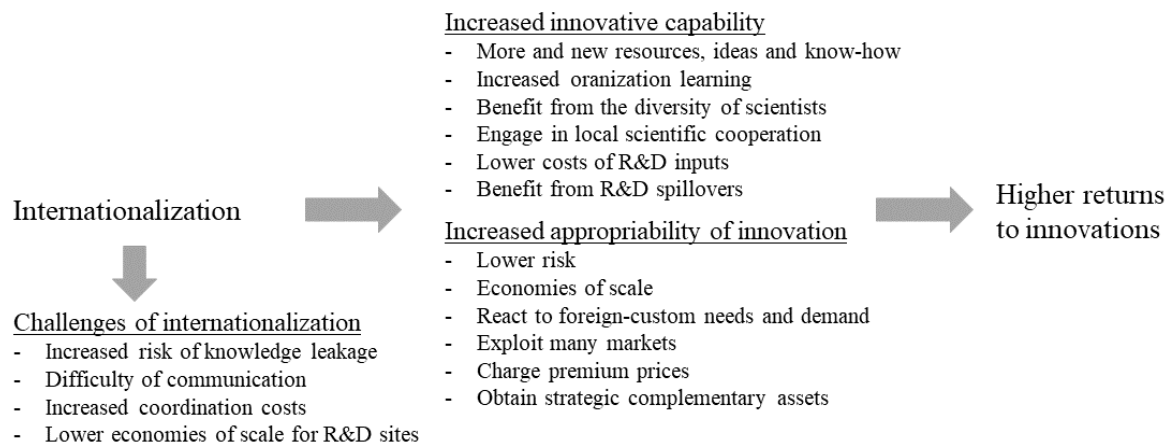
To maintain all the dynamic capabilities that help the company match market changes, leadership skills from the management are needed. Big part of those skills is continuously reconfiguring and redesigning assets and routines (Teece 2007). In order to build sustainable competitive advantages, that constant development and adjusting is needed. Even the business model might need modification and for that strong leadership skills are needed. In a BG company, the management already has a pronounced role and much of their success can be credited to leadership skills (Knight & Cavusgil 2004). Therefore, it can be argued that the management's dynamic capabilities in reconfiguring are crucial for their market entries and survival.

## **2.3 Important dynamic capabilities for high-tech BG companies**

### **2.3.1 Managing level of internationalisation to support innovations**

For high-tech BG companies dependent on their innovation capabilities, internationalisation can be an intimidating process as it requires relocating some of the available resources. As innovativeness and technological developments are important competitive advantages for high-tech BG companies (Knight & Cavusgil 2004), it is crucial that those elements are considered when new market entries are planned. In practice, companies aiming for internationalisation must have unused managerial capabilities which are not needed for innovation activities (Kyläheiko et al. 2011).

However, resource allocation inside the company is not always a strict trade-off. Even though the internationalisation process takes up resources, it can also enable better use of existing resources. Kafouros et al. (2008) argue that for companies to fully utilise their innovative abilities, they must have a sufficient degree of internationalisation. In practice this means the company has presence in different countries and the number of countries varies. It is important to note that they present this view as a general rule and not specifically towards BG companies. Even when most modern companies enjoy the benefits of globalisation, it is fair to challenge that proposal. For example, Kyläheiko et al. (2011, 508) comment that in reality this view is not applicable to all companies. That is why this study narrows the view to include BG companies and adopts it to support the theoretical framework. This is done because Kafouros et al.'s (2008) view is seen as very applicable to high-tech BG companies who are often highly innovative. That innovativeness is a big part of the knowledge-based resources BG companies apply to multiple sales outputs around the world (Knight & Cavusgil 2004, 124). As they naturally aim for international markets, it is important to understand how the level of internationalisation and innovation capabilities affect each other. Figure 3 shows this dynamic relationship between those two.



**Figure 3.** The main implications of internationalisation (Kafouros et al. 2008)

Figure 3 shows the challenges and benefits related to innovations during the internationalisation process. In short, entering new markets can bring economies of scale and additional R&D resources. In addition to the resources available in the target market, what has been learned from the market entry is important for developing innovations. However, new market entries spread the existing resources to a wider area and R&D sites lose some economies of scale. Strategic thinking and understanding the level of internationalisation will help minimize these issues and maximize their gains in innovation activities. Figure 3 shows how these gains affect profitability in the end. By reaching the needed level of internationalisation, companies increase the returns to their innovations and that in turn increases companies' profitability (Kafouros et al. 2008).

With this information in mind, it can be argued that internationalisation is especially beneficial for highly innovative BG companies. However, internationalisation already is the natural path to growth for these companies (Knight & Cavusgil 2004). Then the bigger question is what level of internationalisation is required for companies to fully reap the rewards of their innovation efforts. The answer to that question is most probably always subjective and unique. Therefore, instead of trying to calculate the right level straight away, it might be more beneficial for high-tech BG companies to just understand that they need a certain level of internationalisation. That level needs to be reached before its impact can be measured. By regular monitoring, companies can track how entries to new markets are affecting their technological developments. With that information they can

estimate how far in the internationalisation process they are and allocate more resources to R&D when needed. That is why this process of measuring, understanding and allocating can be seen as an important dynamic capability. By further investing in innovations, high-tech BG companies increase their chance of surviving and prospering in modern markets (Martin et al. 2017).

However, there is a limit to the positive impact the correct level of internationalisation can have. Fernhaber and McDougall-Covin (2014) expand that theory by describing the effect that an excessive degree of internationalisation has. Even though new markets offer economies of scale and additional innovation resources, they also include inevitable trade-offs. By expanding to too many countries too fast, a high-tech BG company can nullify the advantages of internationalisation by spreading its resources too wide. It can even lead to loss of existing customers when the company focuses too much on new markets. That is why a BG company should aim for the sufficient level of internationalisation first and then moderate its innovation and market entry activities (Fernhaber & McDougall-Covin 2014).

### **2.3.2 Finding ideal partners for market entries**

Another important dynamic capability for BG companies is alliance formation, as it brings new external resources available for the firm (Eisenhardt & Martin 2000). For example, Powell et al. (1996) found that biotech companies with strong relations and processes for alliance forming achieve superior performance by tapping into external knowledge. It can be argued that the same applies to all high-tech companies and partners are often mentioned as key elements for growth when talking about BG companies. Because young BG companies often lack local presence in the target country, using partners and networks might be the only option for them to enter new markets. Freeman et al. (2006, 56) even note that

“Collaborating rather than competing with large foreign players makes the phenomenon of the smaller born-global firm possible.”

More importantly, as stated before, young BG companies are very reliant on resources for survival. As the available resources in the company are limited, successful alliances and networks can reduce the negative impact resource constraints have on young BG companies (Laanti et al. 2007; Qian et al 2017; Ruokonen et al. 2008, 1309). Mort and Weerawardena (2006, 566) argue that

“...the dynamic networking capabilities enable born globals to minimise the risks associated with global market entry decisions.”

In an attempt to better understand these elements and capabilities, this subchapter focuses on alliances and partnerships on firm level and networks on a personal level. Based on that understanding, a model for recognizing an ideal partner for a high-tech BG company is presented in Figure 4 at the end of this subchapter.

BG companies internationalize rapidly, and Freeman et al. (2010) studied why these companies skip phases in internationalisation or why they do it at an accelerated pace. They concluded that BG companies use existing and new networks to develop knowledge needed in a specific market (Freeman et al. 2010). This knowledge is a good example of the resources needed in a rapid market entry (Weerawardena et al. 2007) and that is why partners can bring unique value to BG companies. There are also other ways alliances, partners and networks make rapid internationalisation possible. Good partners can share the risk of entering new markets, help achieve economies of scale, make product distribution easier and provide financial expansion (Freeman et al. 2006). These benefits make rapid internationalisation possible for young companies who otherwise might not have resources to do so. The partners ability to add value to a high-tech BG company's offering is crucial for a successful market entry.

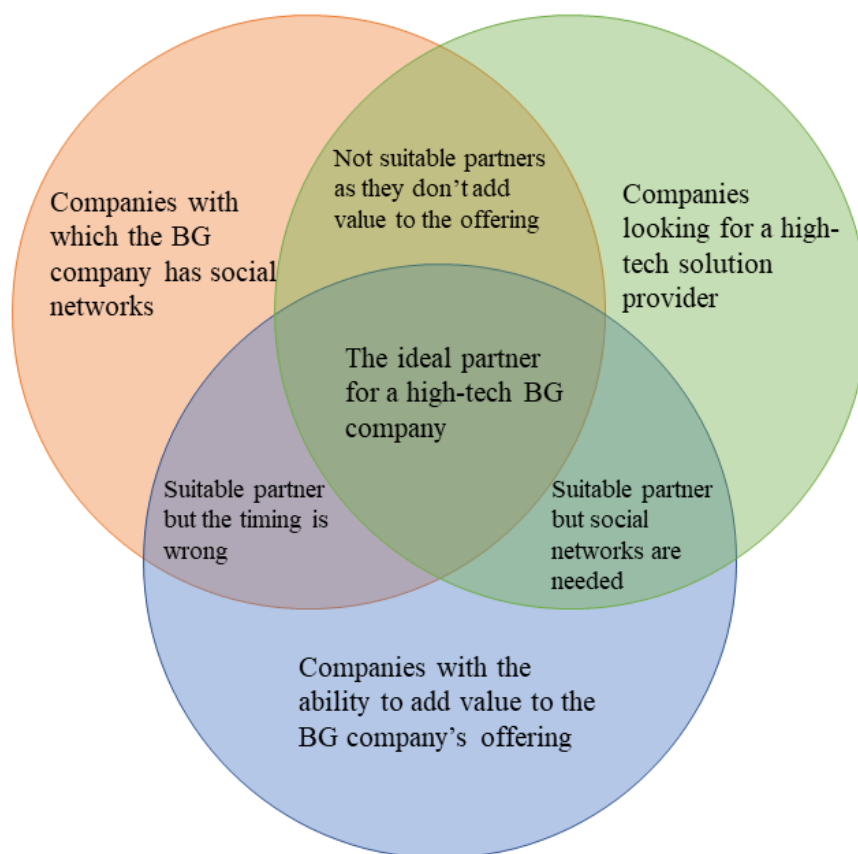
Even though relationships between companies and people are often beneficial for BG companies, developing the trust and networks needed is not a straightforward process. Zhou et al. (2007) noted that even though social networks can help BG companies to expand to new markets more rapidly, building and maintaining networks takes resources, which BG companies often lack. Therefore, it is important for young companies to

properly analyse their need for alliances and not let other companies take advantage of their situation. Larger companies are often looking for smaller high-tech innovators to provide them tailored solutions as partners (Freeman et al. 2006, 57). For small and medium-sized enterprises that is a big commitment. That is why highly innovative BG companies looking to internationalize need to make sure that potential partners are a perfect fit. This rather obvious statement carries a deeper meaning as it is not enough that partners want to satisfy customer needs. While that shared goal is mandatory, Ruokonen et al. (2008, 1311) argue that companies looking to internationalize must also ensure that partners are generating, disseminating and acting upon customer and competitor intelligence. This requires a common understanding between companies and an effective way to develop it are social networks.

As partner companies help young companies to carry the load of internationalisation, they become crucial parts of BG companies' businesses. That is why these companies must put a lot effort in building and maintaining relationships with partners. In practice that happens with interpersonal relationships where BG company's leaders play an important role. By developing personal relationships with partner companies' representatives, leaders of BG companies build their own as well as their company's social networks. In the context of BGs, young companies that utilise the networking capabilities of managers and founders, seem to internationalize more rapidly (Mort & Weerawardena 2006, 566; Zhou et al. 2007, 685). As Knight et al. (2004) defined, born globals seek performance from selling in multiple countries. Advancing the internationalisation process rapidly helps achieve that goal faster. Therefore, the social networks of companies and its employees can be seen as one of the most important intangible resources in the internationalisation of young BG companies. Another reason why interpersonal networks are important is that they have a measurable positive impact faster than inter-firm networks (Eberhard & Craig 2013).

In addition to the clear benefits networks have, they also contain some risks related to the internationalisation of a company. Musteen et al. (2010) argue that young companies cannot rely too much on information gathered from personal international ties. Managers of these companies must note the effect personal relationships can have on business

information and evaluate the information before accepting it as the truth (Musteen et al. 2010). Mort and Weerawardena (2006, 567) note that these networks and relationships can also act as limitations for the expansion as BG companies might feel compelled to operate within those networks. It is also good to note that the positive impact on internationalisation of interpersonal and inter-firm networks happens with a delay (Eberhard & Craig 2013). Young BG companies expand to new countries rapidly and that delay of one or two years can seem like a long time when invested resources need fast returns. However, with strong leadership and strategical thinking both of these risks can be managed and taken into account. That way limited resources can be allocated profitably, and new markets become available through partners and networks.



**Figure 4.** Forming the ideal partnership for high-tech BG company's market entry

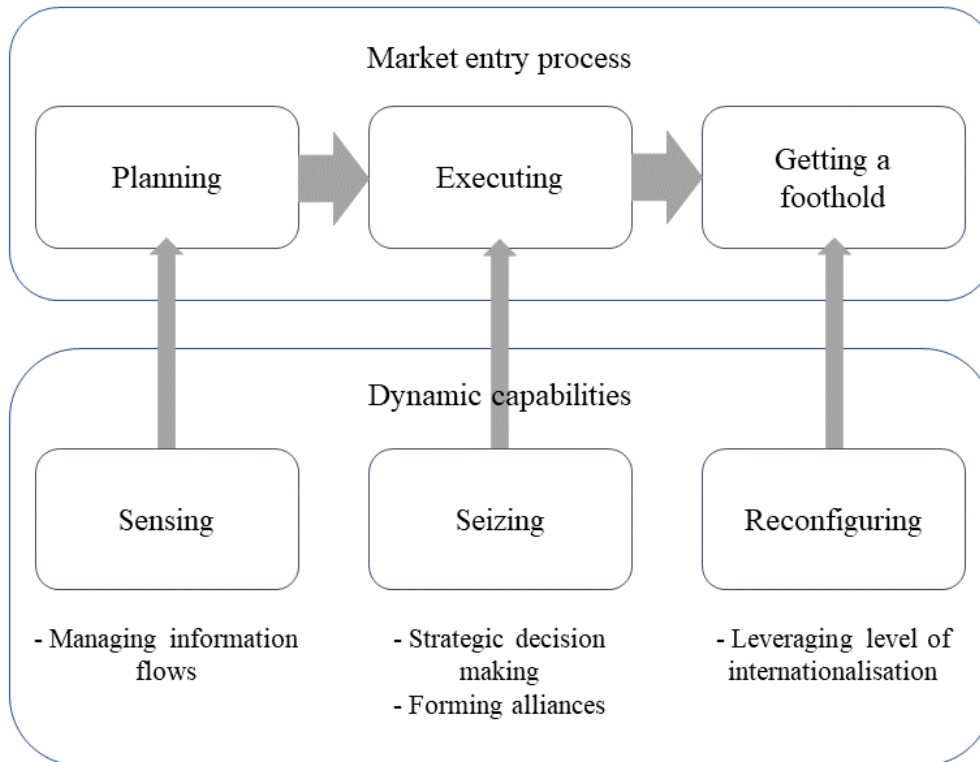
The model presented in Figure 4 is a simplified view of what kind of partners high-tech BG companies should look for when entering new markets. It was created for this study and it can be seen as a synthesis of the different marketing, strategy and international business literature used in this subchapter. In the middle is described the ideal partner, who is also looking for a partner and can add value to the BG company's offering. The connection is made possible by the social networks between these companies and the inter-firm partnership can be built on interpersonal relationships (Freeman et al. 2006). In addition to the ideal partner description, the model shows different types of companies that are close to being ideal, but that are lacking something essential. It might be that the partner candidate itself is not looking for partners, or that there are no social networks between the two companies. It is important to note that when the partner candidate cannot add value to the offering, partnerships with them should be avoided. That is the case even though the partner candidate is looking for high-tech partners and has social networks with the BG company. Therefore, the ability to add value can be seen as the most important element of the partner candidate.

This model shows that the most efficient way for BG companies to increase the number of potential partners is to develop their social networks. The other two elements can also be grown by a better understanding of the companies in the targeted market. By learning which companies are looking for a partner and which could add value to the offering, the number of partner candidates can be affected. The snowball effect in finding new partners should also be noted and studied further as clusters in company networks can bring new companies together.

## **2.4 Theoretical framework of the study**

One of the goals of this study was to create a cohesive view of a fairly scattered literature. With the focus on high-tech BG companies, this section studied dynamic capabilities and market entries. Combining those models and theories, this subchapter describes how dynamic capabilities relate to market entries for high-tech BG companies. In Figure 5, Teece's framework (Teece 2007) is combined with a general description of a market

entry. To highlight dynamic capabilities, some examples from the used theory are placed in their corresponding categories.



**Figure 5.** Dynamic capabilities in the market entry process

The figure shows how each type of dynamic capability affects their corresponding part of an entry process. Those types focus on different parts of business opportunities (Teece 2007) which in this study are market entries. That is why the researcher saw the presented pairs of dynamic capabilities and entry parts as most logical. Sensing type of dynamic capabilities are most needed when planning the entry. As the resources for a market entry are limited, BG companies must be certain that the target country is good fit. Therefore, BG companies must utilise dynamic capabilities that allow them to have all the possible information about the market's needs, trends, segments, possible partners and competition. To do that, companies must actively scan, search and explore the market (Nelson & Winter 1982). It is just as important to sense good opportunities as it is to spot possible threats. Then the company needs to ensure that all the relevant persons have that information which they can use in the seizing phase (Teece 2007).

Dynamic capabilities that help seize the opportunities are needed when executing the entry. With the gathered information, management has to make strategic decisions to have the correct business model and timing for the entry (Teece 2007). High-tech BG companies' ability to modify their business model and entry mode to match the target market is one of their key seizing dynamic capabilities (Sharma & Blomstermo 2003). Another capability needed for entries is forming alliances and partnerships. By forming alliances, BG companies can tap into new pools of resources which help them enter new markets (Eisenhardt & Martin 2000). The importance of partners is mentioned in most literature when BG companies and market entries are discussed. It is even presented as the factor which makes rapid internationalisation possible for these young, resource constrained BG companies (Freeman et al. 2006).

When the entry has been executed by setting up exporting processes or using another mode of entry, a BG company must reconfigure its assets. This is done in order to stay responsive and agile on changing markets. For BG companies, that is especially important as every market is different and they cannot rely too much on old routines and processes when entering new countries. One important way to make the reconfiguring and adapting easier, is to have a decentralized company structure (Teece 2007). BG companies often have a low hierarchy structure in place, making them even more agile.

Understanding the company's level of internationalisation is another way to ensure the foothold in a market. That understanding can come from checking employees' workloads, product delivery times or product development cycles and seeing if there are unwanted developments. New markets and their requirements put stress on all of these factors and at some point, new market entries might actually hinder business. Even though BG companies seek growth by entering new markets systematically, it cannot be done at the cost of existing customers. On the other hand, when the level of internationalisation is correct, it has positive effect on company's performance (Kafouros et al. 2008). Figure 3 in subchapter 2.3.1 shows how internationalisation can increase innovations in a BG company. In practice, after entering a new market, a BG company can evaluate whether it is benefiting or suffering from the new entry. This way the company can adjust accordingly and seek new markets or enhance its performance in existing ones.

### **3 CONDUCTING THE RESEARCH**

#### **3.1 Philosophical approach of the study**

To ensure that the methodological approach on a study is coherent, the researcher must have a good understanding of the philosophical concepts driving it. As all studies have a philosophical foundation (Hunt & Hansen 2010, 111), those concepts will help define and specify the research design, strategy and methods (Eriksson & Kovalainen 2008). More specifically, it is important to understand the ontological, epistemological and methodological concepts of the philosophical approach. As described by Eriksson and Kovalainen (2008, 13), ontology focuses on

“...the ideas about existence of and relationship between people, society and the world in general “

Epistemology focuses on what is knowledge and what can we know. It also sets the limits for knowledge. Methodologies are more practical as they try to explain how we can know and gather knowledge (Eriksson & Kovalainen 2008).

This study is based on critical realism as a philosophical approach. That is done because the nature of this study is fairly pragmatic and problem solving oriented. It is reflected in the purpose of this study which is to understand how high-tech BG companies enter new markets successfully, even though their resources are scarce. Another reason is that it goes well with studies focusing on one company. As Easton (2010, 127) argues, critical realism provides the missing philosophical validation for such studies. He adds to that statement by noting that critical realism provides ontological and epistemological underpinnings. This ontological view is, that there is an independent and observable real world not related to any human perception of it (Easton 2010; Eriksson & Kovalainen 2008). This approach also suggests that knowledge is socially constructed and research cannot always explain its complex phenomena (Easton 2002, 2010). As with knowledge,

critical realism assumes that the world is socially constructed, at least to a certain point (Easton 2010). This epistemological view means there is always room for interpretation and therefore, there is pressure on the researcher to collect sufficient data (Easton 2010). In this study, it means that the researcher must provide sufficient evidence so that other researchers can evaluate that.

As for the methodological concepts, an abductive approach is recommendable and adopted by this study, as discussed further in chapter 3.4. This means the theory-based deduction and empirically driven induction are used together (Järvensivu & Törnroos 2010). In practice, the researcher moves between those two iteratively while conducting the research (Eriksson & Kovalainen 2008). The main reason for this approach is that in this study heavy emphasis is placed on existing theory which is gathered from a wide range of literature. But because that knowledge is scattered, it is expanded with the empirical evidence from the interviews. As the goal of this study is to find new relationships and variables to add to the existing theories, an abductive approach is a good fit. Suitably for this approach, this study focuses on theory development instead of theory generation. As a result, a more cohesive framework is created from theoretical insights during the process, existing literature and unanticipated empirical evidence (Dubois & Gadde 2002).

## **3.2 Qualitative research**

In order to gain a deep understanding of the studied phenomenon, this study was conducted using qualitative methods. That decision was done due to market entries and dynamic capabilities being very intangible and complex concepts. They cannot be measured easily, and their contexts need to be always taken into account. Qualitative methods allow the researcher to dive deep in to those concepts and provide a holistic view of the phenomenon (Eriksson & Kovalainen 2008).

Another reason for that decision was that the existing literature about the phenomenon is insufficient. Dynamic capabilities and BG companies are both fairly new concepts and the research about them is scattered. Qualitative research is more exploratory in nature

(Eriksson & Kovalainen 2008) and therefore suits the targets of this study. Carson et al. (2001) even note that qualitative methods are suitable when the goal is to gain a deep understanding of a lesser known phenomenon. This study relies on existing theories but expands them in the context of dynamic capabilities and high-tech BG companies. Qualitative research allows the comparing of generated data with existing theory and seeing what commonalities and differences there are (Gummesson 2005). From that interplay between theory and empirical evidence, this study generates new findings while enhancing existing theories.

### **3.3 Generating the empirical data**

The empirical evidence for this study was formed by interviewing experts about market entries. This was seen to be the best method as most of the entry related information is tied to specific people. That decision is also in line with this study's observation, that BG companies' decision makers have a pronounced role in their entries. By interviewing those who were leading entries to different markets, the researcher got first-hand knowledge about the used dynamic capabilities. This chapter describes who the interviewees were, how they were chosen and what methods were used in the interviews. On a general level, the approach taken in these interviews was a realistic orientation. In that, the focus is on gathering facts and what actually happened instead of perceptions and attitudes. (Silverman 2010, 119).

#### **3.3.1 The selection of interviewees**

Interviewees for this study were chosen from one company by the researcher, who also works for that company. It is an international enterprise headquartered in Finland with roughly 350 employees in multiple countries. The company has done many successful market entries and is part of a large corporation. However, it is still a young company with the intention of selling solutions in as many countries as possible. The main mode of entry for the company is exporting products but it has established local presence in its key markets. The company produces high-tech network solutions and has targeted

different countries around the world from its inception. For those reasons it can be considered to be a high-tech BG company. In addition to lacking tangible resources, like manpower and finances, the company has resource bottlenecks. Poorly scalable resources such as legal processes or customer support are slowing their entry processes.

**Table 2.** Details of the interviews

<b>Interviewee's coded name</b>	<b>Interviewee's role in a market entry</b>	<b>Date</b>	<b>Location</b>	<b>Length</b>
John	Finds partners and ecosystems	7.2.2020	Espoo, company office	30 min (pilot)
George	Leads a market acceleration program	21.2.2020	Remotely	57 min
Peter	Head of business development	2.3.2020	Remotely	52 min
Paul	Leads a market acceleration program	3.3.2020	Remotely	48 min
Mary	Business development	4.4.2020	Remotely	38 min
Robert	Business development	5.3.2020	Remotely	40 min

The interviewees (Table 2) were chosen from one company to get a good understanding of the studied phenomenon. By focusing on multiple entries by one company instead of one entry by multiple companies, the researcher could really see what dynamic capabilities were utilised. In the end, the interviews covered entries to five different countries. Another reason was that the researcher had personal knowledge of the company and its employees. That knowledge and suggestions from other people in the organization were used to find people who have been involved in different market entries. No particular

job title or role was used as a filter, as it was more important to find people with great knowledge about a particular market. A lot of emphasis was placed on selecting the interviewees so that many different markets in different levels of maturity would be represented in the empirical evidence. Eventually six interviewees were selected from the company and they all had great knowledge on different markets around the world. That number was deemed to be sufficient as the quality of the interviews was high. Further information about the interviewees is presented in Table 2. Note that the interviewees were given pseudonyms to preserve anonymity but retain readability.

One pilot interview was conducted in order for the used questions and targets of this study to be enhanced. The pilot interview was very helpful as the used questions (see Appendix 1) and their structure was modified based on it. Especially the length of the question list needed modification. For the pilot interview's length, the questions were sufficient but as the goal was to conduct longer interviews, more questions were added to the list. Those additions were mainly interesting topics that came up during the pilot interview. It also helped to further develop and focus the research question this study. The theoretical framework of this study was found to be suitable and also it was enhanced based on the pilot interview. That is why the first interview was included in the research material and was analysed with the rest of the interviews.

### **3.3.2 Interviewing experts**

As the interviewees were chosen by their expertise, institutional position or participation in the studied phenomenon, the selected method can be seen as expert interviews (Alastalo & Åkerman 2010). In this study that means special focus was put on selecting the interviewees and customizing the interview structure. The decision to do the selection based on expertise became obvious when the scope of this study was defined. As this study focuses on getting a deep understanding of one company, it is crucial that the interviewees can contribute to that understanding. In traditional interviews, the interviewee might have to meet certain criteria like shopping behaviour, age or title. In this study, none of those mattered but the interviewees needed to have unique experiences and views regarding market entries.

In expert interviews, the truth is formed in co-operation with the interviewee (Alastalo & Åkerman 2010). This means that the researcher has an interpretation of the subject and it is tested, corrected and modified in the interviews. In practice, the researcher has to do their homework and have customized question structure ready for the interviewees (Alastalo & Åkerman 2010). This was the case in this study, where the researcher had existing information about the company's previous market entries. That information was then utilised to enhance the interviews. Even though the base structure of the questions was the same, each interview had a tailor-made focus in them. This focus was based on the researcher's knowledge, suggestions from other employees and results from the pilot interview. That existing knowledge also became crucial in refocusing the interviews when the interviewees started to drift away from the subject.

As the goal of these interviews was to get factual information on past events, the expert interview method was found very suitable. That method is not interested in the interviewed person but what information she or he has to offer (Alastalo & Åkerman 2010). This information was very rich and useful. The success of the interviews can largely be credited to the selection of the interviewees. By making sure beforehand that the interviewees had relevant information, all of the interviews were fully usable in the analysis. Therefore, it is proposed that for studying this subject in the future, researchers would focus on the employees' experiences in market entries instead of job titles. In addition to that methodological decision, semi-structured interviews are seen as the optimal way of conducting expert interviews.

### **3.3.3 Semi-structured interviews**

Thematic or semi-structured interviews have a pre-set structure which is fairly loose and flexible. Instead of using a strict set of questions, the interview consists of different themes which gives the interviewer a lot of options how to conduct the interview (Tuomi & Sarajärvi 2018). This was the main reason why this method was chosen for this study. In practice, it means that the question set was built to have a customizable structure. The goal was to allow the interviewees to expand on topics they found meaningful and the semi-structured question set supported that nicely. The structure also prevented the

interviews from losing focus as there was always an appropriate theme to return to. These common themes tie all the interviews together, no matter how specific the focus of the interview is (Eskola & Suoranta 1998). However, the loose structure also puts pressure on the researcher to find suitable themes and to conduct the interview in an effective manner. In a semi-structured interview, the questions or themes are based on previous knowledge and theoretical framework that the researcher has (Tuomi & Sarajärvi 2018). Those requirements fit the expert interview description and combining these two methods is seen beneficial in this study.

In the interviews, after asking background information from the interviewee, he or she was asked to choose a market where the company had entered. As the researcher had personal information about the interviewee's role in a specific market, that country was offered as an option. This was done to get views from multiple markets that are in different maturity levels. The chosen country was used as an anchor in the interview and even though many topics were discussed on a general level, often they were tied to the example country. The interviews mostly followed the same thematic structure but each of them had their own focus which lead to unique questions and discussions. For example, with the acceleration program leaders, the discussion revolved around those programs. In those particular cases, the researcher's existing knowledge and research done in advance helped a lot.

The interviews were all recorded and conducted in English as it is the official business language of the company. One of the interviews was conducted face to face, but other interviewees were located in foreign countries and they were interviewed remotely. As the focus of these interviews was on facts, the disadvantages of remote interviews such as lack of body language detection, are manageable. However, interviewing people remotely presents some limitations to this study. They are further discussed in the fifth section.

### **3.4 Analysis of the data**

On a general level, the analysis of the data started already during the interviews, when the researcher made notes and preliminary sorting. Already in that phase the sorting was based on the theory used in this study. These short notes on the interviewees' answers were taken into account in the analysis. After each interview, they were transcribed, which means listening to the recordings and writing everything down (Eskola & Vastamäki 2015, 42). This process was the most time consuming part of the study but it is often mandatory for qualitative analysis of the interview data (Hirsijärvi et al. 2009, 222). In addition to having the data in an accessible and editable format, the transcribing process became a part of the analysis process. By spending a lot of time listening to the interview recordings, the researcher started to see common themes within the data and how they matched or did not match the theoretical framework. So, when the analysis phase started, the researcher already had a lot of ideas on how to handle the data. The evidence was analysed using content analysis, which arranges the data in a systematic way (Tuomi & Sarajärvi 2018), making it easier to derive conclusions from the written information.

As mentioned, the content analysis was done mainly in a theory-based way. This meant that the categorization frame in the content analysis was based on the theoretical concepts used in this study (Tuomi & Sarajärvi 2018). In practice, dynamic capabilities and Teece's (2007) framework acted as main categories in the analysis. From the transcribed data, the answers were categorized to major classes and subclasses according to Tuomi and Sarajärvi's (2018) guidance. Those eventually became the chapters in the result section of this study. Creating those classes helped finding information from the interviews that fit the categories and theoretical elements within them.

While the theoretical framework proposed in this study worked relatively well in the analytical categorization, there was a need to incorporate other type of analysis as well. That was needed as some of the evidence was left outside of the theory-based subclasses. New classes were formed from them using evidence-based analysis (Tuomi & Sarajärvi 2018). This combination of these analysis methods means that the analytical approach in

this study was abductive in nature (Dubois & Gadde 2002; Eriksson & Kovalainen 2008). That approach is in line with the philosophical foundations of this study. The interview data was analysed in contrast to the existing theoretical concepts, but enough room was left for empirical findings that do not fit those concepts. These findings expand the existing theoretical framework and this fruitfulness in contribution is typical for an abductive approach (Dubois & Gadde 2002).

Alastalo and Åkerman (2010) note that for analysing expert interviews, it is important to cross check data from the interviews to ensure the conclusions are justified. In this study a lot of emphasis was put on this matter and the interviews were compared with each other. While doing the categorization of the data, some specific censorship was applied to country names, product names and other business sensitive information. In practice it means that in the results section, quotes from the interviews contain coded names instead of actual names. As requested by the studied company, its name is left out and it is called *Company Ltd* in the results. These decisions were done to protect the company's trade secrets and it should not have impact on the quality of this study.

Even though the researcher's role in the company brings some limitations to this study, it also brings a lot of insight for the analysis. By being inside the company, the researcher had accumulated unique knowledge. That information about the company and its market entries was used to analyse the results. As mentioned previously, that knowledge also helped to formulate the interview questions. Therefore, it can be argued that the researcher's existing knowledge helped in many parts of the research process to recognize dynamic capabilities.

## **4 ELEMENTS OF SUCCESSFUL MARKET ENTRIES**

### **4.1 Dynamic capabilities utilised in market entries**

This chapter addresses the research question of this study and provides answers to it. In other words, it describes what dynamic capabilities a high-tech born global company utilises to achieve success in market entries. As stated before, those companies have to do it with limited resources, so the common nominator between these capabilities is the goal to use the available resources in the best possible way. Those factors are seen as inimitable dynamic capabilities and that categorization is based on existing theory. For example, the description by Teece et al. (1997) that dynamic capabilities are abilities to integrate, build and reconfigure competences, was used. In addition to Teece et al.'s categorization, other existing literature and the researcher's own views were used in order to create a classification.

#### **4.1.1 Strategic thinking and decision-making**

As the available manpower, finances and other tangible resources are scarce, operations in new markets require careful planning from the BG company. The interviews showed that the company puts a lot of emphasis on analysing potential markets. This strategic thinking from the management is a crucial dynamic capability for the company as it ensures the available resources are allocated effectively. The interviewees agreed that even though there is a high-level strategy for new markets, the analysis and plan have to be made on a country-by-country basis. This approach is supported by Sharma and Blomstermo's (2003) view that BG companies adapt their entry modes to the market's needs. Interviews showed that in addition to the regulation requirements, the market has to match the company's current situation and available resources. This is further expanded in later subchapters.

*There are multiple ways of internationalisation, but we have chosen to always create a local plan for partners, sales teams to access the opportunity and to win in those dedicated local markets. (Peter)*

*So, the markets are really not uniform unfortunately. You got to go country by country basis. (John)*

*But you need to do this analysis on a market by market basis and always check those mentioned vectors before creating a plan to operate in that market. (Robert)*

The strategy for choosing markets is always very company specific but the interviews showed that there might be common paths for BG companies. The interviewees noted the importance of key markets, which were targeted first. These markets also got more attention and even specific acceleration programs, which are later discussed in more detail. These key markets were recognized as anchors in certain regions and if the company has a strong presence in them, it can replicate the success in other markets. There are many factors affecting the decision, but the interviews proved that Company Ltd gradually increased the difficulty of the markets entered. The first market they entered was chosen because it is very similar to the company's home country. In addition to that, it was geographically fairly close so operations could be kept simpler. After that, the company targeted its key markets. Regulation readiness, business potential, segment leadership and highly developed industries affected the decision of key markets. As Company Ltd has successfully entered those, it can now target other markets and even developing countries as it has created success stories and a global presence.

*We started our program first in our home country. Then we take some other country which is similar to it in the opportunity and where we could find a similar company to partner with. (John)*

*We were targeting a very fast acceleration to agreed and defined key markets as well as now markets that are newly coming into our reach. (Peter)*

*The two main reasons are: the more obvious one which is the market size. Meaning the overall opportunity for emerging technology for enterprises is one of the largest in the world. The other key factor was the readiness of the regulation and environment. (Paul)*

*There are only few markets which are shaping the market in that segment, so country 6 is a lead market. (Robert)*

In those markets, there are target segments for Company Ltd. Some markets are even chosen based on their segment expertise. Knowing the suitable segments for one's offering is very crucial for high-tech BG companies as they often have very specialized products and solutions. In addition to that, by focusing on certain segments, the company can allocate enough resources to match the needs of those segments. Company Ltd executed this well in one of their key markets, where they focused on serving certain segments. As a result, the company became an expert in those segments and used that expertise to differentiate itself from competitors. That way the company could compete even with the larger players who were targeting multiple segments.

*Every country has its own strengths. When you think about, Country 2 is very strong in manufacturing, so you'd rather focus there in manufacturing. (John)*

*That was a good way of prioritizing the effort and not having to deal with many segments at the same and being not exhaustive enough in our answers to all of them because there is a bandwidth constraint. Focusing on just a few of them and answering to as many questions as possible they have, made us some sort of experts in those segments. ... Just because we are asking very specific questions which normally people wouldn't ask, it gives some*

*level of confidence to the customer that the company is providing their solution is aware of their day to day needs. (Paul)*

Another important aspect the interviewees highlighted was the accurate timing of a market entry. This is an important part of the market analysis as a poorly timed entry can negate all the careful planning. In Company Ltd and other high-tech BG companies, the timing related to product development as well. The solutions are often modified and made for specific markets, and therefore investments to R&D need to be timed with market entries. Naturally, poor timing there can cost the company a lot and once again diminish already scarce resources. Once the analysis and decision are done and the product is ready for the market, BG companies must act quickly to leverage their agility and flexibility. For Company Ltd, the timings have been working well and that ability to act decisively has been an important dynamic capability for them. The overall timing of the solution has been a big contributor to their success as many markets now have the need for their offering. So, strategic planning and decision-making in many phases of the company's existence has allowed them to allocate resources suitably.

*But in our particular business to hit the timing right, is a complex process. And the reason why, is, you know our business is R&D heavy. ... So, for our particular industry, getting the timing right is real art. (John)*

*Speed is king. If you are not fast, trust me, someone else is. (Peter)*

#### **4.1.2 Identifying market changes**

Eisenhardt and Martin (2000, 1107) note that dynamic capabilities are ways of reacting to changing markets and adjusting company's resources accordingly. From the interviews, one of the biggest common themes were these variable conditions that are completely out of the company's control. In particular, regulation and market trends were mentioned by all of the interviewees as important factors in the target markets. Therefore, identifying those changes and reacting to them have become an important part of the company's internationalisation. As mentioned before in relation to market analysis, the

regulation in countries affects the internationalisation strategy of Company Ltd a lot. It can be the entry preventing or entry enabling factor which the company cannot influence. For example, in countries 2 and 5, changes towards a more open regulatory environment enabled the company to pursue those markets. But in country 4, the delays in regulation made it difficult to fully enter the market. The interviews showed that customers in that country were ready for the company's solution, but they could not fully deliver it due to regulatory delays. That is why they are keeping a close eye on these regulation changes globally and reacting to them quickly. In practice, it is executed with having dedicated people in Company Ltd who study and analyse markets around the world and how their regulatory environment is developing.

*Well, when you work with a solution such as ours, you face first the regulatory regimes that regulate how our technology is used. (John)*

*Shaping the market regarding our products was initiated in our company thanks to the federal agency opening the regulation window for industry applications in September 2019. (George)*

*So, from the regulation point of view also the government was opening up these frequencies for enterprises. ... So, I think that was the biggest booster that we had to really push and there were a lot of competitors coming onboard starting to promote something similar to what we were offering with a more structured offer. So, I think that was kind of what pushed us really hard to get onboard as soon as possible. (Mary)*

*That (regulatory decision) was somehow delayed by almost a year from the initial plan. But it finally came in 2020 January, but it was supposed to happen a year earlier. That kind of time shifted a lot of the maturity of the market from the customer side. (Paul)*

Another factor that complicates timing the market entry are market trends. Company Ltd operates in an industry where there are massive changes shaping communication infrastructure everywhere. This fifth generation of technology has been marketed as the next big thing for years. That is why companies in many markets desire this new technology, even though for their needs the fourth generation technology would be more than sufficient. So, especially in markets 2 and 5, the company quickly noticed that their approach with current technology was not going to be enough. The market wanted the fifth generation technology and Company Ltd adjusted accordingly. Resources were redistributed to R&D so that the company could faster develop products and solutions that meet the customer's expectations. The interviewees noted that this market trend was a big contributor in developing their offering. This is another example how expanding to new countries and increasing the level of internationalisation can develop innovation activities. However, there are still many markets where the current technology is more than enough as the customers just want their problems to be solved. Following both of these trends, Company Ltd has further developed their offering so that they could sell it globally.

*However, what we see is that the pressure is so high and the marketing of the fifth generation technology was so efficient so that everybody wants to be the first having those solutions now. ... But it was really in country 2 now accelerating very fast with a lot of brands wanting to be the first in that technology. (George)*

*I think the biggest boost (for the entry) was the market trend. So, everyone was looking forward to entering this fifth generation market, especially the small companies and enterprises. (Mary)*

*Some of those segments are not aware of the latest technology available on the marketplace because from their perspective they are just looking at solving their problem. (Paul)*

For Company Ltd, every market presents new challenges and some of them they can influence, while others they cannot. That is why it has been crucial for their survival to identify market needs quickly and allocate resources accordingly. By doing that, they have developed unique, inimitable dynamic capabilities that are built over time. They are not just processes, but rather a framework of actions and processes which enables them to identify changes in markets. Due to regulatory factors, the company cannot freely operate in markets they wish. That is why they have to be ready to act when the opportunity presents itself. One practical solution that the company has, is to have dedicated people addressing that issue and monitoring markets constantly. It helps the company to have as many markets available as possible.

#### **4.1.3 Accelerating the entry in key markets**

BG companies internationalize rapidly (Freeman et al. 2010; Knight & Cavusgil 2004; Weerawardena et al. 2007) and Company Ltd has certain programs and processes which guarantee that the market entry is done rapidly in key markets. By creating acceleration programs with dedicated teams and leaders, the company achieved its goals faster in the target markets. For this study, both leaders of those programs (Paul and George) were interviewed. In practice, the company selected its most important markets where the potential was great. Then the targets were set, and the acceleration program leaders were given the task to reach those goals and see what is working and what is not. So, the acceleration programs served as a learning opportunity to see what needs to be done in order to achieve success in that target market.

*Country 2 as a market was always in scope because of industry players in there. And then we have country 4. ... And the market entry had happened in late 2018 and early 2019 we made a program to speed up the market.*  
(George)

*The acceleration program really looked at different aspects of sales cycle and sales enablement to have a broader reach of opportunities in the market. So were trying to combine market opportunity with the current*

*infrastructure. And if the current infrastructure is not well suited to address those opportunities, what need to be done and what is done in order to better reach business and close deals. (Paul)*

Acceleration program leaders initiated multiple actions and processes based on the initial findings from the program. The main goal was to find out what the market needs and modify the company's offering to match that. During the acceleration program, Company Ltd found out there was a gap between those and took action to meet the market needs. Without these programs, the company might have had to try and fail before finding out whether their offering was suitable for the market. By allocating resources to a program, which studies the market, the company could adapt accordingly beforehand. Their offering was modified so that it was more attractive to targeted segments. Another important action was to test those initially selected segments and see if they would actually work for Company Ltd. It turned out that their focus needed some adjustments as some of the target segments were not ready for the company's offering.

*We identified that segment in country 4 and so we worked with the R&D and product management team to make sure that the questions and problems that the customers in that segment have, are well addressed with our solution. That of course makes the sales team more confident because when they present something the customer says yeah this is solving my problem. (Paul)*

*Our (acceleration) program here has shown that it is very difficult getting into these major industries because they also struggle from digitalisation today. (George)*

The results from these programs were very positive and crucial for the rapid growth in those key markets. Both acceleration program leaders agreed that even though the results were different from the initial targets, the programs were helpful for the entries. As the focus was successfully turned to correct segments, the program continued to develop opportunities in those segments. This focus is the biggest positive result from the

acceleration programs and it directly and indirectly increased sales. By being able to target suitable customers, Company Ltd saved a lot of time and resources as they could focus on developing the offering to match the market needs. One element of that was to make their offering more tailor-made for the customers and create a truly end-to-end solution. Adding the correct devices as part of the offering made the company's offering more attractive to bigger companies who are looking for a more complete solution.

*The area that I would mention is being very focused on specific segment and how to serve that segment through the sales infrastructure. ... We selected those (segments) also looking at the buying cycle. So, in segment x their sales cycles are at 12 months but normally are close to 18 to 24 months. ... Versus the segments we have targeted, where the sales cycle can be as short as 6 months. ... That means we can generate more revenue within the same timeframe if we are aggressive in contacting many customers in those segments. (Paul)*

*However, our program showed successfully that we can position our products in segments we may have not thought of at first glance. ... Our program was successful in turning these strategic biased views to opportunities which we really then can turn into purchase orders and to make a business out of it. (George)*

*On the other hand, we made significant progress on the devices. ... There was before a lack of device offering and with our effort with 3<sup>rd</sup> party supplier, we can provide an end-to-end solution including devices. Those devices are currently becoming key in winning a lot of business. (Paul)*

However, while such acceleration programs help high-tech BG companies in entering markets successfully, they are not a universal solution. These programs require a lot of effort and knowledge from their teams and leaders especially. So, the company and the program leaders must have great existing knowledge of the market. In addition to that, there can only be a limited amount of such programs at a time as they tie manpower and

other resources from other business functions. That is why Company Ltd carefully considered which markets are key markets for them and planned only two acceleration programs to help entries. It was clear from the interviews that having more than one acceleration program is beneficial as there are synergies between those programs. Lessons learned, materials, and other supporting items can be shared and used in both markets at the same time. There is no need to do duplicate work if it can be avoided. Another important thing the interviewees noted was that these programs are projects with a beginning and an ending. The actions and processes formed during these programs continue as established functions, but the programs do not. They are not sustainable business models but rather afterburners that get results fast while tying more resources. So, while such projects can be beneficial for entering key markets, without careful planning they can be a waste of scarce resources.

*I would say that even though this was a project I see this as continuous work and the good thing is that on the paper at least there are now organization taking care of the things we mentioned that we started in 2019. So hopefully there is no need now to have such programs again, because we have it now in a more sustainable way integrated into our management system.  
(George)*

*So yes, I would say start in parallel but organize what is centrally done for everybody like the opportunity pipeline work. There is no need to have replicated work when it can be smartly used. (Paul)*

This acceleration is a great example of a dynamic capability in which existing resources are reconfigured or redistributed within the company. When planned and done correctly, such programs are effective scouting parties for the BG company. They provide crucial information on what segments in the market the company should target and what the customers want. For Company Ltd, that meant they could modify their offering accordingly and become a relevant player much faster than they would have done otherwise. However, there are certain requirements for these programs. The BG company must have carefully analysed which markets it wants to target and who will lead the

programs. The leaders must have comprehensive knowledge of the market as they have to teach the company. In Company Ltd, the situation was great as those leaders were locally based in the target markets and that way, they knew what was happening in the market. The interviewees noted that these programs provided great blueprints for future markets and especially for segments within those markets. So, in addition to helping succeed in those two markets, these programs provided experience and established processes that will help the company in their future market entries. One dimension of that is that the programs revealed what the realistic situation in the target markets was.

*Our learnings from 2019 have now formulated to purchase orders. So, it seems there are blueprints which come out of these industries and this a lesson. And after a couple of these blueprints, you'll know what kind of solutions you can sell in a segment. And now our sales is fully aware of this in 2020. (George)*

*In terms of the focus on specific segment, deployment and sales infrastructure that make it easier to offer our solution, are common and can be re-used in other areas of the world. (Paul)*

*I can say that this program has contributed significantly to see what the reality is and what not. (George)*

#### **4.1.4 Forming alliances and partnerships**

In existing literature, partnerships and alliances are often mentioned as the dynamic capability that enable small companies to enter markets which they otherwise would not be able to enter. The interviews conducted for this study confirm that view and the importance of partnerships was the biggest commonality in all of them. Partners and alliances were for various reasons seen as key factors in expanding to new markets. The first reason was that they provide local presence for Company Ltd. This is very important for high-tech BG companies as they do not have resources to build local presence and networks in every country. By utilising local partners, those companies can tap into

existing networks and share the risks of entry with a partner company (Freeman et al. 2006). These partners make a high-tech BG company's offering more credible in the target market and provide much needed scalability.

*I think those (partners) are very key in scaling up this business in country 4. Just because of geographical or segment coverage, a reseller normally has already a set of customers and they can go straight and offer to those customers our solution without having to build a relationship with them. (Paul)*

*There are markets where we need to find channels via resellers and through partners who already have business relations with end-customers. So, one of our key elements in growing our market potential in our key markets is that we want to have local partners. (Peter)*

*It (market entry) has been difficult and that is the reason why we have decided to go with this partnership model. Having these strong local players partnering with us it makes our solution look like a trusted solution our end-users are able to choose. (Mary)*

Partners can be resellers or other type of companies that have local networks, relationships or sales channel expertise. Especially for high-tech BG companies, partners who are strong in a certain segment are very valuable. That is due to high-tech BG companies typically targeting certain segments such as manufacturing, logistics or public healthcare. Company Ltd is very focused on certain segments and that affects their partner criteria a lot. Having the right partners in target segments can turn BG companies to relevant players much faster. Therefore, segment partners can enable high-tech BG companies to succeed in the market.

*We also want them to somehow have expertise in a segment. Just because our solution is focused on those segments. So, we want to activate resellers that are in line with our focus. And really to become a relevant player in*

*those segments. ... if within industry you start to get penetration that is more than 10-15%, then the whole industry recognizes you as the best solution provider if you want. (Paul)*

The goal is that in a market entry, Company Ltd would provide its offerings and the partner would take care of finding customers. They would also work in the customer interface and provide some level of customer service. Again, this need comes from the lack of resources and manpower. By giving that role to partners, BG companies can focus on product and business development. Alternatively, they can focus on targeting new markets as they do not have to spend so many resources on existing ones. In Company Ltd, installation and other professional services that are part of their offering, are not simple tasks and flying personnel around the world is unreasonable. That is why they try to find local partners from target markets who handle certain parts of the sales process.

*We have to secure partners who provide professional services such as tier 1 and tier 2 support. (John)*

*We will do the initial configuration and also the network management itself but they (partners) would also need to provide this tier 2 and tier 1 support for end-customers. (Robert)*

Most of the partners are beneficial due to their local presence which brings and maintains customers. However, there are different types of partners that are needed. Bigger, more global companies can provide unique networks and sales channels but are also less flexible and demand that BG companies operate on their terms. They can be the necessary channel for a certain market or a segment, and that is why they are worth the commitment. Smaller, more agile companies are more flexible in customizing their offering around the BG company's offering. This is important as customers might have very specific needs and high-tech BG companies' ability to respond to those needs is one of their main competitive advantages (Freeman et al. 2006; Knight & Cavusgil 2015). Bigger and smaller partners are needed in different stages of the entry, but both are crucial for entering a market successfully.

*In addition, it (chosen partner) was a company that was small, fast and agile and was able to adjust to varying market demands, which was very attractive for us. As this is a market in making and there is no playbook how you win customers or what do customers want. And you have to act really sometimes on an hourly basis. And then we have some other country where we have people (partners) who know very well our technology, but they are bit bigger, so they are slower to react. (John)*

*In country 6 specifically, the partner helped to spearhead some of the first deployments and that was like really, really beneficial. (Robert)*

Partners and alliances are clearly very beneficial for high-tech BG companies but forming those partnerships is not as straightforward as it seems. As with many decisions made in BG companies, selecting partners requires careful consideration as the available resources need to be allocated effectively. Poor partnerships can cost more than the monetary losses they cause as BG companies might lose certain markets or segments. Interviewees shared this view, saying that the selection criteria for partners needs to be well defined and modified on country-by-country basis if needed. This need for doing careful planning is pronounced as forming partnerships takes a lot of time and resources. Company Ltd aims to recognize the possible problems early on and that way minimize the risk of wasting resources.

*The others (partners) are quite easy and sometimes successful but with service partners we are lost. But we need them to scale our business. The reality is that it takes a long time to negotiate between legal entities, figure out revenue shares and so on. So, this is not done in couple of weeks but it's a process that takes more time than is expected. (George)*

*So, you want to have a program what tells whether actions with certain partner are matchmaking or not so matchmaking. And sometimes you can find that out in the beginning by using key selection criteria, which need to be in place. (Peter)*

Partners and alliances help the company to enter new markets and to become a relevant player there. They provide crucial scalability and credibility in the target market as the end-customers deal with the partners who are already an established entity there. Establishing this local presence would take time and resources from BG companies. Having local partners allows Company Ltd to focus on new markets as partners handle some of the crucial operations in the existing markets. Partner companies also help high-tech BGs to gain foothold in certain segments, further accelerating the entry as BG companies can target the companies they desire.

However, partnering in reality is much more complicated and contains serious risks of losing money, credibility and business opportunities. Partnering with the wrong companies can have detrimental effects especially in markets where tolerance for mistakes is low. That is why the dynamic capability of forming partnerships and alliances is crucial in the market entries of high-tech BG companies. In subchapter 2.3.2, Figure 4 describes the ideal partners based on existing theory. In that figure, heavy emphasis was placed on finding companies who can add value to the offering, are looking for a partner and have networks with the BG company. Company Ltd follows similar criteria and has found those mandatory for finding the right partners.

#### **4.1.5 Adapting to local needs**

Company Ltd is in a unique situation where its parent company is known around the world but due to its young age, the company itself is not very known. In addition to beating competition in the market, the company must also build awareness to become an important and permanent part of the parent company's portfolio. So, building brand awareness is not only crucial for business performance (Homburg et al. 2010), but for the studied company's survival as well. The interviewees all agreed that local awareness in the market is very important and that every market has different requirements for it. In some markets, where company credibility is the key element in B2B sales, local presence from the company was needed. Then there are markets where digital presence is more appreciated. So, Company Ltd had to try different approaches and adopt accordingly to meet market needs. From the interviews, the most common element was participation in

business events. In some countries the company managed to leverage events early on but in some cases, the importance of events was only noted afterwards. This constant learning and adapting in different markets are a good example how high-tech BG companies need to find their path by reconfiguring and being agile.

*You need to choose which path do you take to create local awareness, is it tradeshows, specific partners, or segments. (Peter)*

*However, what has worked was really is engagement in fairs, conferences and very specific hotspots where you meet the right people and maybe decision makers. (George)*

*The enterprise customers were not fully aware of what we do as a company. So, it (interacting at events) kind of gave them assurance to learn that we are a globally present company trusted by all these local companies. So, we got leads from the events, but I think the benefit of being present there was more about showing our trust as a company to these other companies. (Mary)*

*That (attending events) I would say is definitely a step we have not well done in country 4. We only started to be present in segment market tradeshows only in the second half of the year, not the first one. We should have made that segment aware as soon as possible that we have solutions for that particular segment. (Paul)*

By taking part at events that are important for the company's industry and target segments, Company Ltd got to meet decision makers and advertise their offering. The interviewees noted that bringing their offering to customers' decision sets was the biggest difficulty in new markets. Presence at the events greatly increased awareness of the company's offering and generated many concrete leads. Long-term benefits of that are not discussed in this study, but interviewees estimated that the awareness created by those events will be a key factor in growing their business. In addition to the local presence in events, the interviews showed that reference cases are crucial for building brand

awareness in a market. By winning the first key cases in target segments, Company Ltd made their offering even more credible in customers' eyes. A great example of leveraging scarce resources with a dynamic capability is to focus on creating strong references from the first couple of wins. In practice, those wins were also turned into case studies which acted as marketing material to attract new customers.

*And we typically go by what are the most promising segments in those markets and then we want to land initial deals in those segments. And then create awareness using those use cases and references. (Peter)*

One not so successful aspect of raising awareness was the utilisation of digital sources. One of the problems was that there seems to be big differences on how same marketing approaches work in different key markets. In country 2, only events and face-to-face meetings with the industry representatives brought concrete results. In country 4, the lack of digital tools and messaging clearly hindered the customer experience and slowed the entry down. Country 5 is a mix of these types and very demanding on all aspects. So, Company Ltd could not create universal processes or marketing plans to raise awareness. Instead, they had to see what worked where and use those learnings in new market entries. It seems that even though the company is dealing with high-tech products, their customers might still be lacking in digitalisation. Therefore, both traditional and modern ways of raising brand awareness are needed.

*For the awareness, I think it was good thing to develop special pages which show the segment solutions. Effectively if you then would say has that lead to more impact? Directly you can't measure as we haven't had single contact of these digital channels. Maybe it has helped because people after having visited us at fair or a conference have visited these pages. But directly the digital marketing was a little bit disappointing with those pages and awareness campaigns. (George)*

*The other thing more specifically from our product is that we haven't developed a very good website to allow the user and reseller to buy our*

*solution from the web. ... But I think that we internally did not focus on the area for I guess internal culture reason, I don't see any other reason. (Paul)*

The interviews showed that building brand awareness is very important for Company Ltd in market entries. However, that is not a very straightforward process. As BG companies internationalize rapidly, market's awareness of them cannot keep up. That is why the company had to find suitable means for each market to raise awareness of them. Finding those ways and channels was not always easy and done correctly. In more traditional markets, it happened with attending events and meeting decision makers face-to-face. In other markets, there were more requirements for digital processes and tools for the customers. Recognizing those requirements in an early phase and adjusting accordingly are important dynamic capabilities for the company. As they enter more markets, the company can use its experience and have the right approach right away. High-tech BG companies often cannot afford to build the required local presence in the market. That is why the previously mentioned local partners are extremely valuable for them. The partner company's brand awareness boosts the BG companies' awareness.

#### **4.1.6 Leveraging the level of internationalisation**

For the interviewees, it was slightly difficult to define the company's level of internationalisation. Especially the benefits or disadvantages of the current situation were unclear. This means that understanding the level of internationalisation is not easy. That lack of understanding might be due to the hectic nature of conducting business in BG companies. As there is a hurry to act and expand, there is less time to reflect on the company's situation. In Company Ltd, being part of a larger corporation probably makes it even more difficult as the parent company has a global presence already. So, for the interviewees it might have been difficult to differentiate which outcomes are from the parent company's presence and which from the studied company's achievements. However, being aware of the level of internationalisation showed in the concern of overextending existing resources. As mentioned previously, Company Ltd expands one country at a time and that approach is their way of de-risking. It forces the company to see whether they can expand or not. So, even though they might not see the direct benefits

or disadvantages of their internationalisation actions, interviewees understand the risks of expanding too fast.

*From the internationalisation perspective we are doing pretty well. We have a lot of global traction already, but I see there are even more opportunities from a new continent coming to the table, and it's a huge continent for us to tap into. We're starting there from one country and going beyond but it's definitely a journey which is based on existing resourcing and capabilities. We will take them step by step, those new market opportunities. (Peter)*

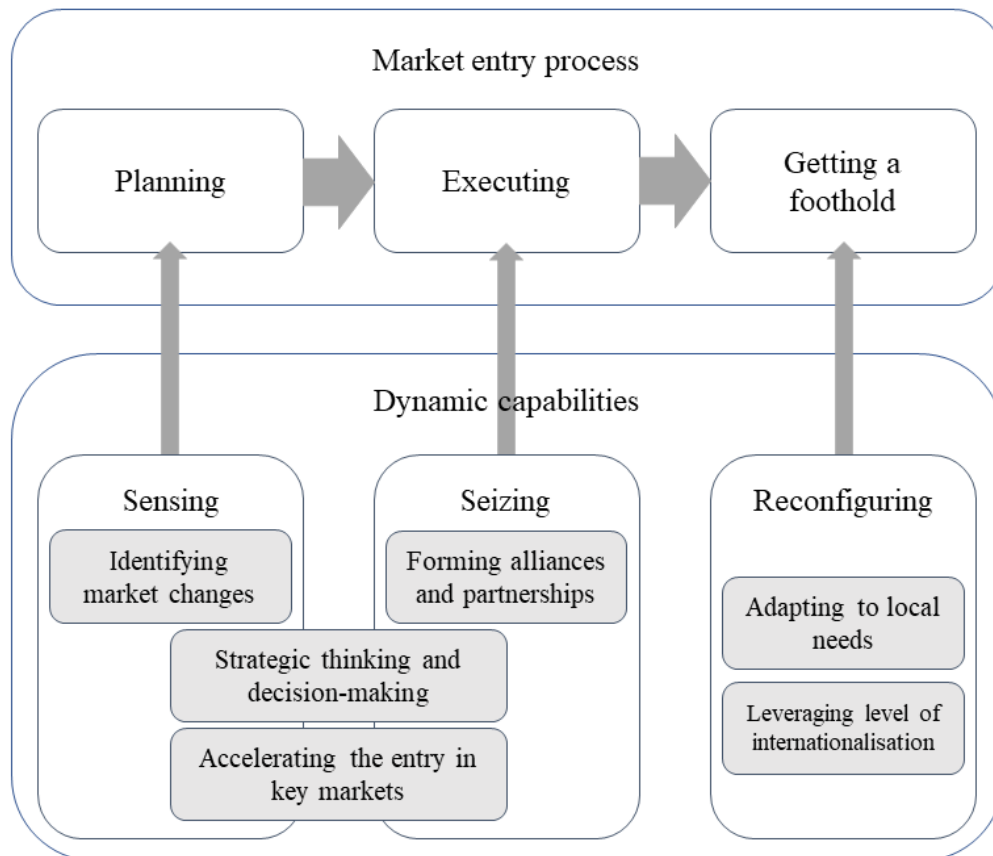
As the theoretical framework of this study suggests, Company Ltd sees internationalisation beneficial for their innovation activities. In practice, it happens with getting feedback from multiple different segments and partners in different markets. This exposure to different requirements means that the company has to develop its solutions to be adaptable. This way of developing products and the whole offering is a valuable dynamic capability as it ensures the company is ready for multiple types of markets. The company placed heavy emphasis on getting feedback and success stories in the first key markets. That way the offering became more ready for markets that resemble the key markets. This gradual development goes hand in hand with the company's strategy of gradual expansion to more difficult markets.

*Absolutely, our engagements in the markets, they always make our product better because we get feedback from the customers and I think we tend to react fast on those comments. (John)*

*Our solution has become better thanks to their (partners) feedback and thanks to co-operation we have had with them. They have learned a lot from us seeing some of the solutions we have. But through their usage of our products we have learned what are the areas we need to improve. And we have done that. (Robert)*

## 4.2 Conclusion of the results

The purpose of this section was to understand what dynamic capabilities high-tech BG companies utilise when entering new markets. More specifically, how those companies enter markets successfully even though their resources for the entry are limited. The results revealed six dynamic capabilities that Company Ltd utilises: *strategic thinking and decision-making, identifying market changes, accelerating the entry in key markets, forming alliances and partnerships, adapting to local needs, leveraging the level of internationalisation*. With those, the company has entered multiple different countries around the world. Even though their resources are constantly stretched, by utilising those capabilities, the company has grown in a sustainable manner and entered even very demanding markets.



**Figure 6.** Theoretical framework and the six recognized dynamic capabilities

To see how the results from the interviews complement the used theoretical framework, Figure 6 was created. That figure has the same theoretical framework as Figure 5 had, but the main results were added as light grey boxes. Most of the found dynamic capabilities are placed in one of the three categories but two of them are in two categories. That is because in reality, these dynamic capabilities affect multiple different stages of an entry. To highlight their roles, they are placed in the categories where they are needed the most.

The results showed three different dynamic capabilities utilised in the planning phase. Those provide the company crucial information about markets around the world. With that information, the company's management can plan which markets are targeted next. That constant scanning is important as the regulatory environments are changing in markets around the world. Therefore, the company must be aware of those different situations and be ready to react when needed. That timing is part of the strategic decision-making which is related to seizing activities as well.

Accelerating the entry in key markets is an important dynamic capability which is seen as both sensing and seizing activity. The created acceleration programs provided important information about the markets and that way enhanced the information acquired from sensing activities. In addition, they helped the company to make correct investments in innovations to match the spotted market needs. So, those programs and utilising the market knowledge of employees provided the company information what they should sell and to whom. That really made the entry to those key markets easier and provided a lot of duplicatable success stories.

Like mentioned multiple times in this study, partners are essential for BG companies' success in foreign markets. Company Ltd is no exception and the results showed that in all of the markets they have entered, partners have been vital in seizing the market. Both big and small partners are needed, as the company needs networks and agility from its partners. That way the partners add multiple types of value to the company's offering. However, committing to partnerships ties resources from Company Ltd and they carefully choose their partners. That dynamic capability to form alliances and partnerships is one of the biggest reasons why they have been successful in their entries.

For getting a foothold in the new markets, the company utilises its adaptability. By being present in a market, it learned that its existing routines and processes for creating brand awareness were not efficient. As markets have very different requirements, some of them needed a more traditional approach while others needed more digital approach. These activities are good examples of reconfiguring assets and adapting quickly. Those dynamic capabilities are very important for the company in question and they have a decentralized structure in the company to enable that.

Lastly, the results showed that the interviewees do not fully understand its level of internationalisation. The theory of this study described that understanding it would be important for high-tech BG companies. The main reason for that was that it allowed companies to get the most out of their innovation activities. Company Ltd is part of a big corporation which operates globally. Therefore, the interviewees did not find that understanding very important. However, the company pays close attention to how new market entries affect their available resources. They also closely monitor feedback from new markets and utilise that in developing their solutions. So, even though they might not fully understand what their level of internationalisation is and what it should be, the company understands the benefits and dangers of new markets.

## 5 CONCLUSIONS AND DISCUSSION

### 5.1 Summary of the study

As global markets become more available for all industries around the world, young and small companies internationalise even earlier. Some of those companies are targeting foreign markets from their inception. These born global companies are changing the market dynamics as they successfully enter new markets with very limited resources. They have multiple competitive advantages that allow them to compete with bigger companies who already have a strong presence in the target market. This study was conducted to find out what dynamic capabilities form those advantages and allow BG companies to enter markets successfully. More precisely, the target of this study was to find answers to the following research question:

*What dynamic capabilities high-tech born global companies utilise in successful market entries, while limited by resource scarcity?*

The scope of this study was narrowed to high-tech BG companies in order to focus on a relatively new subject. Dynamic capabilities were chosen to help describe how those high-tech BG companies internationalise successfully. They were separated from ordinary capabilities which were seen too imitable for describing competitive advantages. In practice, three categories of dynamic capabilities were used: sensing, seizing and reconfiguring. Those categories and some examples in them were used with market entry theory to create a theoretical framework. As a result, a synthesis of existing literature was formed, and that model describes how different dynamic capabilities affect market entry phases. Also, a model for finding the ideal partner for a high-tech BG company's market entry was formed.

The empirical evidence for this study was generated from one company. In practice, six experts from that company were interviewed and they were chosen by their experiences

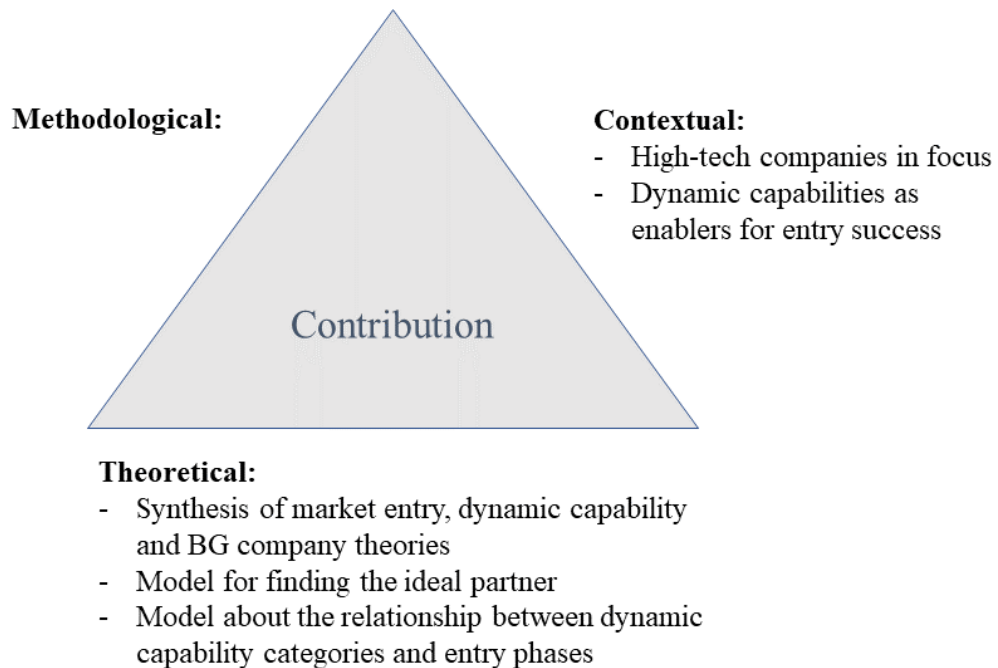
in different market entries. To ensure that their expertise was utilised in the best possible way, the selected method was semi-structured expert interviews. As a result, the evidence obtained from those interviews was very rich and useful. It was analysed and interpreted in an abductive way where the theory of this study guided the process but left room for empirically driven findings. The analysis was done with theory-based content analysis.

The results from those interviews revealed six dynamic capabilities that the company had used in its market entries. Those capabilities are used in different stages of a market entry process even though they affect multiple parts of it. That structure was described in a model where the theoretical framework was combined with most important results. From that model it was clear that strategic decision-making, adapting, forming alliances, understanding markets and accelerating entries in key markets are important for the studied company in market entries. Leveraging the level of internationalisation was found to be less important for the company, even though elements of it were utilised. The importance of finding and targeting the right segments was pronounced in all of the dynamic capabilities.

The theoretical and empirical sections of this study describe that new markets open new resource pools for high-tech BG companies. Even though entries to those markets tie and consume resources, they are necessary for the growth and innovative progress of the studied company. New markets help the company to develop their solution, bring credibility and increase scalability. That happens by interacting with local customers, partners and other companies. Therefore, new markets are mandatory for the rapid acceleration of high-tech BG companies, as they can create a snowball effect. But to do that, BGs need to acknowledge their most important dynamic capabilities and use them to leverage their scarce resources. In addition to that, those companies must be aware of their level of internationalisation so that they do not over-extend their resources. Measuring that level might be difficult, but its existence needs to be at least recognized. New markets bring benefits only as long as they are entered in a sustainable way.

## 5.2 Theoretical contribution

This study contributes to the research of BG companies in different ways. Brinberg and McGrath (1985) presented the three elements of contribution: contextual, substantial and methodological. Ladik & Stewart (2008) expanded that view and simplified the titles by calling them *contexts, theories and methods*. For a clearer picture, their model is used to describe this study's contribution (Figure 7). This study has contextual and theoretical contributions, which are further described in this subchapter. As the nature of this study was theory developing and not theory generating, the contributions depict how existing literature and field of research was enhanced.



**Figure 7.** Contribution of the study (According to Brinberg & McGrath 1985; Ladik & Stewart 2008)

There are two clear *contextual contributions* in this study. By examining market entries made by a high-tech BG company, this study sheds light on a relatively new context. With that context, this study addresses an existing gap in BG company literature. Often BGs are discussed as innovative and technology focused companies but a clear focus on high-

tech has been missing. It is worth noting, that the existence of a gap in the literature does not mean much in itself. It can even mean that the subject is not worth researching (Ladik & Stewart 2008, 162). The researcher argues that it is not the case with high-tech BGs, but that the reason might be the vague definitions of high-tech. To tackle that, this study defined them well and studied a BG company that matches that description. High-tech BG companies were defined as companies who invest heavily in developing advanced technologies and operate on the border of science and economy (Zakrzewska-Bielawska 2010).

The other contextual contribution was studying dynamic capabilities as enablers for successful market entries. In internationalisation literature, references to dynamic capabilities are surprisingly sparse. Instead, resources, capabilities and company structure are often mentioned when discussing what makes BG companies successful. For this study, capabilities were seen to be the appropriate context. More specifically, the researcher saw that ordinary capabilities are not enough to describe how high-tech BG companies enter markets successfully. Those companies have some very unique capabilities which cannot be bought or easily replicated. They were identified as dynamic capabilities which are well suited to describe the competitive advantages of high-tech BGs.

The *theoretical contribution* consists of the synthesis of existing literature which is most visible in the models presented in this study. The models in question are Figures 4 and 5. In them, the researcher used existing literature and created more high-tech BG company specific models. For example, in Figure 4, literature related to BGs and alliance forming theories were utilised to create a high-tech BG company focused model for finding the ideal partner. Three important attributes of those partners were found: ability to add value to the BG company's offering, need for a partnership and existence of social networks with the high-tech BG. The theoretical framework (Figure 5) of this study, provides a practical model for inspecting dynamic capabilities in a market entry process.

The theoretical framework in Figure 5 describes what types of dynamic capabilities are needed in different phases of a market entry. For that, Teece's (2007) categorization of

dynamic capabilities was combined with theories of market entries. The found synergies between those theories are a clear theoretical contribution of this study. Sensing, seizing and reconfiguring dynamic capabilities were found to match the description of planning, executing and securing a market entry. All on all, the synthesis of BG theories, market entry theories and dynamic capabilities revealed that such a combination is valid when researching this phenomenon.

This study's contribution consists of theoretical and contextual elements. By creating a synthesis of several different theories, this study provides theoretical contribution. Especially as similar combinations of dynamic capability, market entry and BG theories are fairly sparse. By addressing new combinations of contexts, this study expands the research of born global companies and enhances existing theories. In practice, it happens by addressing high-tech born global companies and their dynamic capabilities.

### **5.3 Managerial implications**

In addition to the theoretical contribution, this study has some managerial implications. By interviewing experts, this study describes how actual business events took place and what elements affected them. Therefore, the contents of this study are suited for the management of high-tech BG companies. The theoretical section provides some insight how companies could look at their market entry processes and what their dynamic capabilities could be. The empirical evidence from interviews provides some examples of those dynamic capabilities and where in the entry process they are most useful.

One identified category of dynamic capabilities is particularly important for management. In market entries, the sensing phase is extremely important as BG companies have to constantly scan the global markets. They need to then recognize and target the markets they see most fitting. There are multiple ways for acquiring that information about markets, but it needs to be systematic and the information must flow to the decision makers. Having a decentralized company structure is required and BGs often already have it. That is one of the key reasons why BG companies are so agile and can act fast to seize opportunities.

As dynamic capabilities are unique to a company and cannot be bought, the six capabilities found in the results are not the most important managerial implications. Instead, the processes within those capabilities can provide some practical guidance for management. For example, the country-by-country approach, acceleration program and segment partners are elements which can be adopted in other companies as well. In addition to those, the model (Figure 4) for finding ideal partners is a very practical and useful for high-tech BG companies, especially as partners are crucial for their success.

**Table 3.** Two partner types for market entries

	<b>Small companies as partners</b>	<b>Big companies as partners</b>
<i>The partner is needed the most</i>	When executing the entry	When trying to get a foothold in the market
<i>Biggest benefit</i>	Modifies its offering to support the BGs solution, which then matches market needs	Provides networks and sales channels which increase scalability and credibility
<i>Relationship dynamics</i>	Both companies adapt accordingly to complement each other	A more static partnership where the bigger company sets the terms
<i>Possible risks</i>	Requires relatively big commitments. If it fails, the whole entry might collapse	The BG company might become just another vendor for the bigger company

The literature about BG companies concludes that partners are essential for those companies. This study confirms it and adds that high-tech BG companies need different types of partners. The theoretical section described the ideal partner and the interviews expanded that notion by identifying two types of partners. Smaller, more agile partners are needed for market entries to make the company's offering more suitable for markets. Larger companies are needed as their networks allow the BG company to become a

credible player in the market. That is why the management of high-tech BGs should place heavy emphasis on finding both types of partners for different phases of a market entry. Based on this study's findings, Table 3 describes those two partner types.

Even though the studied company does not fully leverage its level of internationalisation in market entries, it is good to keep in mind. By monitoring that level, companies can avoid expanding too fast while benefiting from new market entries. Especially companies relying on their innovation capabilities should understand how customers, partners and competition in new markets can help develop their offering. In those new markets, finding the correct segments and tailoring the offering to their needs is a great way for high-tech BG companies to get a foothold in the market. The studied company became sort of an expert in certain segments and quickly built credibility in customers' eyes. That in turn boosted the market entry and generated success stories that can be replicated globally. Therefore, it is important for high-tech BG companies to target correct segments and build strong reference cases in them. Those elements allow quick upscaling and could be one of the reasons why BG companies internationalise so rapidly.

In conclusion, for the management of high-tech BG companies, this study provides guidance on how to understand and use their unique competitive advantages. More precisely, how they can leverage their dynamic capabilities when entering new markets. In addition to the concrete examples, the models of this study can be used for reviewing company's current situation.

#### **5.4 Evaluating the quality of the study**

For a researcher conducting a qualitative study, it can be challenging to prove its scientific quality and trustworthiness (Eriksson & Kovalainen 2008, 290). Small sample sizes, subjective interpretation and lack of numerical variables might be alarming to people who are used to quantitative studies. That is why those two cannot be evaluated using the same methods and there are several options for evaluating qualitative research. This study adopted the critical realism approach which enables the use of classic criteria (reliability, validity and generalizability) for evaluating the quality of the study (Eriksson &

Kovalainen 2008, 296). However, the researcher did not see them suitable for a qualitative study, where subjective interpretation is present. Even though there are no strict rules for evaluating qualitative studies (Tuomi & Sarajärvi 2018), this study follows guidance from Eriksson and Kovalainen (2008).

The main method for ensuring this study's quality was evaluating it constantly and not just doing it at the end of the research process (Eriksson & Kovalainen 2008). For example, the theoretical framework was constantly reviewed. Different fields of research were studied and combined to find out which of them are best suited for studying market entries and BG companies. That is also known as theoretical triangulation where different literature and theories are utilised to create a good understanding of the studied phenomenon (Eriksson & Kovalainen 2008). Another example of constant quality evaluation were the conducted interviews. There heavy emphasis was placed on their individual quality. The selection of the interviewees was done very carefully and rationally. That was supported by tailored interview structures which were also constantly evaluated. These elements ensured that the interviews were all relevant and fruitful, which explains why six interviews was seen to be enough. Eriksson and Kovalainen (2008, 291) note that in qualitative studies, the focus should be on the quality of the interviews, not in their quantity.

In addition to the constant evaluation, the critical realism approach affects the quality of this study. As mentioned earlier, that approach provides the missing philosophical validation for studies such as this, where the focus is on one company (Easton 2010). But it also puts pressure on the researcher to provide sufficient evidence for others to evaluate. As the epistemological view in critical realism leaves room for subjective interpretation, the researcher has the responsibility to collect enough data (Easton 2010). In this study, high-quality interviews and triangulated theory provide that information which other researchers can then utilise and evaluate.

## 5.5 Limitations and future research

While this study has several contributions and implications, it also has some limitations that need to be taken into account. The main limitation of this study comes from the researcher's role in interpreting results. This limitation is typical for qualitative studies where different researchers can come to different conclusions, when analysing the same data. Especially when using content analysis, it is more likely that other researchers could discover different results. That is because content analysis is heavily based on researcher's interpretation and reasoning (Tuomi & Sarajärvi 2018). Other part of that limitation is that the researcher worked in the same company with the interviewees. Even though the researcher did not work directly with market entries, the effect of that employment must be noted. On the other hand, researcher's existing knowledge of the company's past allowed him to conduct very fruitful interviews and spot dynamic capabilities in them. As the researcher had insights from inside the company, he was able to get an even deeper understanding of the studied phenomenon. Therefore, the researcher's role in the company increased the positive and negative effects of subjective interpretation.

Another limitation regarding interviews was that the discussed events, processes and decisions took place some time ago. At the time of the interviews, one entry was three years old and the newest was still happening. The three other entries happened somewhere between those two. That variance increases the possibility of remembering things in a certain way. While the interviews focused on facts, it is good to note that recency bias or some other fallacy by the interviewees could have affected the results. Alternatively, the interviewees might have simply forgotten how and why some things happened. In order to avoid that, the researcher used his existing knowledge and information sources within the company to fact check some of the discussions. That was mainly done for numerical values and timelines which were easy to check. The interviews were mostly done remotely which brings its own limitations. For example, the researcher had difficulties detecting whether an interviewee was thinking or was that person's internet connection malfunctioning.

Other limitations are also related to possibilities for future research. The studied company is part of a large international corporation while being a fairly small and young BG company. The presence of that parent company brings obvious benefits but also some handicaps which were both discussed earlier. While the studied company has had to develop its own dynamic capabilities, in future research the focus could be on a purely independent high-tech BG company. That way the benefits or handicaps, such as networks or slow processes, brought by a parent company would not affect the results.

In this study, only successful market entries were discussed. That was an intentionally made definition to find out what dynamic capabilities are enablers for the internationalisation of these companies. It provides an interesting possibility for future research if one would focus on failed market entries. The studied company did not have experiences on those yet, so they were left outside of this study's scope. By researching failed entries, a researcher could discover what dynamic capabilities were missing or utilised wrongly. That approach could just as well validate the importance of dynamic capabilities in market entries. It would also be interesting to see how high-tech BGs recover from those failures and would develop into a dynamic capability to turn those losses into learnings.

Lastly, another proposal for future research is to focus on entering different types of markets. This study focused on countries, but it would be interesting to see how a high-tech BG company enters different parts of a country. Especially in the larger countries, it is difficult to create common guidelines for the whole country. These companies might need an even more focused approach and the role of dynamic capabilities in that should be studied. For example, how different it is to sense market changes in the USA when compared to global changes.

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## 7 APPENDICES

### APPENDIX 1. Modifiable structure of the interview

Background information:

- Role in the company
- Role in company's internationalisation processes (or in any particular market)
- What is a market entry in your opinion (in case company's context)?
- Experiences in market entries
  - o Choose one example country
    - How long has the company operated there?
    - Is the country a key market and if so, why?
    - How was the country or the opportunity spotted?
  
- What do you think lead the company to choose that specific market?
  - o What was the driver?
  - o How long do you think it took from decision of entering to having a firm footing in the country?
  - o (Acceleration program)
  - o How did the timing work?
  - o What was the role of partners in that market entry? How does it differ from today's situation?
  - o Were there specific segments/segment targeted?
  - o How it affected technological development?
  - o Awareness in the market
  - o (What about local marketing actions)
  - o What elements boosted the entry?
  - o What elements were hindering the entry process?
  - o How the company adapted to the market's needs?
  
- What do you think are the most important things to consider when entering new markets?
  
- Level of internationalisation at the moment
  - o What do you think about the current amount of markets?
  - o How do you see the company enjoying economies of scale at the moment?
  - o How do you see new market entries affecting company's technological development?