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# **Early internationalizing firms in the Brazilian software industry**

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## **Abstract**

This paper tries to understand the factors that influence Brazilian software firms to pursue an accelerated internationalization strategy. A literature review gives an overview of existing theories trying to explain the born global phenomenon. Based on these theories a framework was developed, which lists the factors that have an impact on early internationalization. I grouped the factors in three categories: internal, external, and entrepreneur factors. During interviews with three Brazilian software international ventures the relevant factors were identified. The results show that the flexibility and client-followership are important internal factors. Niche markets and foreign competition are influencing the internationalization from the external side. International experience and informal networks are important entrepreneur factors. Moreover, a difference between business-to-business and business-to-consumer firms could be found.

O presente trabalho tenta entender os fatores que influenciam empresas brasileiras de software a seguir uma estratégia de internacionalização acelerada. O estudo da literatura a respeito do tema expõe uma visão geral das teorias existentes que buscam explicar o surgimento deste fenômeno born global. Com base nessas teorias desenvolveu-se uma estrutura contendo uma relação de fatores que influenciam a internacionalização precoce. Os fatores foram classificados em três categorias: internos, externos e fatores empreendedores. Ao longo de entrevistas com três start-ups de software brasileiras que se internacionalizaram foram identificados esses fatores relevantes. Nichos de mercado e competição estrangeira estão influenciando a internacionalização do lado externo. Experiência internacional e redes de contatos informais consistem em fatores empreendedores importantes. Ademais, foi possível detectar uma diferença entre empresas que atuam no segmento business-to-business e business-to-consumer.

# 1 Introduction

Over the years there has been increasing attention towards firms that internationalize shortly after their founding. Although those firms have scarce financial, human, and tangible resources, they use their innovative power, know-how, and capabilities to enter foreign markets successfully early in their evolution (Knight & Cavusgil, 2004). From their inception, these firms seek to derive significant competitive advantage from the use of resources and the sales of outputs in multiple countries (Oviatt & McDougall, 1994). This new type of firms were first named “Born Globals” by Michael Rennie (1993). Moreover, this type of firms can also be referred to as international new ventures (McDougall, Oviatt, & Shrader, 2003) global start-ups (Oviatt & McDougall, 1994), and high technology start-ups (Jolly, Alahuhta, & Jeannet, 1992).

These firms did not follow the traditional patterns of knowledge development and increasing market commitment described by the Uppsala Internationalization Process Model (Johanson & Vahlne, 1977). Research has shown that internationalization can be much faster and happens at or close to a firm’s inception (e.g. Rennie, 1993; Knight & Cavusgil, 2004).

Knight et al. (2004) see a partial explanation for the rise of the early internationalizing firms in the change of the business environment due to globalization trends. Markets became more integrated and competitive with technological advancements. Technological leaders leverage information and communication technologies to interact with channel members and customers globally.

Furthermore, innovations in production technologies allowed smaller firms to manufacture at low-cost and small scale and consequently serve specialized niche markets around the world more efficiently (Knight & Cavusgil, 2004).

Although, these changes of environmental factors favor the rise of the born global firms, the business environment cannot solely explain the phenomenon, since there are still firms that follow the traditional internationalization path (Rialp, Rialp, & Knight, 2005).

This fact brings up the idea that there are other factors that are firm or entrepreneur specific, which might give a better insight into the rise of early internationalizing firms. The last 20 years, much research has been done to describe the internal factors that explain the phenomenon. However, most has been focused on developed countries, where companies are facing a more stable environment. It is important to understand that born global firms do not find the same conditions for doing business in every domestic market around the world. Especially the fast changing economic and political factors that can be found in emerging

economies provide a new research potential on born global firms. The diverse conditions and mix of resources companies are facing in these countries are likely to have an impact on international new ventures (Manev & Manolova, 2010). This leads to the following research questions:

*Which factors have an impact on the formation of Brazilian software that internationalize early?*

This paper aims to give a better conceptualization and understanding of the born global phenomenon. The literature is used to build a model on which external, internal and entrepreneurial factors influence firms' decision to internationalize at or close to their inception. Since the environmental factors of emerging countries are fast changing, this paper is also considering them in the research. The model is tested by an in depth analysis of three cases of Brazilian software born global firms to identify the factors that explain the emergence of international ventures in emerging economies.

### **1.1 Objectives and Justification**

This paper aims to contribute to the literature on the born global phenomenon. The objective is the identification of the factors that influence the formation of born global companies. In particular the research focuses on the software industry in Brazil. The existing research tends to focus mostly on developed countries and there is only little research on born global firms from emerging economies (Dib, Rocha, & Ferreira da Silva, 2010). Less developed countries provide a different environment. The conditions companies are facing in these regions are unstable and fast changing. Dib et al. (2010) advocated in his research for more studies on developing countries that a better understanding of the phenomenon could be achieved. This study takes a closer look at Brazilian software international new ventures and the factors that influence their formation. These factors are classified into 3 different levels: internal, external, and entrepreneur. The goal is to identify the factors that are important for firms when they enter a foreign market early in their development.

The research could help governments to introduce policies that promote the internationalization of young firms. Furthermore, it could support entrepreneurs in understanding the crucial factors to enter foreign markets rapidly.

## **1.2 Structure of the Paper**

After the introduction of this paper, it is structured as follows. First of all there is a more detailed explanation of the born global phenomenon based on previous literature. Existing theories of born global and international entrepreneurship research are listed. Second, the focus is on previous research on the factors internal and external to a firm, as well as entrepreneur specific factors that influence the formation of born global firms. Third, the research methodology used for this study is explained. The research approach, case selection, data collection, and validity and reliability are covered in this section.

Fourth, the main part and contribution of this paper is the presentation of the empirical data and the analysis of the results. The outcome is compared to the existing literature. Moreover, the paper highlights the similarities and difference between the different case firms. Following the analysis is a conclusion that gives an overview of the findings. Lastly, recommendations and suggestions for future research are presented.

## 2 Literature Review

### 2.1 The Early Internationalizing Firm

The early internationalizing firm, also called born global firm, international new venture or global start-up, has various definitions. Oviatt and McDougall (1994, p.49) defined the born global firm as: “a business organization that, from inception, seeks to derive significant competitive advantage from the use of resources and the sale of outputs in multiple countries”. Nevertheless, more than two decades after the pioneer study by Oviatt and McDougall (1994) there is still no consensus on a general definition in existing literature what makes a firm a born global firm. Although there is a lack of agreement on a definition (Rasmussen & Madsen, 2002), there is still a consistency on the understanding of the concept. Born global firms are presented as companies that engage in international activities at or close to their inception. The international activities are often started, even though these companies do not have much experience in their domestic markets. The internationalization begins simultaneously with the domestic operations or shortly after (Ferreira Ribeiro, Miranda Oliveira Junior, & Mendes Borini, 2012). However, the definition of the concept is not fully elaborated (Rialp, Rialp, & Knight, 2005). Various researches have defined different criteria of the phenomenon that take the date of foundation, the time until the first international activity, the relevance of the international activity, and geographic scope into consideration (Dib, Rocha, & Ferreira da Silva, 2010).

Most studies conclude that the born global phenomenon started in the nineties (Rasmussen & Madsen, 2002) (Moen O. , 2002), however some researchers have already discussed this kind of firms in the end of the seventies (e.g. Buckley, et al., 1988; Roux, 1979).

The time span between the inception of the firm and the first international experience can be described as controversial in the different studies. Moen and Servais (2002) consider a time span of up to 2 years, others up to 3 years (Rasmussen & Madsen, 2002) (Knight, Madsen , & Servais, 2004), Zucchella (2002) up to five years, and other studies vary between 6 and up to 15 years (e.g. Zahra et al., 2000; McDougall et al., 1994; Gabrielsson et al., 2004).

The criteria of the international activity, the percentage of revenue from foreign operations, has also been a diverging criteria. The percentage ranges from at least 5% (McDougall P. P., 1989) to more than 75% (Chetty & Campbell-Hunt, 2004), but many researches link it to the domestic market conditions (e.g. Gabrielsson et al., 2004; Chetty & Campbell-Hunt, 2004).

The definitions on the geographic scope of a born global are as diverse as the time span and international activities mentioned before. Some suggest one or a few international markets

(Sharma & Blomstermo, 2003), others markets in the same or in various regions of the world (Gabrielsson et al., 2004; Chetty & Campbell-Hunt, 2004), again others looked at the numbers of markets and drew a connection to the size of the domestic market and the industry of the firm (McNaughton, 2003).

In this paper follows the definition first used by Dib et al. (2010), which is most suitable for my research, since it focuses on the same population, Brazilian software born global firms. The research defines born globals only by the time it takes them to start international operations; up to five years. Dib et al. (2010) did not use more criteria, as described above, since it is much more difficult for Brazilian firms to internationalize. Brazil as a continental country has not just country borders, but also natural barriers to most of its neighboring countries. Therefore, only Argentina, Paraguay and Uruguay can be considered as relevant borders. This makes it much harder for domestic firms to internationalize than, for example, European firms. Moreover Brazil is not known for being an exporter of industrial or high-tech products. A small Brazilian high-tech firm that intends to internationalize has to overcome much more obstacles than firms in the US or Europe, where most born globals can be found. This is why Dib et al. (2010) suggest to use the time range up to 5 years to have a more comparable research to the ones' of American or European early internationalizing firms.

Previous research has indicated that international new ventures typically have far fewer financial and tangible resources, but they still manage to pursue a successful early internationalization (Knight & Kim, 2009). The success in international markets is a function of their specific skills and resources. These companies generally have a better product knowledge and expertise, and more innovative power (Knight & Cavusgil, 2004; Knight & Kim, 2009).

In the following the key empirical literature of the reasons and influencing factors that lead to an early internationalization will be reviewed. The findings of several empirical studies will be presented and summarized in a framework. The framework will group the different influencers into internal, external and entrepreneur-level factors.

## **2.2 Influencing Factors**

Oviatt and McDougall (1991;1991; 1993) conducted a case study of six born global firms. They identified six factors that influenced their decision to internationalize at or near the

inception of the firm. First the research mentions the *international/global vision of the founders*. The firm is looking for the best resources not matter where in the world. Secondly the paper identifies *the need to obtain financing*. It might be easier to find investors abroad than in the domestic market. It is not just the financing that might be hard to obtain in the domestic market, but also *economies of scale* and *additional market opportunities*, which were indentified as third factor. The fourth factor focuses on the competition. The firm might see a need to *respond to competitor intiatives worldwide*, which is especially important in the light of advancements in international communications. The fifth factor can be seen as the need of *exploiting a proprietary technology or process internationally*. This can be also used *to set a global standard and pre-empt competitors*.

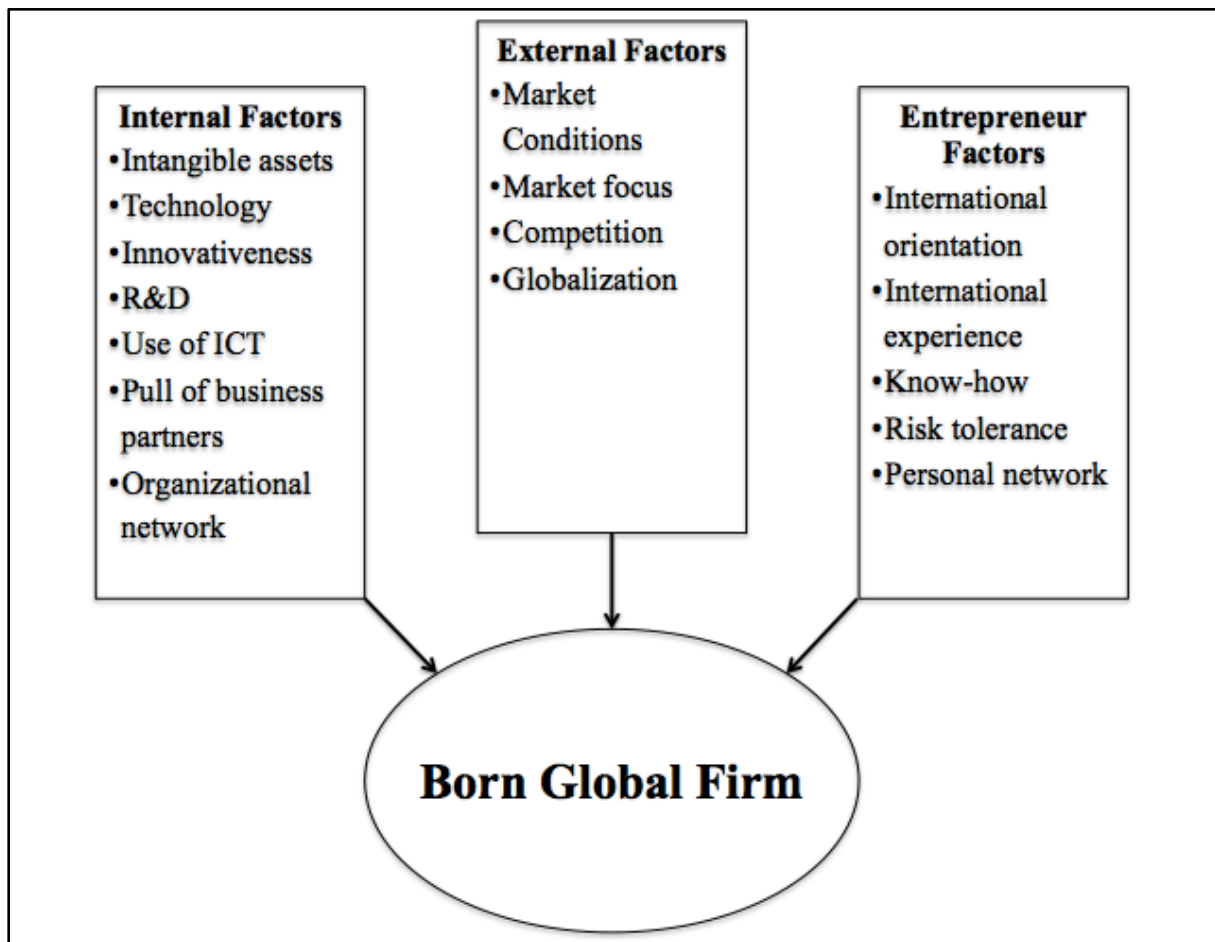


Figure 1. Factors influencing the early and rapid internationalization of born global firms (derived from existing literature)

Last but not least, the sixth factor is the *avoidance of complications associated with altering domestic inertia*. The firms want to avoid a lack of international experience after a period of exclusive home market operations (McDougall & Oviatt, 1991; Oviatt et al., 1991; Oviatt et al., 1993). These factors are also supported by other studies of different researchers worldwide (Johnson, 2004). All these factors have their foundation on a different level. They are either internal or external to the firm, or are based on entrepreneur characteristics. Therefore, the literature on the different factor levels will be reviewed separately. Not all the different theories will be covered in the review, but table 1, 2, and 3 will give an overview of the most important ones.

### 2.2.1 Internal Factors

This paragraph takes a closer look at the existing literature of firm-specific factors that influence the formation of international new ventures. Kotha et al. (2001) found in their study that *intangible assets* are positively related with the internationalization of born global firms. The intangible assets associated with knowledge management leads to main sources of value creation, which is based on technology intensive processes and unique, highly differentiated products that get international attention (Rialp, Rialp, & Knight, 2005). *Unique and superior products and services* seem to be a critical factor for early internationalizing firms. It is driven by an innovative process (Knight & Cavusgil, 2004). Knight and Cavusgil (2004) also saw the development of particular knowledge through the innovative nature of born globals as a driver for *organizational capabilities*. These capabilities support the internationalization activities. Kalinic and Forza (2012) saw the importance of organizational capabilities for rapid internationalizing firms in the ability to adapt the firm to a new market and a new situation.

In addition Coviello and Munro (1995) saw an important factor in the *international network the firm is linked to*. Firms use their network partners to choose the foreign market and also the entry mode. Also Zucchella's (2002) study on Italian international new ventures found that a network with other firms is a major element to follow a serial internationalization strategy. It gives the firm access to knowledge and helps to overcome resource constraints.

Another factor which was pointed out to have an impact on the internationalization of born global firms are *advances in information technology* and the *use of the Internet* (e.g. Nieto & Fernandez, 2006; Yu, De Koning, & Oviatt, 2005). However, the possibility information technologies offer to a firm varies between different firms, therefore it can not be said that it is an crucial factor for every born global (Loane, 2005). Lindqvist (1997) noted that *high research and development costs* and constant innovation might force a company to be

international at or near inception to cover the costs and be profitable. This theory supported by Bell et al. (2001), who saw the need to go into foreign markets due to *high investment costs* in new production technologies.

Internal Factors	Studies
Intangible assets – firm reputation, market or product knowledge, know-how	Oviatt and McDougall (1995), Bloodgood et al. (1996), Kotha et al. (2001), Zucchella (2002), Sharma and Blomstermo (2003), Callaway (2004), Rialp et al. (2005), Dimitratos and Jones (2005), Evangelista (2005)
superior technology	Lindqvist (1997), Bell et al. (2001) Moen (2002), Knight and Cavusgil (2004), Chetty and Campbell-Hunt (2004), Feeman et al. (2006).
Innovativeness and R&D,use of ICT	Knight (1997), Lindqvist (1997), Autio et al. (2000), Bell et al. (2001), Kotha et al. (2001), Dimitratos and Plakoyiannaki (2003), Etemad (2004), Knight and Cavusgil (2004), Gabrielsson (2005), Loane (2005), Zheng and Khavul (2005), Mort and Weerawardena (2006), Nieto and Fernández (2006), Evangelista (2005)
Pull of foreign customers/suppliers	Roberts and Senturia (1996), Andersson (2002), Etemad (2004), Freeman et al. (2006)
Organizational network	Oviatt and McDougall (1994, 1995), Coviello and Munro (1995), Knight and Cavusgil (1996), Zucchella (2002), Rialp et al. (2005a), Dimitratos and Plakoyiannaki (2003), Sharma and Blomstermo (2003), Callaway (2004), Etemad (2004), Gabrielsson and Kirpalani (2004), Arenius (2005), Evangelista (2005), Gabrielsson (2005), Yu et al. (2005) Freeman et al. (2006), Loane (2006), Mort and Weerawardena (2006), Mtigwe (2006), Nieto and Fernández, Chetty and Campbell-Hunt (2004), Freeman et al. (2006)

**Table 1. Existing literature on internal factors influencing early and rapid internationalization**

Roberts and Senturia (1996) identified the *external “pull” of domestic and overseas customers and distribution partners* as a trigger to begin international market activities. Also Andersson (2002) found that when a firm’s main suppliers and/or buyers internationalize, the firm is pulled out into new national markets as well. Freeman et al. (2006) referred to that factor as client followership. Small firms develop relationships to larger suppliers and/or customers and follow them into international markets. This reduces the risk for the small firms.

### 2.2.2 External Factors

This paragraph focuses on how environment and factors external to the firm have an impact on the decision to pursue a rapid internationalization.

Moen (2002) saw *the domestic market condition* as an important factor for firms to internationalize rapidly. In particular the size of the home market. The international expansion might be necessary to grow, due to a limited domestic market (Coviello & Munro, 1995). Furthermore, other studies showed that smaller open economies (Gabrielsson M. , 2005) and knowledge-intensive economies (Arenius, 2005) seem to support the born global phenomenon. Also the competition in the domestic market plays a role. Some firms might enter foreign markets to *escape domestic competition*. This was also found by Naudé and Roussow (2010), who suggest that the increase of the domestic competition would motivate more small firms to go international.

Coviello and Munro (1995) identify the *competitive nature of the international industry* and consequently *shorter product life cycles* as an incentive to go engage in foreign operations. Knight et al. (2004) see *niche markets* as an opportunity for born globals. These niches are often ignored by larger firms, because they are not profitable enough for them. But not just the niches in foreign markets are an influencing factor, which has been pointed out by previous research. These small market segments might be the only way to be able to grow within highly competitive industries (Coviello & Munro, 1997).

A study of 61 new highpotential US ventures and their internationalization got a better insight on the factors influencing the decision of following a rapid internationalization. The study found that *changing market conditions* required to penetrate into foreign markets to *stay competitive* or to *capitalize on the unique set of resources*. Moreover, the paper also saw the degree of *internationalization of the market* as a factor that support the extension of the born global phenomenon. Since born global firms need to source resources from firms with complementary competences, which is much easier in markets with existing cross border networks (Madsen and Servais, 1997).

Laanti et al. (2007) saw *globalization* and consequently *rising international competition* as an important factor to consider when going international. The study mentions falling trade barriers, deregulation and privatization, maturity in domestic market, faster information flows, improved communication and transportation networks, homogenous consumer needs, tastes, and values, globally standardized products, high technology investment that cannot be covered by sales in domestic markets, shortening product life-cycles, other economies of scale benefits, global sourcing of resources and ideas, and free movement of capital, goods, services, and people. These changes have a fundamental impact on firms internationalization strategies. Rennie (1993) talked about an decreasing relevance of national borders, that leads into a “borderless” world with diminishing barriers and regulations. Consequently, new opportunities arise for international start-ups to do business around the globe. Also financial markets have become international. International entrepreneurs *seek for financial sources* all over the world and get pulled into new markets (Madsen & Servais, 1997).

External Factors	Main Studies
Market conditions	Lindqvist (1997), Madsen and Servais (1997), Rasmussen et al. (2001), Moen (2002), Evangelista (2005), Gabrielsson (2005), Arenius (2005)
Niche markets	Knight and Cavusgil (1996), Madsen and Servais (1997), Keeble et al. (1998), Conviello and Munro (1997), Lindqvist (1997), Knight et al. (2004)
Competition	Oviatt et al. (1991, 1993), Coviello and Munro (1995), Bloodgood and Sapienza (1996), Shrader et al. (1996), Madsen and Servais (1997), Evangelista (2005), Arenius (2005)
Globalization	Rennie (1993), Bloodgood et al. (1995), Bloodgood and Sapienza (1996), Roberts and Senturia (1996), Fraser and Oppenheim (1997), Madsen and Servais (1997), Laanti et al. (2007)

**Table 2. Existing literature on external factors influencing early and rapid internationalization**

### 2.2.3 Entrepreneur Factors

The following paragraph summarizes theories of existing literature that see factors on the personal level of the entrepreneur as a driver for an accelerated internationalization at an early stage.

Entrepreneur Factors	Main Studies
International orientation	Oviatt and McDougall (1995), Harveston et al. (2000), Moen (2002), Dimitratos and Plakoyiannaki (2003), Etemad (2004), Gabrielsson et al. (2004), Knight et al. (2004), Gabrielsson (2005), Kundu and Renko (2005), Mort and Weerawardena (2006)
International experience	McDougall et al. (1994), Oviatt and McDougall (1995), McDougall and Oviatt (1996), Bloodgood et al. (1996), Madsen and Servais (1997), Harveston et al. (2000), Manolova et al. (2002), Andersson and Wictor (2003), Etemad (2004), Evangelista (2005), Gabrielsson (2005), Kundu and Renko (2005), Loane (2006), Andersson and Evangelista (2006)
Technical and scientific know-how	McDougall et al. (1994), Rasmussen et al. (2001), Dimitratos and Jones (2005), Evangelista (2005), Kundu and Renko (2005)
Risk tolerance	Knight and Cavusgil (1996), Madsen and Servais (1997), Harveston et al. (2000), McDougall and Oviatt (2000), Dimitratos and Plakoyiannaki (2003), Mort and Weerawardena (2006), Thai & Chong (2008)
Personal relationships and networks	McDougall et al. (1994), Reuber and Fischer (1997), McAuley (1999), Andersson and Wictor (2003), Arenius (2005), Dimitratos and Jones (2005), Harris and Wheeler (2005), Evangelista (2005), Rialp et al. (2005), Loane (2006), Freeman et al. (2006), Andersson and Evangelista (2006)

**Table 3. Existing literature on entrepreneur factors influencing early and rapid internationalization**

Manolova et al. (2002) saw that owners or founders of a firm are using their *international experience, skills and competencies* when they internationalized their own business. The internationalization process for these kind of managers is less uncertain. Also Madsen and Servais (1997) supported this theory. They even saw the international experience as a motivation and ambition to become a born global. Evangelista (2005) found in her study that *previous technical experience and education* was an important factor for an early

internationalization. The technical skills and knowledge might be important in developing a new venture's first product that would be crucial for the international market entry.

Moreover, one also has to consider the role of the entrepreneur as a person who sees opportunities that others do not see because of their *networks, knowledge, and backgrounds* (McDougall, Shane, & Oviatt, 1994). Also Andersson et al. (2003) saw the *personal network of the entrepreneur* as a critical asset in the inception and development of the born global firm. Networks are used as tools by the entrepreneur in order to develop their global strategies. Entrepreneurs with industry experience use their personal contacts to develop their firm. Personal networks are important to secure finance and find partners to cooperate (Andersson & Evangelista, 2006).

The study conducted by Andersson and Evangelista (2006) also identified two different types of entrepreneurs. One type is an experience employee, who works in a big organization and cannot fulfill ideas. He starts a new business on his own or together with others who have same or similar ideas and ambitions. The other type is a younger, less experienced person, with ambitions and ideas, who does not want to join a large organization, but wants to fulfill his ideas in his/her own organisation. Both types of entrepreneurs have an international mindset.

Harveston et al. (2000) found that founders of born global firms have a *more global mindset* and *more international experience*. Furthermore, the study showed that managers of born globals had significantly *more tolerance to risk*. McDougall and Oviatt (2000) defined international entrepreneurship as a "combination of innovative proactive, and risk-seeking behavior that crosses national borders and is intended to create value in organizations". (Kundu & Renko, 2005)

It can be said that a general framework of the factors that influence the early and rapid internationalization of born global firms is missing. This research is aiming for closing this gap in the literature and using a qualitative case study to identify the key factors that influence Brazilian IT companies to become international near or close to inception.

### **3 Methodology**

Since most of the current literature on early internationalizing firms has been developed from cases taken from developed countries, this study wants to identify if the factors listed in the previous literature apply also to Brazilian software firms.

This chapter focuses on the discussions and justifications of the methodological aspects of this thesis. It explains the research approach, as well as the choice of research type, and the data collection and analysis. The last part justifies the validity and reliability of the study.

#### **3.1 Research Approach**

The research approach of a case study can be used in many different situations, to contribute to the knowledge of individual, group, organizational, social, political, and related phenomenon (Yin, 2009). The case study method enables to analyze a real life case in depth and investigate important topics not easily covered by other methods (Yin, 1981). The key issue of this research method and the central tendency among all types of case studies, is to try to clarify a decision or a set of decisions; why they were taken; how they were implemented; and with what results (Schramm, 1971). This paper focuses on the decision taken by Brazilian software firms to go international at or close to their inception.

Case studies are a popular tool to conduct social science research. One can distinguish between a single case study and a multiple case study research approach. A study using multiple cases is considered to offer more robust analytical conclusions (Yin, 2009). Therefore, this paper uses three different cases for data collection for conducting the research.

#### **3.2 Case Selection**

The selection of cases is an important aspect of building theory from case studies. The proper selection of population representing cases is important, because it assures the control of extraneous variations and helps to define the limits for generalizing the findings (Eisenhardt, 1989). Since the research of this study focuses on Brazilian software firms that follow a rapid internationalization strategy, it was crucial to find case companies that full fill these criteria. Furthermore, the goal of the theoretical sampling is to choose cases, which are likely to replicate or extend the emergent theory. The goal is to obtain accurate statistical evidence on the distribution of variables within the population (Eisenhardt, 1989). The process of selecting the three case companies for this research was maybe one of the most challenging tasks of this thesis. The restriction of this study to Brazilian software companies made the

case selection much harder and complex. It was not easy to find three suitable firms with different characteristics. The process started with extensive Internet research with a focus on the cities of Sao Paulo, Porto Alegre, Florianopolis, Campinas, Rio de Janeiro, Recife, and Belo Horizonte. These cities offer a favorable business environment for this kind of firms. After contacting the firms via telephone, an email with information about the research project was sent and another call was done to ask if there is an interest in participating. Also the platform of LinkedIn was used to find and contact suitable case firms.

### **3.3 Data Collection**

The data were collected by conducting interviews with the founders of the case companies, who have a deep insight into the decision taken to internationalize early and rapidly. The primary data collected during the interviews was recorded that an undisturbed flow of conversation was possible. The records were analyzed and write-ups were made on each case company, focusing on specific characteristics of each case firm and situation. These write-ups were the base to analyze and highlight the factors that influence Brazilian software companies to internationalize at or close to inception. If the first interview did not answer all questions, a second interview was conducted to complete the data needed. Before and during the whole process of the data collection the existing literature was consulted to get a better understanding and insight into the case studies.

### **3.4 Validity and Reliability**

A theory developed from case study research is likely to have important strengths like novelty, testability, and empirical validity, which arise from the intimate linkage with empirical evidence (Eisenhardt, 1989). The validity of the case study depends on the quality standards the researcher follows and other researchers place on their study. The researchers have to rely on their experience and intuition to judge if the case is relevant for the research purpose, and whether they can give reasons for choosing a particular case (Flyvbjerg, 2006).

To optimize the validity of the study the research was conducted carefully. A catalog of questions was set up, which was discussed and improved in collaboration with the thesis supervisor. Furthermore, a test interview was conducted and afterwards the questionnaire was refined. Actual interviews were conducted with a selected person of the firm who was involved in the internationalization process, such as the founder, CEO or international

operations manager. The well-designed questionnaire and interview guidelines increased the study's validity.

The questionnaire was split up into four blocs of questions. The first bloc focuses on collecting general information about the company, the entrepreneur and the internationalization process. It is also used to break the ice and assure that the company is suitable for the research. The second set discusses the internal factors of the firm that influenced the decision: technology, innovation, work force, and network of suppliers and customers. The third bloc is aiming to identify the external factors to the firm: market and country conditions, and globalization. The fourth and last set of questions focuses on the entrepreneur specific factors: foreign experience, education, and personal network. The full questionnaire can be found in the appendix of the paper.

Reliability is the demonstration that the procedures of the study, such as the data collection can be repeated and lead to same results (Yin, 2004). Yin (2009) suggests using a protocol, which includes rules and procedure, and consequently the reliability and the validity of the case study research will be increased. Furthermore, he pointed out the importance of multiple sources of data to the reliability. This research used a protocol, which was developed in advance together with the supervisor. The same questionnaire and procedure was used during each interview, to ensure that a re-measurement would lead to the same results. Since this research deals with rather small and young companies, which have offer only scarce or none additional sources of data. Therefore, we only used interviews as source of data, which poses a limitation to the research.

## **4 Empirical Presentation**

This chapter gives an overview of the case companies. It presents the result for the interviews conducted with the founders/CEOs and the Internet research. Each case has a short overview of the company and the entrepreneur in the beginning. It is followed by information about the internationalization process and the factors that influenced the companies' decision to go abroad. The names of the firms are fictional, since the founders preferred to keep the anonymity of their business in this research.

Brazil's software industry is currently under the top ten software markets in the world and grew by 26.7% in 2012. There are approximately 11,230 companies active in the software sector. 93 percent of the companies can be categorized as micro and small enterprises (Figueira Filho, et al., 2015).

Due to the protectionist international trade policies of the eighties, Brazilian IT industry's development was harmed for many years. After a change in governmental policies and the incremental opening of the market, the industry was facing competition from international companies entering the country in the nineties. Although the companies were facing hard times in the past, currently the Brazilian software market and the local companies are under pressure to become competitive internationally (Burzynski, Graeml, & Balbinot, 2010).

### **4.1 Case Company - DSALES**

DSALES is an IT company that offers software solutions for direct selling and multi-channel operations. The software is offered on a cloud and supports distributors, sales representatives, and resellers in the direct selling market. It stores and analyzes sales data. The company was founded 2005 in Campinas, Sao Paulo state by two partners. The founders worked at the same company in their previous jobs. One was responsible for the IT department and the other one for the international IT operations.

DSALES currently has 105 employees in two offices, Campinas and São Paulo. The expected revenue for the year 2016 is around R\$38 million. The company offers a cloud solution for its service and charges a monthly fee based on the software as service concept. DSALES charges for every sales representative that uses the software or the amount of incoming orders through the tool.

The firm started to enter the first foreign market in 2009, four years after the inception of the company. The company did not open foreign offices so far, but uses exporting to penetrate foreign markets. Currently DSALES is active in six countries in Latin America. First the

company entered Chile, Peru and Argentina and then Colombia, Mexico and Bolivia. The order was based on a plan made by the biggest customer of DSALES, who wanted to use the solutions for its operations in these different markets. In 2016, 33 percent of the revenue came from foreign operations and the first sales office was opened in Medellin, Columbia.

#### **4.1.1 The Founders' Experience**

Both founders hold a degree in electronic engineering and a postgraduate degree in business administration. They took part in several executive programs in and outside Brazil. They worked in the same company in their previous job, where one also gained international work experience in Chile. During the time at their former employer, they also could build up an international network, which helped them at DSALES to pursue a fast internationalization strategy. Both of the founders speak Portuguese, Spanish, and English.

#### **4.1.2 The Company's Internal Situation**

DSALES offers a superior technology compared to competitors in Latin America. Most companies use their own system, which they self-developed within their IT-departments, as a sales tool. However, these systems are much more expensive. Infrastructure and skilled employees are needed to keep the system running. DSALES offers its service in a cloud and therefore these cost are irrelevant for the company's customers. Furthermore, the software is very flexible and can be customized to the clients needs. This flexibility helps also to be prepared for differences in other countries. Most competitors struggle when facing country specific challenges, since their solutions are not flexible enough.

The research and development is an important factor for the company and 12 percent of the yearly revenue is being invested into new solutions and technologies. It helps the company to stay ahead of its competitors and constantly satisfy the clients' needs.

The biggest part of DSALES's international revenue comes from one company. This client is using DSALES's software in all of its international markets. It was a major factor for DSALES to be able to serve this company in all of these international markets.

#### **4.1.3 The External Environment**

DSALES is serving a niche inside the retail market, which is has \$63 billion market potential in the Americas. In this niche the competition in Latin America can be considered as low. DSALES was considering opening an office in the United Stated, but postponed this plan, due to higher competition and cultural differences. Therefore, the company puts more focus on the Latin American market, where it is much easier to do business.

Moreover, the firm is focusing on medium-sized and large companies. In Brazil one can only find a few companies that are using direct selling. As a consequence, DSALES needed to internationalize to grow its business.

The company conducted research, which location would be the best to export from and it came to the conclusion that Brazil still offers the best environment. Although the Brazilian government does not effectively support the internationalization of firms, they grant small tax cuts to IT firms that export their software.

## **4.2 Case Company – TELSOFT**

TELSOFT is a software company that develops IT solutions for telecommunication operators. The products of the firm help clients to plan and optimize the network, analyze the customer experience, and offer location based services. The company was founded 2005 in Belo Horizonte, state of Minas Gerais. The founder is an Italian citizen, who moved to Brazil to work for a mobile telecommunication multinational company. After working for a few years for in the company, he decided to found his own firm, a provider of IT services to mobile phone operators. Currently TELSOFT has around 50 employees and shows growth rates of approximately 50 percent per year.

It was the founder's intention to take TELSOFT international from the beginning. The company has started its international operations one year after inception, in the year 2006. It has a strong presence in Latin America, but also in Europe and the United States of America. First the company entered countries in South America. Then the internationalization continued in Mexico and afterwards in Europe and the United States of America. 80 percent of TELSOFT's revenue comes from foreign operations. The firm exports its software solutions and has sales representatives and distributing partners in the foreign markets.

### **4.2.1 The Founder's Experience**

The founder of TELSOFT is 46 years old and has had ten years of work experience in the telecommunications industry before starting his own business. He holds a university degree of telecommunication engineering and an MBA.

The Italian founder lived, worked, and studied in Italy, Spain, and the United Kingdom. He speaks Italian, Spanish, Portuguese and English. The language skills are important for his professional life, since most clients speak one of these languages.

He gained work experience in an international environment, while having been employed in a multinational telecommunications company. The founder's business development also benefits from the contacts and the network, which he built during the time at his previous employer.

#### **4.2.2 The Company's Internal Situation**

TELSOFT offers its clients a superior technology compared to competitors. The software solutions are more flexible and can be easily adapted to client-specific needs and requirements. It offers more user-friendly software and the price is more competitive than the one of international competitors.

The development of the software comprises around 50 percent of the company's cost. This is necessary to fulfill the customers' expectations and deliver good software solutions.

TELSOFT's clients are mostly big international companies. This was also one reason for the firm to go abroad in a faster way, since these clients wanted to implement the same software they use in Brazil also in other Latin American countries. Therefore, TELSOFT had even a bigger incentive to go abroad.

Although the company is not part of an international network or organization, it is a member of Softex, a public association for Brazilian software companies. The focus of Softex lies in the development of markets and the sustainable expansion of the competitiveness of the software industry. Softex offered support to TELSOFT when entering foreign markets.

#### **4.2.3 The External Environment**

TELSOFT is serving a niche market in the telecommunications industry. Its software solutions are targeted to mobile telecommunication operators. In Brazil the company identified five to six potential customers, therefore TELSOFT needs the foreign markets to grow.

In the home market the company is not facing relevant competition. There are only a few companies active in this segment. However, in foreign markets TELSOFT is facing stronger competition.

The political situation in Brazil was not a factor that influenced TELSOFT to enter other markets. The tax structure gives only small incentives to export the software. The company has to pay fewer taxes when selling the software abroad than in the domestic market.

Globalization trends have an impact on the internationalization of TELSOFT. Without the same standards in the mobile telecommunication sector around the globe it would be impossible to export its software. No matter where in the world the standards are the same and therefore the company only needs to make small adjustments to sell the software solution to foreign clients.

### **4.3 Case Company – SAVE-IT**

SAVE-IT is a mobile utility company that offers two different software applications for Android phones. The first application is combining the features of anti virus, security, protection, useless data clearing, and performance enhancements in one software. The second application is a power saving and optimization application. The firm offers its applications to consumers, which can be downloaded on every Android, phone around the world.

SAVE-IT was founded 2010 in Rio de Janeiro by three partners. One founder is Brazilian and the others are American citizens. The Brazilian founder has worked more than ten years in the software industry before deciding to found an own business.

It was the intention from the beginning to take the company international, however when it all started the focus was set on Latin America, since the market was still in an initial phase and it was easier to attract a critical mass of users. However, the experience of the founders was a motivation to build something bigger and run a multinational company in the future. Currently the company has, marketing and sales offices in Mexico and the United States. The goal is to cover the Western world with the products of SAVE-IT. The app is already available around the world, but so far a targeting strategy in other markets has not been developed yet.

The revenue stream comes from in-app advertisements. It grew around 370 percent in 2016. 50 percent of the revenue comes from foreign operations.

#### **4.3.1 The Founders' Experience**

The company's founders have experience in different backgrounds. The Brazilian founder studied computer science in Rio de Janeiro. Afterwards he went to the United States to do an extension course in the same field at MIT and an MBA. He started working for Microsoft on different projects, including Hotmail and windows XP security. During this time he also gained a lot of experience in cloud computing. After ten years at Microsoft, he became CTO at a media advertising company, where he learned more about marketing.

The American co-founders have both a business background. One worked on an investment fund for Internet firms and has a good network in the investment community. They are both living in Brazil at the moment and one has a Brazilian wife.

The international experience of all founders is mostly in the US and Brazil. Together they speak Portuguese, English, and Spanish. It is their first founding experience, but all of them have substantial experience in entrepreneurial project management in different companies. The CEO sees the experience they gained during their previous professional life as the key to success. He thinks that the perfect execution of the tasks the company is facing, is crucial for success and growth.

#### **4.3.2 The Company's Internal Situation**

The applications SAVE-IT offers are focusing on mobile security and privacy, phone power optimization, and mobile storage cleaning. The technology does not defer a lot from what the competitors offer. Every one of the top five companies offers a good quality product.

What makes the difference of SAVE-IT's products is the user experience. The user journey and the in-app-experience is something the company is eager to improve constantly. Moreover the application adjusts to the user with the help of machine learning intelligence. Therefore the app is much easier to use and the user experience will be increased. The products are adapted to the local culture and language. SAVE-IT wants to create an emotional connection between the user and the app.

During the usage of the application consumers see an advertisement only in combination with a benefit. This system ensures, that advertisements do not create a negative feeling for the user.

Business intelligence is very important for SAVE-IT. It is essential for the management to take actions based on facts and not feelings. Consequently the company continuously analyzes the data, which it receives from the app-usage of the users. More than 50 percent of the revenue flows into research and development activities to keep the application on the latest standards.

Especially in the research and development department SAVE-IT employed many foreigners. The company collected skilled labor from all over the globe to work on its software.

It was important for the company to focus first on Brazil and Latin America, because the market is still very underdeveloped and competition does basically not exist. The company opened its first sales office in Mexico to be able to also get the attention of the big Hispanic

community in the United States, which would consequently make a market entry much easier. The strategy is to focus on the biggest countries and Latin and North American and the others will follow automatically.

### **4.3.3 The External Environment**

SAVE-IT is not targeting a niche market. All Android phone users are target customers for the company. The Brazilian operations of SAVE-IT are profitable, but to be relevantly profitable the company must target more markets. The home market is not as attractive as the American one. The demand for native mobile advertisement in the US is much higher than in Latin America, therefore the margins are also higher. Furthermore, the market growth in the United States is stronger and users click more advertisements in the applications.

The economic and political crisis even accelerated the expansion plans into foreign markets. It is important for the company to be not solely depended on the Brazilian market. The legal and tax structure is much more beneficial in the foreign markets than in Brazil. The favorable exchange rate between the US Dollar and the Brazilian Real was crucial for SAVE-IT's expansion plan.

Moreover, it is important for SAVE-IT to build up a strong market position in the Western world before other competitors become too strong and make it harder to enter. Additionally most competitors are internationally active, that is why the management sees the urge to have international operations as fast as possible.

## 5 Analysis

The following chapter is the combination of the theoretical and empirical part of this research. The analysis is using the existing theoretical frameworks to describe the empirical finding on the factors that influence Brazilian software born global firms to go international near inception. This part follows the same structure as the literature review and starts with the internal factors, continues with the external environment and closes with the entrepreneurial side. The analysis is covering the following questions, which are derived from the research question:

*Which internal factors influence an early and rapid internationalization?*

*Which external factors have an impact on accelerated internationalization?*

*How does the entrepreneurial factors influence the internationalization strategy?*

*What are the differences between the existing literature mostly focusing on developed countries and this study of Brazilian firms?*

### 5.1 Internal Factors

Since the companies focus on different customers, differences in the factor that influence the internationalization strategy can be found. DSALES and TELSOFT are both business-to-business (B2B) firms, while SAVE-IT is business-to-consumer (B2C) orientated. Therefore more similarities can be found between DSALES and TELSOFT in the decisive factors.

Looking at the competitive advantage of the B2B case companies, the founders made clear that the flexibility their company is offering is a decisive advantage in comparison to the competitors. They are faster in customizing their solution to the customers' needs and expectation. Knight and Madsen (2004) describe that smaller and early-internationalizing firms possess an inherent flexibility that converts into a faster adaptation to customer tastes and preferences. For DSALE it was an important factor to stay flexible and offer the customers solutions that can be adapted to their needs. This is where the company sees also a competitive advantage compared to US American firms that are interested in gaining a hold in Latin American countries. Rialp et al. (2005) see that young international active firms are more strategically flexible and are able to adapt faster to changing external condition (i.e. new and more refined consumer needs, emergent technologies, etc.) in international markets.

	DSALES	TELSOFT	SAVE-IT
<b>Unique technology/intangible assets/ capabilities</b>	<p>“Our product is superior in terms of architecture. It is more modern, it is an open architecture, it is based on the cloud and the cost of our software is lower than sustaining an internal IT-department. We also have much more functionalities.” “Our mindset as Latin Americans is to create something flexible.”</p>	<p>“Our software is more flexible. It is user-friendlier. And the other advantage internationally is our price.”</p>	<p>“That’s what I think our secret source in many ways; knowing how to communicate with our users, dis-mystify security, talking in a simple basic language that helped them to understand how to stay safe on their mobile and always offering an advertisement after a benefit.” “Where I think the unique advantage lies is in the UX (user experience).” “We use local people to talk to local people and we use local culture to influence local users. And I believe this is a big factor in mobile engagement.” “We have focused a lot on our Business intelligence that helps us with analytics.” “Learn from your data, trust the numbers, and learn from the users.”</p>
<b>International suppliers/customers pull</b>	<p>“Natura helped us to learn how to support international companies.” “Natura was the first international client.” As Natura is a huge company, we were facing a big challenge to change the company to be able to support Natura outside Brazil.” “We followed the expansion plan Natura has offered to us many years ago.”</p>	<p>“We work with companies like Nokia. That is why we went international very fast, because as a multinational they wanted us to have us in other countries.”</p>	
<b>Organizational network</b>	<p>“We are part of Endeavor. It is an international association of entrepreneurs.” “Endeavor helped us a lot to review our strategy. In order to see opportunities outside Brazil.”</p>	<p>“We are members of an institution called Softex. It is Brazilian, but it supports companies to go abroad.”</p>	<p>“No formal organizations.”</p>

**Table 4. Statements by the interviewees on internal factors**

In the case of SAVE-IT the founder put a lot of weight on data analysis and business intelligence to understand the customer. Data analysis is used to determine company change in a continuous process. The data analysis is necessary to pursue a change based on facts and not feelings, which is important for the management. Cavusgil and Knight (2015) see that managers have to improve their change management capabilities to better predict and lead a continuous change. This will help to understand global risks. Moreover, the focus on international markets can be increased by improved buyer interactions and customer

experience. SAVE-IT's core competence is described as the user-experience and the customer service.

DSALES and TELSOFT both went international, because they were following big clients, who asked them to also provide their software in the foreign market. In the case of DSALES the client was Natura, a Brazilian cosmetics company. TELSOFT followed Nokia into new markets. Freeman et al. (2006) found this kind of behavior in newcomers to foreign markets that became a supplier of one or two large multinational and follow this client into their networks. Through this move the newcomers would gain visibility in the international markets. In the two cases described, the relationship to the large multinational in the home market helped to gain experience faster and attract more customers in the overseas market.

The B2B companies use networks on the company level to accelerate their internationalization strategy. DSALES is a member of Endeavor, an international organization of entrepreneurs. The network helped the firm to work on their international strategy and visualize opportunities outside Brazil. TELSOFT is a member of Softex, a Brazilian association for IT-firms. The association supports local firms to enter foreign markets. These formal organizations and networks played a rather subordinate role during the internationalization. They helped in improving the strategy and highlight opportunities, but were not helping during the internationalization process itself and also cannot be considered as an important factor for the early internationalization.

## **5.2 External Factors**

The two case firms DSALE and TELSOFT entered foreign markets due to their niche product. DSALE had the option to add new lines to their product portfolio or expand internationally. Since the management team did not see any relevant competition, they decided to go into other Latin American markets. TELSOFT's software is made for mobile operators. In every country you can only find a few of those companies. That is why it was clear from the beginning that the firm needs to penetrate foreign markets to grow. Coviello and Munro (1997) point out that small market segments might be the only opportunity to grow within highly competitive industries. Niche markets can be seen as an opportunity for small firms, because they are being ignored by larger firms (Knight et al. 2004).

	DSALE	TELSOFT	SAVE-IT
<b>Serving niche market</b>	<p>“In order to grow we had to decide either to go abroad or add new lines/segments to our business. As we have a great product for this market and there is no other competition in Latin America we decided it would be more efficient and more interested to us to exploit the Latin American market.” “In Brazil the big companies that sell through direct selling, they are concentrated in 5 companies. As we are focused on medium and large companies we had to go into other markets.”</p>	<p>“We work in a niche.” “It is the nature of the product, as it is a niche product. The customers are mobile operators. So you have a limited of customers in a single country. So if you want to grow you need to go international.”</p>	
<b>Brazilian market conditions</b>	<p>“For us in IT we don’t have to pay two taxes here in Brazil if we issue an invoice to an outside company. We don’t have to pay the city tax and a federal tax. So it is excellent for us, because these two taxes together make around 5% of the revenue.” “It is not an excellent support of the government, but compared to the other options [Latin American countries] it is better.”</p>	<p>“We all know that Brazilian tax and legal structure are not ideal for companies in general. There is not a particular harm for export. Actually when you export you have tax advantages when you sell abroad and not in Brazil. In this sense it is good, but the general conditions are very bad. You have a lot of overhead on your labor costs in Brazil compared to other countries, even in Latin America.”</p>	<p>“I saw a lot of similarities what was happening in Brazil and what was happening in the US a decade earlier. We have a strong leadership position in mobile security in Latin America now. Brazil is a rollercoaster, as you know. So we rode the rollercoaster for the past 6 years and no doubt that the recent crash accelerated our move to go international. Interesting enough crises has been positive for technology companies. And so never waste a crisis. Brazil is still profitable and it is still growing.” “It was just so joyful to realize how is it to open operations outside Brazil.”</p>
<b>Competition</b>	<p>“At the same time we postponed to open an office in the United States, because of the competition.” “When we look at the US, they offer a standardized solution and in general it is hard for the US competition to localize to Brazil.”</p>	<p>“There is almost no competition (in Brazil). Our competitors are outside Brazil.”</p>	<p>“We compete against Chinese players in the US, Brazil and Mexico. So our biggest competitors are Chinese players they are trying to dominate this space, but we are still ahead of them. But it is very hard, because they have a lot of money.” It [competition] definitely influenced, because all of our competitors play in all the markets we are in. We needed to become international to be able to compete on the same terms.</p>

**Table 5. Statements by interviewees on external factors**

SAVE-IT on the other hand is not focusing on a niche market. The company has more than 20 million active users. The internationalization has being accelerated to become a relevant

player in the market and to stay competitive globally. Oviatt and McDougal (1994) see that when a new venture enters the market with an innovative product it signals the possession of special knowledge. Competitors will try to uncover or imitate the knowledge and produce an equivalent alternative. The increase of efficiency in the international market speeds this whole process even up. New ventures must be international close to inception otherwise they will face disadvantages compared to other international firms. This is also what motivated SAVE-IT to internationalize fast and early.

All three firms of the study were complaining about the lack of support from the government and the red tape they are facing in Brazil. TELSOFT was mentioning that the market conditions in Brazil are not ideal and that companies operating in Brazil have to bear a huge tax burden. The only advantage companies can get when they export is a small tax cut of around 5% on the software sold internationally. Moen's (2002) study on European born global firms found government support should include the needs of small and medium sized firms without a strong home market position, but heavily involved in international markets. Many countries have developed export assistance programs for smaller firms, however it would be better to focus on the establishment of international new ventures and then develop programs in accordance to the needs of these firms.

### **5.3 Entrepreneur Factors**

The founders of the three case firms gained all international experience, some more and some less. DSALE's founders gained foreign experience during their education in the United States, but their work experience took place Latin America. SOFTEL's founder was born and raised in Italy and gained international experience during his education in Spain. He worked in the United Kingdom and then in Brazil. SAVE-IT's founders are Brazilian and American citizens. Most of their educational and work experience abroad was in the United States or Brazil. The international experience the founders gained over the years is related to which markets the companies entered. DSALE's foreign business is focusing on South America. SOFTEL's software is being exported to Latin America, Europe and the United States. SAVE-IT is focusing on the Americas with their applications. It becomes obvious that more international experience leads to more internationalized firms in these cases. Oviatt and McDougall (1997) see the international experience of the founder and the top management that influence the international commitment decision of international new ventures.

Evangelista (2005) notes that the characteristics that influence the founding of an international new venture are the founders' overseas contacts, international experience and previous employment.

	DSALE	TELSOFT	SAVE-IT
<b>International experience of entrepreneur</b>	"I made a post-graduation in business administration and some executive programs in marketing, entrepreneurship, and business growth. Some of them in Brazil, some outside of Brazil." "My first international experience was inside my company. My partner has experience to live abroad in Chile. He worked for Natura to support the international braches."	"I studied at the University of Padua in Italy. And I did an MBA about 8 years after in a school called IE in Madrid." "I worked in Italy of course. Then I worked in the UK. Then I worked in Brazil before opening my company. So I worked in three different countries."	"Then I moved to Boston, Massachusetts. There I went to Cambridge MIT for an extension course. I ended up staying 19 years in the United States. 10 of which I spent at Microsoft." "He (first co-founder) has worked on an Australian fund, I believe in Australia." "He (second co-founder) was married to a Brazilian so he spend a lot of time in Rio."
<b>Personal network</b>	"Our distributor in Peru was a client and a director in Natura in Argentina. We knew him before we opened the company. Then he became a client, but more a friend. And then when he left Natura, he decided to call us and ask for the opportunity to distribute our software to Latin America. He has many friends and colleagues around Latin America who help to offer our product."	"I worked for Nokia and Nokia is a multinational company, before opening my own company. So I got contacts in different countries, which helped to go outside Brazil."	"No, it was all us. Only investors [came from a personal network]."
<b>Founding experience</b>	"DSALES is my first startup and I succeeded. Two years ago we founded a new company as a spin off of this company. It is a startup the direct selling market also, but focused on the representatives."	"This is the first try."	"This is the first one I joined as CEO and founder. This is my first founding experience." The good news is that all of us had a lot of experience on entrepreneurial projects. We all have worked on start-ups before and we all have worked on projects that were start-ups inside large companies."

**Table 6. Statements by interviewees on entrepreneur factors**

It is true that also the founders' overseas contacts and previous employment influenced the accelerated internationalization of the case firms. DSALE's and TELSOF's founders build a personal network during their previous work experience at multinational companies. Those contacts helped them to get better insight in the industries and also into markets. The two firms network helped them even to distribute their software in foreign markets. Furthermore, previous employers of the founders became future clients, not just in Brazil, but also in overseas markets. In the case of SAVE-IT the previous work experience and the personal

international network of the founders helped the company to get the attention of foreign investors. Zhou et al. (2007) identifies in her research that not established business networks, but informal networks developed by the entrepreneurs of the born global firm lead to learning advantages and therefore relatively easy experience performance advantages in their internationalization.

#### **5.4 Differences to Existing Literature**

The existing literature is mostly focusing on international new ventures in developed economies, while this study looks at Brazil, an emerging market and developing country. During the research it became clear that there are differences in the factors that influence firms to internationalize early and rapidly. Two factors could be identified that played an important role in the internationalization of the Brazilian software firms, while it was a rather of minor interest in the existing literature mostly dealing firms in the developed world.

The client followership motivated the firms to accelerate their international strategy. Existing important customers of the small firms asked to also use the software in their foreign markets. Not wanting to miss this opportunity the new ventures followed the clients in new countries. This way the companies were also able to reduce their risk. Hofstede et al. (2010) identified in the cultural dimensions that Brazil's culture is ranked high on risk aversion.

The client followership factor also has a strong relation to the entrepreneur's personal informal network. The entrepreneurs of the new ventures acquired these important customers through a personal network. They were either a former employee or had indirect connections via business partners to these companies they followed into new markets. O'Keefe and O'Keefe (2004) see that business success in Brazil is strongly dependent on being a member of the right group of professionals who are committed to help each other progress in the business world.

These two observations show that the country culture and the local habits of the home country have a very strong impact on the way of doing business in Brazil. In the existing research on the born global phenomenon in developed countries, the cultural aspect has been neglected. The reason for this might be that the country culture in the developed world has less impact on the way of doing business, since those countries have been open to international influences and globalization for a longer time.

## 6 Conclusion

In this chapter the findings of the analysis will be interpreted and summarized. It helps to get an overview of the paper. Sub-questions are used to answer the research question on the factors that influence Brazilian software new ventures to internationalize near inception. In the end of the section recommendations for further research are listed.

The following questions and answers could be drawn from the analysis and the literature review above:

*Which internal factors influence Brazilian software born global firms to pursue a rapid internationalization strategy?*

An important factor, which was also underlined by the interviewees, is the flexibility software new ventures have in Brazil. They have to adapt to diverse clients and standards quickly. This flexibility creates a competitive advantage for firms. Brazilian software born global firms are offering products that better fit the customers' needs and expectations. This can be seen as a decisive factor that makes local companies go international near inception. Furthermore, the client-followership plays an important role in the accelerated internationalization for the B2B firms. As Brazil is known for having many medium- and large-sized companies, smaller firms use the international subsidiary network of large clients to go abroad, or they follow them during their internationalization. The client-followership strategy also reduces the risk for the new venture and makes it easier to get a foothold and visibility in the foreign market.

*Which external factors influence Brazilian software new ventures to internationalize near inception?*

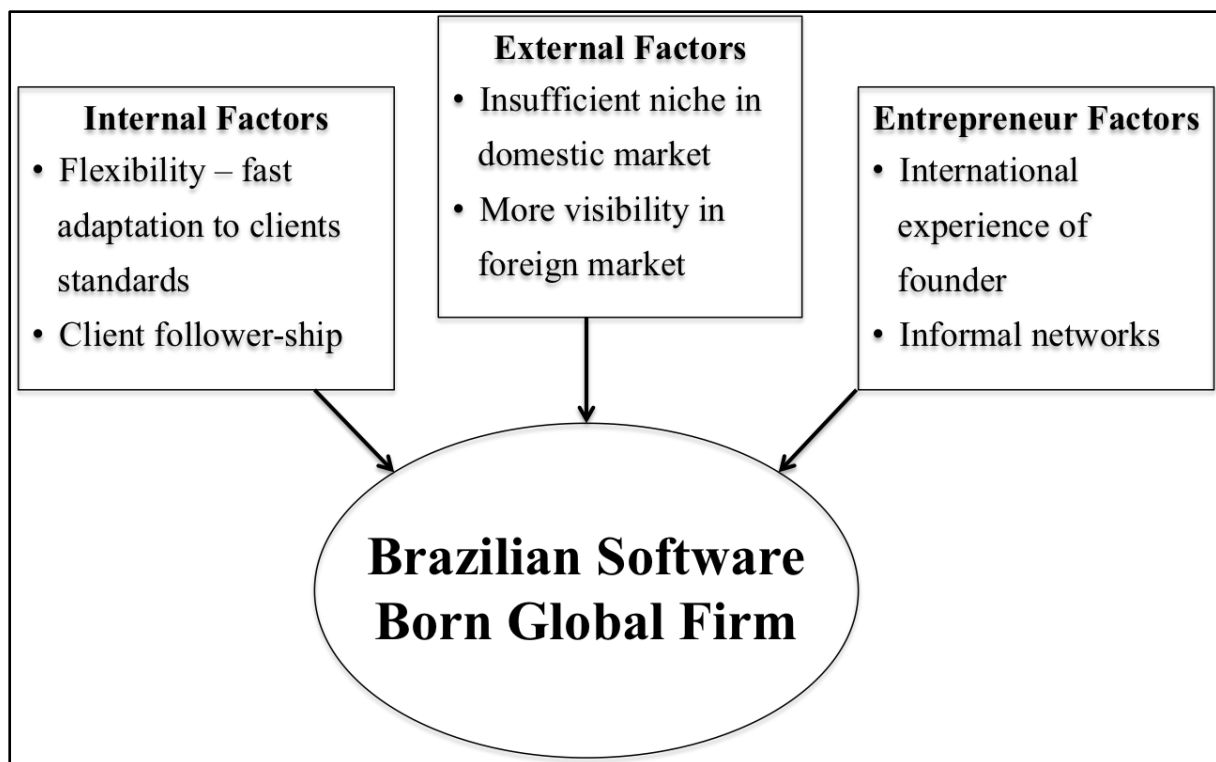
The size of the Brazilian market is not always sufficient. That is why Brazilian software firms internationalize near inception. Especially B2B software firms serve often a small niche and need the overseas markets to be profitable. In the case of B2C firms, it is necessary to leave the home market to be a relevant player on the global consumer software market. The home market would not give the companies enough visibility and power to stay competitive.

Although the Brazilian government is not hampering the internationalization plans of software firms, it is also not offering support to them. Other countries offer a much better legal and political environment for international new ventures. International companies in Brazil see that there is more support from the government in other countries and also consider to move some parts of their operations abroad.

*Which factors on the entrepreneur level influence Brazilian software firms to follow an accelerated internationalization path?*

The international experience of the founder of a company has an impact on the international commitment of the firm. The overseas experience can be gained in professional, private or educational life. It can be also seen that more international experience of the founders leads to more international commitment of the firm.

Furthermore, informal networks created during life abroad or previous employment help Brazilian software born global firms internationalize faster. The contacts help the firms to create learning advantages, get insights into the market, and find partners abroad. This leads to a faster and less risky internationalization.



**Figure 2. Decisive factors of early and rapid internationalization of Brazilian software firms**

## **6.1 Recommendations**

### **6.1.1 Practical Implications**

In order to promote the decision to go international at an early stage, the Brazilian government, related institutions, and universities need to create an environment that is more favorable for young entrepreneurial software companies and their internationalization strategies.

The Brazilian government should to create a legal environment that supports the foundation of these small firms and offers tax advantages or subsidies that help them to have similar conditions as their competitors in other countries. As mentioned by the interviewees, the Brazilian legal environment causes many difficulties to their business. The complicated bureaucracy is a competitive disadvantage. Currently there are tax advantages for software firms, which export their solution, however in the home market there are still facing a huge tax burden, which reduced the overall competitiveness. Some firms consider relocating their headquarters or parts of their operations into other countries, where they find a better business environment.

Institutions and organizations that are in contact with software new ventures should help to seed the interest in these communities to go international. The Brazilian culture is lacking courage to internationalize their businesses. The entrepreneurs think that the Brazilian market is big enough and foreign markets are too risky. The fear of international markets should be reduced and realistic chances of international strategies should be communicated in the entrepreneurial communities.

Universities should put stronger emphasis on the international experience of their students. Offering student exchange programs and also courses held by international lecturers would help to enhance the international experience and awareness of the students. During a semester abroad future entrepreneurs could build up a network, get to know a foreign market and exchange ideas with other entrepreneurs. Moreover, it would also reduce the fear of foreign cultures and countries that many young people feel in Brazil.

Last but not least, the Brazilian entrepreneurs need show more motivation to go international, be less risk averse and not fear to fail. The founders of software new ventures sometimes do not even consider the international market for their firms and therefore often miss out on a great opportunity. Especially the Latin American market offers good market conditions to start testing the software solution in a foreign environment, since the countries are culturally very similar to Brazil.

### **6.1.2 Theoretical Implications**

As mentioned above, the big majority of the existing literature focuses on developed countries. This study however, looks at the Brazilian firm and the influencing factors.

In Brazilian international new venture the domestic culture has a strong influence of the business. The flexibility, client followership, and the informal networks as important factors for the internationalization have the roots in the culture of Brazil. Since those countries are still not as open as most countries in the developed world, the companies have a much stronger connection to their home country culture. The cultural aspect in the research field of the born global phenomenon was playing a minor role so far.

Furthermore, this study acknowledges that there is a difference if a company has consumers or businesses as customers. For B2C companies it is very important to grow fast and increase the visibility of the product, preempt competitors or have a relevant size to fight them. B2B companies are more specialized in niches and try to serve them well. Competition is not that fierce, therefore it is not necessary to move that fast and fight competition. In this study it became clear that these difference should also be acknowledged when doing research on the born global phenomenon.

## **6.2 Limitations and Future Research**

It should be clear that a case study method does not allow us to generalize our findings to all Brazilian software firms, but it helps to further explore the phenomenon and the factors involved in the decision to early internationalize. Future research may employ a quantitative research method to validate the findings of this study.

The amount of studies on the born global phenomenon on developing countries is rather limited. There is potential to do further research on this topic that is not only limited to the software industry.

Future research should also consider the different country cultures.. It is clear that a Brazilian entrepreneur behaves differently than an American one. The question should be how country culture influence international new ventures.

Furthermore, the difference between B2B and B2C firms can be more elaborated. From the current research it can be noticed that there are different factors influencing the internationalization, but due to the small sample size the evidence is rather limited.

An important issue, which should be dealt with in more detail is the definition of the born global phenomenon. So far the literature is not giving clear criteria which characteristics a born global firm must have. Therefore, the difference between a firm that internationalizes rapidly and a real born global firm is rather subjective. This poses also a limitation on this study, where firm that internationalize within a year and others after four to five years are used to explain the born global phenomenon.

Future research should focus again on all of the three factors: company internal, external, and the entrepreneur level. To make a deeper research on those three factors, the study scope should be increased and also the links between the factors should be explored.

## 7 Appendixes

Questions – Master Thesis – Philip Pilwarsch. Which factors influence Brazilian software companies to follow an advanced internationalization path? **A case study of Brazilian software born global firms**

### Entrepreneur and Company

Interviewee's name, gender, age, position, years of work experience, qualification, how long in the company

When was the company founded? Revenue, Number of employees, collaborators, rate of growth?

How does the business model of the company look like?

Why did you go international? Did you have the intention to become global since the beginning?

When did you engage the first time in international operations?

How much percent of the company's revenue comes from international operations?

In which countries is the company active? What is the order of the countries you entered? What were the main reasons?

How did you go to international markets? exports, partnerships, after market service?

### Internal Factors

Did the company has/had superior technology than competitors abroad? What were the competitive advantages in relation to other players?

Did the company hold unique intangible assets or capabilities? What are those?

Does the company have a strong focus on innovation? How much do you invest in R&D as percentage of the revenue?

Did the company actively use ICT for the internationalization?

Did foreign customers/suppliers pull the company into their markets?

Did the company have an international diverse workforce?

Did the company have an international network on an organizational level?

Which additional firm internal factors do you consider as important for the internationalization?

### External Factors

Is the company serving a small niche and need foreign markets to be profitable?

Did the company's location influence the decision? How did it influence the decision?

How did the Brazilian market conditions influence the internationalization? How did the home market demand affect your decision?

Did the tax and legal structure motivate the company to go abroad?

How did governmental policies influence the decision?

In what way did competition influence the company's internationalization strategy?

Did globalization trends have an impact of the decision to go abroad? Decreasing trade barriers, converging customer preferences, communication and logistic advancements

Which additional external factors do you consider as important for the internationalization?

### Entrepreneur Factors

What is the educational background of the entrepreneur?

What was the international experience of the entrepreneur? Education, Work, Life?

Which languages does the entrepreneur speak?

Did the entrepreneur have an international network on a personal level?

Which additional entrepreneur-specific factors do you consider as important for the internationalization?

How many times have your tried new ventures? How many times did you fail/succeed?



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