Behind the Internationalization Process of Northeast Italian SMEs
An Abductive Approach

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ABSTRACT

This study strives to investigate why some small and medium enterprises (SMEs) from Northeast Italy internationalize at inception and some internationalize gradually. The main literature regarding both, Born Globals and Stage-Models, were reviewed. In face of a high degree of fragmentation in the Born Global literature the study was developed through an abductive logic of reasoning. This basically means that we started by clustering already accepted internal and external factors, working then, towards a unified explanation. A qualitative study was developed with four SMEs. The main results show that no factor can singularly drive a company to internationalize at inception. Instead, the interaction of internal and external factors determines how SMEs internationalize. The findings provide empirical insights on the internationalization behavior of SMEs and redress the apparent theoretical gap in this field.

Keywords: Internationalization, SMEs, Stage-Model, Born Global, Internal and External Factors
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I. INTRODUCTION

It was McKinsey & Co (1993) cited in Varma (2011), that pioneer the Born Global literature. The Australian companies that were targeted for the study were exporting already from the second year after their establishment. Since it has been published, the number of studies targeting fast-internationalizing companies seems to have increased in proportion to the growing concurrency of this phenomenon. However, almost two decades later no clear and unique theoretical framework has been developed yet (Rialp et al., 2005).

1.1. Background of the Study

Efforts to explain the Born Global phenomenon have been done, from different perspectives and toward several directions. Research objectives have varied from basic and general levels - as describing and understanding the reasons underlying the emergence of fast internationalizing companies - to much more specific themes, related to further performance and subsequent international growth (Rialp et al., 2005). Qualitative and quantitative studies have been developed. Conceptual approaches and theoretical frameworks can be found in the literature. But the lack of consistency in these studies is still high (Rialp et al., 2005).

Basically, despite recognizing the influence of external factors, most of the authors focus on analyzing the internal factors as key differences between Born Globals and other companies. Generally, the internal factors are either related to the companies’ business model (see for e.g. Bell, 1995 and Moen, 2002) or to the role of the entrepreneur / founder and his/her network (Rialp et al., 2005). Other authors, though, claim that Born Globals are not necessarily a distinct breed of companies (Fan and Pan, 2007).

For them, external aspects, as the size of the domestic market, as well as cultural and economic forces are also linked to the fast internationalization. The clear contrast of opinions and perspectives show that the major issue is the fragmentation and lack of unified theoretical framework regarding the internationalization process of SMEs. This study seeks, in this sense, to contribute to the Born Global literature by clustering different perspectives in a unified model. Empirically it also contributes with managerial implications for SMEs.

1.2. Research Statement and Purpose

In few words, some authors have focused on determining and understanding the main characteristics behind the Born Globals, “there is a small but theoretically important literature on 'born-globals' or international new venture firms that positions itself in contrast
Fan and Phan, (2007) discuss the similarities between Born Globals and other companies when investigating the reasons why some companies decide to stay domestic even if they could be a Born Global. In a similar line of reasoning, this study proposes to unify both perspectives in a new research model for the internationalization process of Northeast Italy SMEs. With the purpose to develop an understanding of the relation between internal and external factors’ effect on the internationalization of SMEs, this study strives to answer:

**Why do some Northeast Italy SMEs are born global and others internationalize gradually?**

1.3. Contextualization and Research Outline

The Northeast Italy is known for being an industrial agglomerate of small and medium companies interlinked among each other in a network based on trust (Sturgeon, 2002). This region, as well as its industrial model has inspired several studies. For its economic relevance and highly export-oriented tradition, this study will be contextualized in this region, as homeland of the small and medium companies that are targeted in the research.

The focus on SMEs is related to the close link between these companies and the phenomenon Born Globals. Among the existing studies focusing on this kind of companies, the majority has focused on small and medium-sized firms. According to Zou and Stan (1998, p. 340), “this focus may reflect the perception that exporting by small and medium-sized firms plays an important role in many economies”.

Besides the homeland and the companies’ size we will focus on companies operating in the industry of technology and that are currently trading with Brazil. Most of the previous studies on Born Global companies have focused on companies from this industry (Rialp et al., 2005). Hence, we perceive this industry to be an important driver of Born Globals. Despite the phenomenon is not exclusive to high-tech business (Moen, 2002). Brazil was chosen as representative of the BRIC markets and the targeted export market in this study.

The study is outlined as following: First relevant literature regarding the two main concepts in this study; Stage-Models and Born Globals, will be reviewed. The internal and external factors, identified as already accepted in the literature, will be analyzed. Both the concepts reviewed and the aspects analyzed will be used to formulate a research model; which will then work as basis to a qualitative study with four-targeted companies. The data collected will be analyzed with emphasis on differences and similarities in the internationalization process of the four SMEs studied. Limitations, managerial implications, and recommendations will be discussed in the conclusion.
II. LITERATURE REVIEW

Some companies still follow a slow and gradual path when going abroad (Johanson and Vahlne, 1990). However, other companies are becoming international right from their start-up, or very shortly after their establishment. The growing occurrence of these fast-internationalizing companies, mainly in the last two decades, together with the lack of theoretical consensus in the Born Global literature suggest that it would be necessary to go beyond a single perspective to analyze and fully understand this phenomenon (Saarenketo, 2002). In face of this situation, we will start reviewing relevant literature about Stage-Models and Born Globals; with the intention to seek for the main concepts and explanations behind the occurrence of both internationalization processes. With the intention to develop the understanding of the Born Global phenomenon a research model will be presented.

2.1. Stage-internationalizing Companies

Stage-internationalizing companies are employed in this study as reference to companies internationalizing according to the Stage-Models. The Stages-Model Theories are among the most traditional approaches developed to explain the internationalization process (Saarenketo, 2002). Stage-internationalizing companies start by operating domestically and then gradually evolve to other markets. When internationalizing, these companies normally follow a number of stages called “the establishment chain” (Johansson and Wiedersheim-Paul, 1975); evolving from a low to a higher degree of commitment to the foreign markets.

The Uppsala Internationalization Model and the Luostarinen’s Models are two important contributions for the Stage-Model logic. The main difference between these two models is the fact that Uppsala Model (U-model) is mostly based on the country level and Luostarinen on the company level (Saarenketo, 2002). Knowledge is perceived as key-concept for the Stage-Models. A fundamental implication of this perspective is based on the concept Physic Distance, which assumes that companies start to engage in international exchange with countries that are psychically close (Johanson and Vahlne, 1977).

The lack of knowledge about the foreign markets is seen as a huge obstacle for companies when internationalizing. According to Johanson and Vahlne (1977) knowledge can be acquired. However, because of its tacit nature, the most efficient solution lies in a “learning-by-doing” strategy based on the companies’ own operations (Johanson and Vahlne, 1977). In this sense, the internationalization process is seen as a step-by-step process, which evolves gradually; starting with activities that require little commitment, such as exports.
2.2. Born Global Companies

Along the years, different names have been given to the fast internationalizing companies, for example International New Ventures (Oviatt and McDougall, 1994) or Instant Internationals (McAulley, 1999). However, Born Globals (Knight and Cavusgil, 1996) is perhaps, the most popular term to describe the phenomenon (Saarenketo, 2002). Despite the fact that there has been a lack of consensus regarding some aspects, the Born Global authors seem to agree to a very basic point about this phenomenon; its rapid and intensive/dedicated internationalization (Saarenketo, 2002).

Oviatt and McDougall (1994, p.49) defined Born Globals 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*”. This turned up to be a traditional definition commonly adopted by Born Global’s authors. However, this study will adopt Knight and Cavusgil (1996, cited in Saarenketo 2002, p.5) definition, according to which a Born Global is: “*a firm that has reached a share of foreign sales of at least 25% after having started export activities within three years after its birth*”.

2.2.1. Born Global Drivers

When it comes to understanding the main factors behind the Born Globals, scholars’ opinion are also divided. Although a big part of the studies seems to be analyzed under the light of globalization (Rialp et al., 2005), external factors have not been fully explored (Moen, 2002). Most of the authors focus on internal factors, such as the role of the founder (Rasmussen et al. 2001) and on the relevance of networks (Madsen and Servais, 1997).

The drivers related to external factors, though, seemed to have been taken for granted in most of the cases, without further analysis regarding their relevance and direct impact on the internationalization process. When it comes to discussing the influence of external factors, studies are still few and results uncertain. Moen (2002, pp.159-160) emphasizes:

> *The external, uncontrollable factors have received little attention by researchers. Empirical results are mixed. Cavusgil and Zou (1994) identified a significant indirect effect regarding export market attractiveness on export performance, while Kaynak and Kuan (1993) reported a negative effect. Zou and Stan (1998) found that most studies did not find any significant relationship between export market attractiveness and export performance.*

In addition, he claims, “*the market situation both at home and in export markets may influence export behavior and performance*” (Moen, 2002, p.160).
A New Research Model on SMEs Internationalization Process: Unifying Perspectives

Rialp et al. (2005, p. 160) have summarized the results of 38 Born Global studies developed during the decade 1993/2003. These authors have clustered what they have identified as the most mentioned characteristics differentiating Born Globals from other companies, presenting the following list:

“(1) a managerial global vision from inception; (2) high degree of previous international experience on behalf of managers; (3) management commitment; (4) strong use of personal and business networks (networking); (5) market knowledge and market commitment; (6) unique intangible assets based on knowledge management; (7) high value creation through product differentiation, leading-edge technology products, technological innovativeness (usually associated with a greater use of IT), and quality leadership; (8) a niche-focused, proactive international strategy in geographically spread lead markets around the world from the very beginning; (9) narrowly defined customer groups with strong customer orientation and close customer relationships; and finally (10) flexibility to adapt to rapidly changing external conditions and circumstances.”

As the authors state themselves, this list of aspects or “triggers” summarizes the conditions and distinctive features of Born Globals, which goes in accordance with the results of several other researchers (Rialp et al., 2005, p. 160).

Fan and Phan (2007, p. 1113) however bring an interesting and contradictory contribution to the Born Global literature. Those authors present themselves as representatives of a “small but important” literature on Born Globals “that positions itself in contrast to the more established sequential international entry literature”. Their main argument is that Born Globals is not only about a set of internal differences, but rather the decision of going abroad (or not) at inception comes as result of a combination of economic and cultural factors, for example size, of the domestic market (Fan and Phan, 2007).

In face of such contradictions and divided opinions this study strives to put together different perspectives in a new research model on SMEs internationalization process. Small and medium companies generally have a limited number of human capital and a considerable level of decision-making concentrated to the founder / entrepreneur. For this reason, and in order to simplify and have a focused analysis, we have clustered the aspects number 1, 2, 3, 5
and 6 from the list presented by Rialp et al. (2005) together in the role of the founder / entrepreneur. Since each of the stated aspects has a close relation to the role of the founder / entrepreneur, they can be analyzed as particularities within this role. Aspect 4 is linked to the network. Despite relating to different characteristics, aspects 7, 8 and 9 are seen as closely related to the product and will be analyzed within this aspect.

From Rialp et al. (2005) list, aspect 10 is the only statement clearly linked and depending on to the influences of the external aspects. It confirms that the majority of Born Global authors; do recognize that external aspects influence the Born Global phenomenon; however do not take them directly into account. In face of this situation, external aspects need to be included into a model proposing to put different perspectives together. In few words, the economic external aspects studied by Fan and Phan (2007) will have their place in the model and in this study, in the shape of the, domestic market and export market as well as the international context. Besides economic aspects, Fan and Phan (2007) also considered cultural aspects in their study. However, because of time constraints, cultural aspects will not be included in the analysis. We believe this issue, mainly for its broad and complex nature, deserves to be the central focus of a study in order to bring relevant contributions.

As we have seen so far, the majority of Born Global literature focused on identifying a set of particular characteristics justifying or allowing a rapid internationalization. However, a small part of literature calls attention to the fact that Born Globals phenomenon is not only about a distinct breed of firms, which implies that other factors have also to be considered. Moreover, while the authors studying key-differences have focused mostly on internal factors affecting the internationalization process; the external factors, despite often mentioned, have not been fully analyzed yet.

The coming section will give more detailed descriptions of internal and external factors studied by both segments of Born Global authors. After reviewed, the factors considered in the study, (entrepreneur / founder, network, product, domestic market, foreign market and international context) will be clustered in a new research model presented to study the internationalization process of small and medium companies. This path is fundamentally linked to our purpose of contributing to the Born Global literature by unifying perspectives.
2.3.1. Internal Factors

The Role of the Entrepreneur / Founder: The entrepreneur / founder plays a big role in a large amount of studies concerning the internationalization process of these rapidly internationalizing companies, and can perhaps be considered the most common denominator among Born Globals’ authors (Rennie, 1993; McDougall et al., 1994; Knight and Cavusgil, 1996). This internal factor recalls contributions from the International Entrepreneurship, which is *per se* a fragmented area (McDougall and Oviatt, 2000). This fragmentation is reflected in Born Global studies in general. Oviatt & McDougall (1995) identifies global vision as the main characteristics of Born Globals’ entrepreneurs. Also international experience of the founder / entrepreneur and top management has been strongly associated with the occurrence of Born Globals (Bloodgood et al., 1996; Oviatt & McDougall, 1997). Other authors stress the importance of their personal network (Johannisson, 1994).

Some claim that the entrepreneurial actions in relation to the rapid internationalization better defines the characteristics of these entrepreneurs (McDougall and Oviatt, 1994; Madsen and Servais, 1997; McAuley, 1999). Madsen and Servais (1997) also stress the importance of the pre-exporting period, focusing on the relation between the background of the entrepreneurs and the occurrence of Born Global companies. These studies claim that analysis on an individual level, focusing on the entrepreneur is of great relevance for an understanding of the phenomenon. This study will focus mainly on their professional and academic background, as well as on the entrepreneurs’ role in the internationalization process, such as level of involvement and control. The personal network will be analyzed separately.

The Network: The Network is another common approach to bring relevant insights to the phenomenon Born Global. This approach focuses on the key roles of relationships and social exchanges (Saarenketo, 2002). Even more crucial for this research is the emphasis that the Network Approach puts on the companies’ particular experiences and past activities (Madsen and Servais, 1997). Some studies focus on the personal network of the founder / entrepreneur as a key internal factor differentiating Born Globals from other companies (see e.g. Majkgård and Sharma, 1998)

However, other authors bring a different perception, associating Born Globals and Later Starters (see for e.g. Madsen and Servais, 1997). This perception considers a context in which networks are already well established, which may recall the “later starters” perspective (Madsen and Servais, 1997). The task of Born Global companies becomes in this sense to find their place in an already existing network. In other words, establishing their presence in
specific foreign markets or in a global network may turn up to be a challenge for which many companies become a Born Global. This study will consider both, the possible existence and inexistence (Rasmussen et al., 2000) of an entrepreneurs’ previous network.

The Product: Several authors refer to companies’ particular business model when trying to determine which characteristics differentiate Born Globals from other companies (see for e.g. Bell, 1995 and Moen, 2002). More specifically, those authors generally make reference to aspects such as leading-edge technology products, niche-focused international strategy and narrowly defined customer groups (respectively factors 7, 8 and 9 from Rialp et al., 2005). Chetty and Hamilton (1993) investigated the relation between technological competences and intensity of exports activities. Rennie, (1993) and Knight (1997), focused on the degree of specialization and adoption of specific niches-strategies. Oviatt and McDougall (1997), argue about the relation between the number of a company's competitors and customers located internationally and the propensity to look for foreign markets.

We however believe that all the aspects that were previously stated have a closer relation with the product commercialized. In this sense, focusing on leading-edge technology products, adopting niche-focused international strategy or facing narrowly defined groups of customers is seen as consequences from commercializing a certain kind of product. In other words, investments in technology and which customers are being targeted depend on the product commercialized. Consequently, the business model and internationalization strategy will also be linked to the product. This reasoning leads to the importance of studying the product as an important internal factor impacting on the internationalization process of SMEs.

2.3.2. External Factors

Domestic Market: Fan and Phan, (2007, p. 1116) are among the Born Global authors that study the relevance of the domestic market. In their study, the authors discuss the relative ease of access to the domestic market. They assume that “everything else equal, the larger the size of the home country market, the less likely it is that a new venture will choose to go international at inception.” This assumption is based on the fact that companies trade-off the cost to enter international markets in comparison to the domestic market. If the domestic demand is consider satisfactory and the domestic market is accessible, the companies tend either not to seek for international markets or to internationalize in a later stage.

They state, “if the home country market is sufficiently large (and accessible) compared with the foreign markets, chances are that new ventures will be more likely to stay within the
home market at inception”. In the opposite scenario, they claim “if the inaugural capacity is significantly larger than the profit-maximizing demand in the home country market (i.e., minimum efficient scale translated into excess capacity), it makes sense for the firm to venture internationally at inception” (Fan and Phan, 2007, p. 1116). Since their hypothesis was confirmed, it can be used to illustrate how the domestic market can affect the internationalization process; which implies that this aspect is also needed to be taken into account in this study.

Foreign Market: Following the same line of reasoning applied to the domestic market, when the trade-off leads to a search for foreign markets, the foreign market becomes itself an external factor that will affect the internationalization process. Regarding this fact, Fan and Phan, (2007, p. 1117) hypothesizes “everything else equal, the larger the size of an established market, the greater the inaugural production capacity an international new venture will allocate to it.” Based on the previous accepted hypothesis, we can assume that the market relevancy is also an important external factor affecting the internationalization process.

Furthermore, Fan and Phan (2007, p. 1117) argue:

“Businesses are generally attracted to markets with historically high demand, largely because in these markets even those customers diverted from incumbent competitors could represent a considerable business volume. In the context of international business, given the relatively fixed cost associated with adapting a product to the local taste of a foreign country, the venture in a country with a larger demand market can spread this cost over a greater volume”.

In other words, the higher the number of prospect buyers, the more attractive the market and consequently, the higher is its relevance.

International Context: Rialp et al. (2005) refer to the large amount of Born Global studies that take the globalization and its impact on the companies into consideration. Andersson and Wictor (2003 p. 254) state:

“The globalization trends including development in communications technology and transportation, globalization of marketing demand and marketing strategy (Levitt, 1983), and decreasing trade barriers make it easier to pursue an international strategy.”

Despite the fact that there is no doubt regarding Andersson and Wictor’s statement, we
believe that the effects of globalization are not only about the trends that were previously mentioned, spilling over to the firm, countries and international level. Moreover, besides globalization, other external international factors may also impact on the internationalization process of SMEs.

The rise of Emerging Economies does for instance illustrate relevant economic changes at the international level, which cannot be strictly and purely related to globalization. Rajesh (2009, pp. 100) states “Emerging markets are increasingly becoming the growth drivers of the global economy.” Known for their impressive GDP growth (Exhibit I), huge internal markets and abundance of natural and human resources, these fast growing economies have become relevant for both big MNCs and SMEs, either as competitors, suppliers, or buyers.

From researchers in several fields, to economists and businessmen in general, it is not unusual to hear about the Emerging Economies’ growing middle-class as driver of world consumption (for e.g. Yamakawa, Ahmed and Kelston1, 2009); (Exhibit II). Since SMEs “are generally attracted to markets with historically high demand” Fan and Phan (2007, p. 1117), these rise of these Emerging Economies is also expected to be an external factor that is relevant when studying their internationalization process. This justifies the importance of thoroughly studying the influence of the international context, as a last external factor of our research model.

2.3.3. The Model

As for now, led by the previous review of relevant literature, we can sum up the discussion with the following points: First, some SMEs still manifest a slow and gradual internationalization path – predicted by the Stage-Models. Second, other SMEs, though, internationalize much more rapidly, the Born Globals. This phenomenon, despite having inspired several researches, still leaves some gaps to be answered. While internal factors, often related to the companies’ specific capabilities and intangible resources (Rialp et al., 2005) have received considerable attention from a large amount of researchers, the external factors regarding the environmental situation are still little explored (Moen, 2002). Third, globalization has brought relevant changes to the business world, which has also had an impact on SMEs. However, evidences lead us to believe that globalization is not the only external factor at the international level that affects the internationalization process of SMEs.

Hence further studies are required to consider the international context as a relevant

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1 From Goldman Sachs, authors of “The BRICs as Drivers of Global Consumption” (Goldman Sachs, 2009)
2 Northeast Foundation – Northeast Italy representative institution directed to deal with social-economics regional issues.
external factor. In face of this situation we have the intention to put different perspectives together, proposing a unified research model to study the internationalization of SMEs:

*Figure 1: Unified Research Model on SMEs Internationalization Process*

This model suggests that the external and internal factors (previously discussed) together affect the internationalization process of SMEs, leading them to adopt either a fast Born Global strategy or a gradual Stage-Model. It goes in accordance with most of previous Born Global studies claiming that it is necessary a multidisciplinary perspective to understand and explain the phenomenon of fast-internationalizing companies (for e.g. Saarekento, 2002).

Next, we will apply this model to an empirical qualitative investigation, in order to comprehend how internal and external factors together influenced the internationalization process of the SMEs in the study. We have adopted Fan and Phan (2007, p. 1128) suggestion to “if possible, include non-born-global firms that had similar characteristics as the born-globals at inception but chose not to internationalize early in their sample, or at least other alternative market expansion plans that were considered by the focal firms.” The purpose of adopting this strategy is, in this sense: first, to examine particular issues regarding the case of the targeted companies; second, to compare the manifestation of their internationalization process; and third, to seek for explanations for similarities and differences among them. It will allow us to identify what is unique and what is common among the companies studied, by focusing on their specific contexts (Bryman and Bell, 2007, p.66).
III. METHODOLOGY

An abductive reasoning was chosen to serve as a basis for this study. According to Visconti (2010) “abduction is a method of reasoning in which the researcher selects the explanations that would, if true, best explain the relevant evidence.” This type of reasoning is commonly applied for explaining relevant phenomenon, which in this study relates to the occurrence of gradual and fast-internationalizing SMEs. The research method is known for beginning with some commonly already accepted facts (in this study, the internal and external factors reviewed), working then, towards an explanation (businessdictionary.com).

Furthermore, a qualitative approach was considered the most suitable for this study. Bryman and Bell (2007, p.425), argue that a qualitative approach is the most appropriate to bring the perspective of those studied, as point of orientation; to consider the unfolding of events over time and the interconnections between the actions of participants and social settings; to avoid generalizations and focus on understanding a phenomenon through a contextual perception; to consider the meaning of the action besides with the pure behavior per se; and finally, to investigate people in their own environment.

These features go in accordance to the suggestions brought by most of Born Global authors (both, the authors mentioned in this study and others from the general literature), which commonly claimed that, in order to fully understanding this phenomenon it is necessary to consider the context, the role of the founder / manager as well as the pre-exporting period. In short, a qualitative approach will contribute to the aim of this research by bringing insights, from the perspective of the companies’ studied staff / founders regarding the main factors tangibly affecting decision-making toward internationalization, which cannot be measured in numbers (Bryman and Bell, 2007).

3.1. Research Design

Based on the purpose of this paper and recalling our research question – “Why do some Northeast Italy SMEs born global and others internationalize gradually?” – our empirical investigation will be developed under a multiple case study design. As Rialp et al. (2005, p.163) had wisely emphasized “a more rigorous and insightful application of the case study approach, with primarily explanatory purposes but even in a purely exploratory way, may result in the identification of totally unexpected evidence fostering newer and more sophisticated interpretations of this phenomenon.” Furthermore, case study is commonly considered to have a perfect fit with abductive reasoning (Dubois and Gadde, 2002).
3.1.1. Small and Medium Enterprises: the four profiles studied

Based on the previous literature review, four different profiles of SMEs were chosen in this study. First of all, the profiles were created in order to represent the two modes of internationalization previously mentioned, the gradual Stage-Model and the rapid Born Globals. As stated before, we based our decision on Fan and Phan (2007, p. 1128) recommendation to include “…non-born-global firms that had similar characteristics as the born-globals at inception but chose not to internationalize early…”

In this sense, the SMEs from the Northeast Italy chosen to this study shared purposely some characteristic, they all; are either small or medium companies following a niche-market strategy, operating in the technologic industry and have current international exchanges with Brazil. The choice of focusing on a unique industry reflected both time constraints and the intention to study companies with similar characteristics; which also is reflected by the niche-market strategy. For the same purpose, (seeking similar characteristics) the SMEs studied are located in Northeast Italy and currently trade with Brazil (among others).

When building the profiles of SMEs to be studied, special attention was given to the aspect time. Evidences show the 1990s as the Born Globals’ decade. As stated previously (in the literature review), the first study targeting Born Global companies recalls the beginning of the 1990s (Varma, 2010). Rialp et al. (2005, p. 148) also fixed the period between 1993 and 2003 to develop their review of contemporaneous Born Global literature. According to these authors “this is the time period within which the vast majority of relevant studies have appeared”, which goes in accordance with the arguments presented.

Furthermore, an important set of changes in the business world, among which some of the globalization trends (discussed previously) and rise of Emerging Economies recall from this same period. In face of this situation, we felt it was necessary to study companies founded before and after the 1990s, in order to have a clear picture of how external factors affected the Internationalization process of the SMEs studied in at least two different periods of time. Based on the variation on these two points, four profiles of companies were developed:

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<th>Profile I</th>
<th>Born Global founded before the 1990s</th>
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<td>Profile II</td>
<td>Stage-internationalizing founded before the 1990s</td>
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<td>Profile III</td>
<td>Born Global founded after the 1990s</td>
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<td>Profile IV</td>
<td>Stage-internationalizing founded after the 1990s</td>
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3.1.2. Northeast Italy

According to Fondazione Nord-est\(^2\) (2011), 99.8% of Northeast Italy companies are SMEs. This region is one of the most important for the Italian economy, accounting for 20% of the Italian population, 25% of total GDP and more than 30% of exports. Since the 1960’s this macro-region have gone through a period of heavy industrialization, becoming one of the richest in Italy. Its industrialization has developed in a particular path creating what turned up to be the famous “Northeast model” (see e.g., Brusco, 1982 and Herrigel, 1993, cited in Sturgeon, 2002, p.482); mainly characterized as an agglomeration of specialized small-medium companies, systematically clustered in industrial sectors (Sturgeon, 2002). Usually, their typical SMEs are family businesses, run by entrepreneurs who, at the beginning of their career, have worked as an employee in firms involved in the same industry. This system has created a dynamic and highly entrepreneurial environment, which was an important factor that encouraged more and more citizens to start their own business. The typical entrepreneur is considered to be a worker with a particular skill, even if, most of them are without any academic specialization, they are still mainly characterized as being really hard workers.

3.1.3. Brazil

Brazil is included in the acronym BRIC (Brazil, Russia, India and China), which characterizes the fastest growing Emerging Economies today. Although it’s common to cluster these four countries as a group, each of the BRIC countries matters individually and should therefore be studied that way. The choice of using Brazil in this study resulted from a simple logic; according to the Chamber of Commerce Italiana-Rio Grande do Sul\(^3\), the number of Italian SMEs trading with Brazil has grown 20% in the last three years. Furthermore, China, for its economic power, could turn up to be relevant in any case and to any company. Russia is located in the same continent as Italy and it could therefore be harder to understand if the relation of the Italian SMEs and Russian market was based on the pure importance of the market or in a possible preference for physically closer markets. Between India and Brazil we based the decision on their current relevance to the world economy. Brazil overtook Britain as the 6\(^{th}\) world economy (Exhibit III) after reporting 7,5% economic growth in 2010. India is tenth in the same ranking. Moreover, in 2011, Brazil had an income of $11.600 per capita. The Indian was not more than $3.700. For being the most neutral alternative and at the same time economically relevant, Brazil was targeted to this study.

\(^2\) Northeast Foundation – Northeast Italy representative institution directed to deal with social-economics regional issues.

\(^3\) Data collected from documents and official statistics send by the Chamber of Commerce Italo-Brasileira-Rio Grande do Sul - Brasil in answer to the authors’ request.
3.2. Data Collection

Another common suggestion brought by several Born Global authors (see e.g. Rialp et al., 2005) regarding improvements for future Born Global researches, was the employment of different methods for data collection. In order to achieve the most out of the multiple case-study designed, data was collected through three different methods: First, a micro-ethnography (Bryman and Bell, 2007, p.443) method was applied in order to fully understand the socio-historic-cultural context of the target region, the Northeast Italy. This was also relevant when getting to know the typical profile of the Northeast Italian Entrepreneur.

In a second stage, official statistics were consulted in order to gain numerical insights about, the entrepreneurial reality of the targeted region. Institutions such as Treviso Chamber of Commerce, Northeast Italy Foundation and Chamber of Commerce Italiana-Rio Grande do Sul were the main sources of official statistics, documents and data-basis of companies. Based on the secondary data collected, we have identified 155 SMEs prospectively fitting into one of the four profiles previously established (Born Globals and ordinary exporting companies, founded before and after the 1990s). All the companies were contacted and invited to take part in this study.

Among the companies contacted, 18 SMEs answered promptly to our request, sending official documents, such as annual reports. After reviewing the official documents sent by the companies, due to time constraints, we have focused on the four most similar companies, fitting in the four profiles; as described in the literature review. Once targeted, interviews were conducted with the founders and/or other staff crucially involved in the internationalization process; last, but no least, secondary data, such as annual reports, websites and other official statistics were employed in several other stages of the data collection. These were supporting both the ethnography and the interviews and provided a more solid foundation for the analytical process.

3.2.1. Ethnography and participant observation

An ethnographic method was considered to be needed in order to get an insider’s perspective of the context in which our study was rooted. Due to time limitations, it is unlikely that a full-scale ethnography could be efficiently developed; however, a micro-ethnography was conducted through participant observation. Both researchers spent one month in the Northeast Italy, the first researcher - being a Northeast Italy citizen - contributed as a complete participant, while the second researcher – without any previous links with the
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region – assured the impartiality of an outsider perspective by adopting the position of an observer-as-participant (Bryman and Bell, 2007, p.454). The main objective was to identify particular historic, socio and cultural aspects that characterize the context in which one of the most studied entrepreneurial models rose. Data was collected in different stages regarding the daily life of one of their typical entrepreneur, which preferred to be anonymous. In order to assure transparence and reliability, all the considerations from the researchers observation were registered in English in a field diary, which was later on used as source of data.

3.2.2. Interviews & Operationalization of Variables

Based on the purpose of identifying underlying reasons and explaining behavior and attitudes, interviews were chosen as the main method of data collection. Semi-structured interviews were conducted and elaborated on two different stages, as illustrated in Figure 2. For each company, the founder/CEO and/or other employees crucially involved in the company’s internationalization process have been interviewed (see Exhibit IV for empirical information).

Figure 2

\[\text{Figure 2}\]

\[\text{\footnotesize For Nardini and Cursal, which founders were already dead the interviewees were, respectively the founder’s nephew and the founder’s daughter, both current CEO’s and in charge of the internationalization process. Their knowledge regarding the founder, the company and all the internationalization process covered properly all the issues by this research investigated.}\]
The upper part corresponds to the first stage, in which the main object was to get relevant information about the pre-internationalization period and the initial international exchanges. Once the founders’ profile and the companies’ internal characteristics were clarified, the interviews in the second stage were expected to cover both the development of the internationalization process, and their current scenario. The questions formulated in relation to the semi-structured interviews (see Exhibit V for the complete list of questions) were aimed to provide guiding topics, instead of closed and targeted questions. The main intention was to follow the direction pointed out by the interviewee, which required a considerable degree of freedom in relation to the interview guide.

The questions/topics were however consciously designed to cover all the internal and external factors included in the study. Questions 1 to 5 were made in order to assess information regarding the entrepreneur / founder profile and his / her role in the internationalization process of the company studied. Questions 6 to 8 were specifically directed to investigate the possible existence of networks and / or the process of either building a network or trying to achieve a position in an existing one. Main information regarding the product and all the subtopics related to it – such as industry and targeted consumers – were acquired from official documents and / or companies’ websites. However, questions 9 and 10 were asked about the relation between the product and the companies’ internationalization process. Questions 11 and 12 were asked in order to collect information about the domestic market. Questions 13 to 15 as well as 16 to 18 were respectively directed to cover the foreign market and international scenario.

3.2.3. Secondary analysis and official statistics

As described, quantitative data has not been collected based on the qualitative purpose of this study. However, it is important to emphasize that both quantitative data and other secondary data were indirectly used in several stages. Secondary analyses were used as supportive tools for the development of both the participant observation and the interviews. Official statistics have provided high-quality quantitative data for building the companies profiles as well as for studying both Northeast Italy and Brazil. Other researchers’ data and documents, such as annual reports or studies conducted by recognized institutions (such as embassies and chambers of commerce) were the main sources of secondary data and official statistics (see references for detailed information). This method allowed us to develop a rich qualitative study based on a solid quantitative foundation.
IV. DATA COLLECTED

This section will give an overview of the four company cases. Each company will be described based on the different factors presented in the model: the founders, the network, the product, the domestic and foreign markets and their international contexts.

4.1. Case I: Born Global Founded before the 1990s – Nardini SPA (Founded in 1952)

The Founder: Mr Nardini, as most of the Northeast Italy entrepreneurs, had no bachelor degree, although he has graduated in technological accountancy from high school. He started working as a welding, before being promoted to the accounting office and later being in charge of sales at that same company. This broad experience, combined with a passion for mechanics, chemistry and physics led him to start his own business. He immediately started looking for opportunities to expand to foreign markets, holding the process under his control.

Network: Neither the founder nor any other staffs were considering personal networks in their business. They have built their own network based on a client seeking process; which in the very beginning (1952) was done through fax. The network, as well as the responsibility to improve and maintain it, was transferred in 1970 to the nephew and export manager Mr Cosenza, who would later on become the new CEO. Emphasis was constantly put on a global network coverage and maintenance through different channels, such as sales representatives, assistance offices and physical presence, which varies exclusively according to the buyers’ demand – without following any evolutionary or gradual path.

Product: Plants for bitumen processing industry and similar processing machineries. The product is seen as main reason both for the fast internationalization, and market selection (the world). Because of it being a very specific product, they were faced with the need - already at an early stage - to follow the clients irrespective of where they were, or might go.

Domestic Market: Was clearly seen as insufficient. Domestic demand could never reach production capacity or even trade-off the costs of the establishment of the business.

Foreign Market: With foreign sales accounting for 95% of total sales, the only and repeatedly answer Mr Consenza (current CEO, respondent of the interviews) gave regarding foreign markets was that it was simply “the world”. “Being where the client is” was the main reason behind the choice of Sarajevo as first international market, which changed not much later, in reason of wars and economic crisis. Following, Europe, in general, was the main target market; despite prospective and potential markets have always been followed all around
the world. Brazil has started being a focus since 1995. Investments in research and sales representatives have led this market to account for around 10% in total sales, which is still a very low number when compared to its potential and to the expectations of the current CEO. He points out the high export tax as the main obstacle which makes the Brazilian a closed economy; lack of regulations, mainly regarding safety makes the employment of his product a choice instead of a rule (as it is in Italy, for example). It is still a limitation of timing for the deployment of his business in Brazil. When emphasizing the aspect timing he claims that although Brazil may not be ready for his product yet, they are fully aware of the huge potential of this market and are waiting for the right timing to develop their business operations in the Brazilian market.

International Context: Globalization is perceived to have facilitated operations abroad mainly in terms of transportations improvements. The rise of Emerging Economies, especially Brazil, Russia and China is also seen as creating huge opportunities for their business.

4.2. Case II: Step-by-Step Founded before the 1990s – Cursal SRL (Founded in 1977)

The Founder: The founder of Cursal, Mr Curtolo, has never attended classes at a university; however, he has graduated at technologic school (degree equivalent to high school). After finishing school, he worked in production in two different furniture companies and became in charge of this process in the second one. As production manager he acquired the knowhow needed to start his own business later on. A partner, responsible for sales and marketing, helped with the areas where he lacked expertise.

Network: Neither the founder nor any other staff considered personal international networks either at Cursal. Being the only one in charge of the internationalization process, the founder started a whole new network by going to the most important international fair in the industry, which at that time was in Hanover, Germany.

Product: Produces and markets crosscut saws and crosscutting lines for wood and assimilated, with a wide range of products which covers all the sectors from the large sawmills to the semi-machined products. Ms Curtolo (daughter of the founder and current CEO) refers to the high quality of the product as a trigger to go abroad. She says that the recognized success of their product in the main fair of the industry was an important motivation to focus on international markets.

Domestic Market: As a source of technology, suppliers and buyers, the domestic market has always been relevant for the business. Currently, around 35% of sales come from the
domestic market. The internal economic boom might however have represented an extra motivation to look for international expansion.

*Foreign Market:* The first international exchange happened in 1986, many years after the establishment of the company. Step by step in a learning-by-doing process the company started seasonal exports to France and Spain, which gradually developed to consistent exports, sales representatives and production, along the years. The main markets have also changed during the years. From France and Spain at the very beginning, to East Europe, and then to Brazil which together with France and Italy are now their most representative markets in terms of sales. They trade though with basically all the continents except North America and Africa. When asked why they have these exceptions, the answer is purely related to “a founder’s personal choice”. The first international exchanges with Brazil dated the beginning of the 1990s and evolved again by the “step-by-step” process. Commitment has increased in proportion to the knowledge about the market. In the most current scenario, Brazil accounts for 30% of total sales, although high fees are seen as an obstacle for further involvement.

*International Context:* When the first sign of globalization started to appear around the world, the visionary founder brought the decision to go abroad. Regarding the most current scenario and the rise of Emerging Economies, the CEO argues that they represent new “realities” to explore and are important in terms of prospective buyers.

### 4.3. Case III: Born Global Founded after the 1990s – Uniteam SRL (Founded in 1992)

*The Founder:* Despite having never gone to the university, Mr Fiamengo was passionate about drawing and had graduated on a high school specialized in it. After many years of accumulated experience in the field Mr Fiamengo followed the path of several other countrymen and started his own business. Although having no previous experiences in managerial roles, he was, at least in the beginning, the only one in charge of sales. He focused on foreign markets from the very first steps. Regarding his role in the internationalization process of the company, he considered himself as crucially responsible for the whole process.

*Network:* The founder has made use of personal contacts in Germany. The “network” has been built from previous experiences and was used to start internationalizing. The internationalization, as well as the network, has evolved in a particular trajectory they call “door to door”. This consists of direct contacts with prospective clients wherever they are, through sales representatives. Strategic alliances were helpful tools when skipping some of the “gradual steps” and moving production also to foreign markets, such as Romania, Turkey, Korea and China in order to follow their clients and always being close to them.
Product: Injection moulds for plastic materials and the engineering of process solutions mostly for the automotive sector. The product has had an effect on the market selection mainly in relation to the company’s focus to the some of the most traditional automobile markets; German and England.

Domestic Market: Accounted from the beginning for a certain percentage of sales (around 10%). Most interesting is however that the domestic market itself could be attractive enough for his product. The founder claimed that since German and England were the most relevant markets the focus of the new business was in this sense directed to them, which reinforce its Born Global nature.

Foreign Market: The targeted markets have not presented considerable changes. In the very beginning, Germany, England, Sweden and Italy were the most important markets, accounting respectively for 40%, 30%, 20% and 10% of total sales. In the most current scenario Germany and England are still the main markets accounting for 30% each; Sweden and Italy have maintained 20% and 10% respectively and Brazil now accounts for 10% of total sales. Among the BRIC Markets, Brazil is considered the most attractive one. The first international exchange with this emerging market was in 1998 and despite the high exports tax, which is seen as a relevant obstacle, Brazil accounts for a growing number of total sales.

International Context: The rise of Emerging Economies is seen as an opportunity mainly in terms of the increased number of potential buyers. However, mainly for reasons related to cultural differences, they have stuck to the Brazilian market. Since the company was founded in 1992, they did not have to deal with changes brought by globalization. Instead, they had to face a globalized world from the start-up, which was perceived as an important driver to the rapid internationalization.


The Founder: Differently from the previous cases, Mr Marcon has graduated in Economics from a prestigious Italian Business School. However, this has not had a huge impact on his “founder profile”. He emphasized proudly his traditional-sticky professional path. Before starting his own business he also worked as an employee in the industry in order to acquire experience and capital required for establishing a new business.

Network: Neither the founder nor any other staff considered personal international networks in the development of their business network. However, for having worked in a Multinational corporation (MNC) operating in the same industry, the founder was aware that the main market for his product was supposed to be Germany. International fairs, in Germany
were hence the main tools to get into an international network, which determined the initial exports.

Product: Insulated sandwich panels. For being extremely technologic and highly innovative, the product was perceived to have an impact on market selection. The foreign market had to be “ready” to receive such innovative technology.

Domestic Market: The domestic market was the main market at the beginning. However, with the internationalization and the access to new markets, the domestic market has become less relevant. Most important it was emphasized repeatedly that crisis and contraction in demand were the main reason behind the expansion to new markets.

Foreign Market: The first international exchange happened in 2002, after following a cautiously planed business plan. They describe this process as a very traditional one, which has evolved gradually, step-by-step, starting from closer countries such as Germany. The process evolved from seasonal exports to consolidate foreign clients, which then was followed by sales representatives. In a second stage sales offices and other facilities (warehouse) were opened in German and Serbia. The first exchanges with Brazil dated the recent year of 2010. Again the process of internationalization in this market followed the traditional stages. However, this time the gradual steps were done much rapidly and they already mention opening production facilities. Opening production in Brazil is seen as a strategic move to overcome obstacles related to the high import tax and to make use of this position to get into other Latin American countries. Currently, they cover almost all Europe and North America, even if they are in different stages of internationalization in the different markets.

International Context: Globalization of demand is perceived as an important external factor from which they have benefited for international expansion. Transportation improvements have also provided a positive impact to their business operations. The rise of the Emerging Economies is perceived as a relevant change in the business world, which they had to follow and adapt to. Among the BRIC economies, there is a clear preference for the Brazilian market, which might be also be linked to cultural factors. However, they claim that the other BRICs are just not attractive enough to overcome the obstacles of getting into their markets.
V. ANALYSIS

From the data collected by the empirical study based on the four targeted companies we could assume that neither internal nor external factors alone can determine if a SME will internationalize fast or gradually. It implies relevant considerations. First, as suggested by Fan and Phan (2007), Born Globals can not only be described by a set of different characteristics in a different context which makes these companies internationalize more rapidly than other companies. Our study suggests that even companies with very similar characteristics can manifest different internationalization processes. Moreover, Case IV is perceived as evidence that there really are companies that could have been Born Global but opted for staying domestic and develop a gradual internationalization later on. Once again, our arguments go much in accordance with the discussion Fan and Phan (2007) has developed.

However, this does not mean that external factors can singularly say anything about the internationalization strategy of a company. No single factor or single perspective can fully explain the occurrence of Born Global companies (MacDougall et al., 1994). Instead, the internationalization of the companies studied seems to have been determined by the interaction of all the internal and external factors analyzed, with an occasional prevalence of one or some of them, in determined stages. In the same sense, a complete research model to study this phenomenon required the interactions of different perspectives (as Stage-Models and Network Approach) and even different fields (as international entrepreneurship, international business and industrial marketing). In few words, the internationalization of the companies studied was more about different combinations of factors leading to different results, rather than a set of singular differences in a globalized context.

To move this paper a step further, beyond purely investigating and empirically testing internal and external factors, we propose to more detailed analyze each of the factors in the study, drawing some propositions out of them. As it is clear for now, we have started our study in a theoretically fragmented environment, full of contradictory perspectives and lack of consensus. Reviewing the literature allowed us to have access and cluster different perspectives in the same research model. The model guided the empirical study developed. Sequentially, will look more thoroughly into the scenario emerging from the empirical study, and strive to draw conclusions from them.
5.1. Regarding the Founders

In Case I, Case II and Case III none among the founders have had any international experience before starting internationalizing their own companies. Also none of them have achieved any bachelor degree or academic specialization. Contradicting the expectations the only founder graduated and with previous international experiences has founded the youngest stage-internationalizing company (Case IV). Despite being also the youngest founder and the most expected to show a global vocation at inception, instead his company followed a gradual step-by-step internationalization. In common, all the four founders had a relevant knowhow coming from previous professional experiences in the industry they started their business, a very enthusiastic personality and a strong passion for their work.

Even in face of such similar profiles, two of them started Born Global companies while the other ones stage-internationalizing businesses. From that, we can assume that even the most commonly researched factor in the Born Global literature, the “role of the founder”, cannot alone determine whether or not a company will internationalize at inception. Moreover, Case IV is considered evidence of the fact that, even founders with the theoretical Born Global founder profile may choose to stay domestic at inception and internationalize gradually later on. Our proposition regarding the role of the founder is in this sense the following:

*Proposition I: The characteristics of the founder cannot independently determine whether a company go global at inception.*

However in face of a combination of factors (following analysed) even founders with no global experiences can drive a company to go abroad.

5.2. Regarding the Networks

Among the cases studied, no companies counted with the founder’s or any other staff’s previous network. This did however not cause a hindrance for two of the companies to go abroad at inception. An important and clear difference between the two Born Globals and the two stage-internationalizing companies is that the companies internationalizing at inception used the domestic customers as bridge to connect to international markets. That was the exact situation characterized in Case I. Also in Case II the founder leveraged contacts of clients. The stage-internationalization companies though, have made use mainly of international fairs to build their international network. It have showed to be a longer process, which leads to:
Proposition II. A previous network is neither a requirement nor a condition for a company to go global at inception. However, leveraging domestic customers as bridge to international markets can accelerate the international network building process of Born Globals.

5.3. Regarding the Products

Together with the domestic market, the product is perceived as a highly relevant issue affecting the internationalization process. However, this statement makes sense only when considering the role of this internal factor in relation to other external factors, such as the domestic market (we will go deeper into it in the next section). Although all the companies commercialized highly technologic products, sold to a narrow group of customers through a niche-strategy, they still internationalized differently. From that we can generally assume that the product alone cannot determine the internationalization process even though it has a great impact on the process. For Case I the high specificity of their only product left no other choice besides a global internationalization at inception. However, we assume that there was a set of particularities leading to the early occurrence of a Born Global in the 1950s. We have assumed Case I was a case of “first mover advantage” seeking through a Born Global internationalization strategy (Bell and McNaughton, 2000, p. 178). For all the other three companies, though, the product, singularly, was more related to the market selection than to the internationalization process. It leads us to assume that:

Proposition III: The product cannot independently drive a company to internationalize at inception. However, its relation to the domestic market is expected to have a great impact on the internationalization process.

5.4. Regarding the Domestic Market

The relation between domestic market and the internationalization process of the companies studied seemed to be clearly different between the companies founded before, and after, the 1990s. For the two companies founded before the 1990s the choice of going rapidly or gradually abroad seemed to come as a natural response to the very basic question concerning the relation between the product offered and the domestic market (see Exhibit VI Model I). While in Case II, Cursal had a product with high domestic demand, in Case I, Nardini, faced the very opposite situation where they were practically forced to look for foreign clients from the very beginning. In Case II, the company was able to rely on the domestic market as the main market and only went abroad as a choice of the founder almost ten years after the establishment of the company. The gradual internationalization is also seen
as a consequence of the characteristics of the domestic market.

The priority was to avoid risks, increasing commitment in the same proportion of knowledge acquired in a “learning-by-doing” path, which fully characterizes this company as an example of a step-by-step process (Bell and McNaughton, 2000). In Case I, since they had a very particular product, the founder could not count with the same internal demand - and even though the company was founded, before much of the discussions regarding Born Globals had started – he focused on the global market at inception. From those two examples we can assume that:

Proposition IV: The domestic market cannot independently drive a company to internationalize at inception. However, the internationalization process of SMEs founded before the 1990s is expected to reflect the relation between the product and its domestic demand.

For the companies founded after the 1990s this relation seems more complex, though, with a higher degree of influence mainly from the international context. For this reason, it will be deeper explored in the section analyzing the International scenario.

5.5. Regarding the Foreign Markets

When analyzing how the companies studied targeted their first foreign market and how their main market changed along time, three basic points have been identified; regarding the target market all the SMEs studied have first been mainly attracted by the number of buyers. The potential of the market and prospective clients were the main aspects attracting the attention of the companies, some mentioned that they already knew that it was the most important market for their product; all they have done was concentrating the efforts on getting into the network. Others just followed the most important clients. Second, internal political, social and economic changes such as protectionist measures, economic downshifts, inflation, labor cost and income were among others perceived as sensitive issues. Third, and specifically regarding their relation with Brazil, the target market was also sensitive to international changes such as crises and booms. The economic boom linked to the rise of the Emerging Markets, was for example together with the crises in the United States and in Europe fundamentally related to the high interest of these companies in the Brazilian market, despite the barrier imposed by the high tax. From this analysis we can assume:

Proposition V: The foreign market cannot independently drive a company to internationalize at inception. However, the number of buyers, the socio-political context and
the economy are key-characteristics taken into account when trading-off the cost to enter a new market.

5.6. Regarding the International Scenario

The relation between product and domestic demand was also of great importance for both companies in the study that was founded after the 1990s. However, the international context seemed to have played a much more active role in the internationalization process in Cases III and IV, than in Cases I and II. Even with a graduated founder with previous multinational experience and global orientation, in Case IV, RWP followed the gradual stages, which however, developed in a very shorter period of time when compared to Case II, the stage-internationalizing company founded before the 1990s. Case III despite having the traditional profile of Northeast Italy founder turned up to be a Born Global, just like Case I.

After the 1990s, the last wave of globalization was already well spread around the world, which for the SMEs brought both positive and negative consequences. On the downside the globalization brought increased competition for SMEs from companies abroad. Companies from Cases III and IV (after the 1990s) referred to unfair competition much more frequently and emphatically than from Cases I and II. This also implies that the foreign competition pushed these companies into international operations in order to enhance their competitive advantages, and hence had an effect on these companies’ internationalization processes (see Exhibit VI – Model II).

Naturally, globalization have brought changes to the international context which also reflected internally, stimulating international exchanges and making countries more interconnected and vulnerable, for example to crises or booms happening somewhere else in the world. In this sense the domestic markets became more sensitive to changes in the international context. From its bright side globalization has brought considerable improvements in communication and reduction of the transportation costs, which for the internationalization of SMEs were of great importance. From this discussion we can assume:

Proposition VI: The international context cannot independently drive a company to internationalize at inception. However, mainly after the 1990s, the international context is expected to have a greater impact on both the growing occurrence of Born Global companies and a faster gradual internationalization of stage-internationalizing companies, which makes the periods between each stage shorter.
VI. CONCLUSION

This research was developed with the aim to investigate why some SMEs from Northeast Italy internationalize gradually and some go abroad at inception. With that purpose, the main literature regarding both Stage-Models and Born Global were reviewed. Regarding the Born Globals we were however faced with an ambiguous scenario characterized by a high lack of consensus.

An abductive logic was hence applied in order to contribute to the Born Global literature with a clear and unified theoretical framework. As an important part of the abductive reasoning, qualitative cases study were developed in order to investigate empirically the role of both internal (founder, network, product) and external (domestic market, foreign market and international scenario) factors in the internationalization process of Northeast Italy SMEs.

From the analysis of data collected the main result showed that no factor – neither internal nor external – could independently drive a company to internationalize from inception. Instead, the factors studied interacted in different ways, which were reflected in the different internationalization process each company has manifested. Similar results were also presented by Bell and McNaughton (2000).

Moreover, based on the findings we can assume that it is not a specific set of characteristics that determines whether a company internationalize at inception or stage-internationalize. This enhances the argument regarding different combination of internal and external factors. We found out by Case IV that there are really some companies that fit in with the “Born Global” profile proposed by part of the literature, but still, choose to stay domestically or simply internationalize lately and gradually.

In Case IV, RWP did have a founder with international, academic and professional background, as well as global vision. RWP also commercialized leading-edge technology products, sold to narrowly defined customers through a niche-strategy. Founded in 1998, the company could also leverage the globalization, but still opted to stay domestic at inception and stage-internationalize later. Fan and Phan (2007 p.1128) also presented similar results.

6.1. Limitations

Aware of the main limitations of this study we recognize that it is difficult to generalize based on a small sample as in our case. However, it is reasonable to argue that when being faced with such limited theoretical consensus and high degree of fragmentation, it was
important to start unifying perspectives to get a clear picture of the current situation SMEs face when opting for a rapid internationalization or not. Some propositions were drawn out of the empirical study developed, which again, cannot be generalized. They require further studies including a considerable sample of companies in order to be reliably tested. Furthermore, we have focused on SMEs from the Northeast Italy operating in high-tech industries. For this study it was a strategy to reach the most similar SMEs in a limited amount of a time, however, as suggested by the Born Global literature, the occurrence of this phenomenon is not strictly linked to high-tech business and does not have geographic limitations.

6.2. Suggestions for Future Studies

As a reflex of our limitations, we would recommend future researchers to include a more representative sample of companies from different industries and geographic locations. Also it emerged from the cases studied that two other factors might be key for the internationalization of Born Globals and SMEs in general. First, the concept of physic distance (Johansson and Vahlne, 1977) seems to have brought up certain polemic among Born Global theorists. Empirically, though, it came up to be a relevant factor impacting on the internationalization of the SMEs studied and on their market selection. In this sense, it should be more thoroughly explored in future studies. The second factor regards time linked to changes in the international context. We did consider this aspect in the study, which led us to identify a possible relation between Born Globals founded before the 1990s and the concept of First Move Advantage. However, Born Globals seen as later entrants were also identified, which implies that this discussion should be further developed in future studies.

6.3. Managerial Implications

For practitioners, this study mainly contributes when showing that going abroad at inception is not a requirement or an assurance of globalization. Instead, founders and other staff should be aware of their businesses’ most important strengths and weaknesses, as well as opportunities and threats of both domestic and foreign markets. Still, it is crucial to be up to date about influences stemming from their international context. Sometimes these influences may represent external uncontrollable threats such as international crisis, and sometimes they may take the shape of new opportunities, such as the rise of the Emerging Markets. Both require a flexible and dynamic organization in order to adapt rapidly to these changes. Finally, the whole internationalization process must be a wise and balanced combination of all the discussed factors taken together, which sometimes may lead to a fast internationalization and sometimes to a gradual process.
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### Brazil

**BASIC INDICATORS**

<table>
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<th>Indicator</th>
<th>2010</th>
<th>2009</th>
<th>2005-2010</th>
<th>2009-2010</th>
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<tr>
<td>Population (thousands, 2010)</td>
<td>194 946</td>
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<tr>
<td>GDP (million current US$, 2010)</td>
<td>2 087 690</td>
<td>2 048 560</td>
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<tr>
<td>Current account balance (million US$, 2010)</td>
<td>- 47 365</td>
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<tr>
<td>Trade per capita (US$, 2008-2010)</td>
<td>2 169</td>
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<tr>
<td>Trade to GDP ratio (2008-2010)</td>
<td>23.8</td>
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<td>Real GDP (2005=100)</td>
<td>124</td>
<td>109</td>
<td>-10</td>
<td>9</td>
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<tr>
<td>Exports of goods and services (volume, 2005-10)</td>
<td>102</td>
<td>109</td>
<td>-10</td>
<td>9</td>
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<tr>
<td>Imports of goods and services (volume, 2005-10)</td>
<td>184</td>
<td>13</td>
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### Russian Federation

**BASIC INDICATORS**

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<tr>
<td>GDP (million current US$, 2010)</td>
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<td>1 430 793</td>
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<tr>
<td>Current account balance (million US$, 2010)</td>
<td>- 51 781</td>
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<tr>
<td>Trade per capita (US$, 2008-2010)</td>
<td>5 279</td>
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<tr>
<td>Trade to GDP ratio (2008-2010)</td>
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<tr>
<td>Real GDP (2005=100)</td>
<td>116</td>
<td>114</td>
<td>-6</td>
<td>5</td>
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<tr>
<td>Exports of goods and services (volume, 2005-10)</td>
<td>116</td>
<td>114</td>
<td>-6</td>
<td>5</td>
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<tr>
<td>Imports of goods and services (volume, 2005-10)</td>
<td>144</td>
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### India

**BASIC INDICATORS**

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<th>2009-2010</th>
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<td>Population (thousands, 2010)</td>
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<tr>
<td>GDP (million current US$, 2010)</td>
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<td>1 680 594</td>
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<td></td>
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<tr>
<td>Current account balance (million US$, 2010)</td>
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<tr>
<td>Trade per capita (US$, 2008-2010)</td>
<td>595</td>
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<td>Trade to GDP ratio (2008-2010)</td>
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<td>149</td>
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<td>149</td>
<td>9</td>
<td>4</td>
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<tr>
<td>Imports of goods and services (volume, 2005-10)</td>
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### China

**BASIC INDICATORS**

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<th>Indicator</th>
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<th>2005-2010</th>
<th>2009-2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Population (thousands, 2010)</td>
<td>1 338 300</td>
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<tr>
<td>GDP (million current US$, 2010)</td>
<td>5 875 029</td>
<td>5 736 574</td>
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<td></td>
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<tr>
<td>Current account balance (million US$, 2010)</td>
<td>3 005 370</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Trade per capita (US$, 2008-2010)</td>
<td>2 155</td>
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<tr>
<td>Trade to GDP ratio (2008-2010)</td>
<td>25.4</td>
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<tr>
<td>Real GDP (2005=100)</td>
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<td>160</td>
<td>-10</td>
<td>12</td>
</tr>
<tr>
<td>Exports of goods and services (volume, 2005-10)</td>
<td>160</td>
<td>150</td>
<td>-10</td>
<td>12</td>
</tr>
<tr>
<td>Imports of goods and services (volume, 2005-10)</td>
<td>168</td>
<td>11</td>
<td></td>
<td>4</td>
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</tbody>
</table>

EXHIBIT II
BRICS AS DRIVERS OF WORLD CONSUMPTION

**EXHIBIT II**

BRICS AS DRIVERS OF WORLD CONSUMPTION

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**EXHIBIT II**

BRICS AS DRIVERS OF WORLD CONSUMPTION

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**EXHIBIT II**

BRICS AS DRIVERS OF WORLD CONSUMPTION

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**EXHIBIT II**

BRICS AS DRIVERS OF WORLD CONSUMPTION

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### EXHIBIT III

**TOP 10 WORLD ECONOMIES**

#### CEBR World Economic League Table

<table>
<thead>
<tr>
<th>Rank</th>
<th>2011</th>
<th>2020 (forecast)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>US</td>
<td>US</td>
</tr>
<tr>
<td>2</td>
<td>China</td>
<td>China</td>
</tr>
<tr>
<td>3</td>
<td>Japan</td>
<td>Japan</td>
</tr>
<tr>
<td>4</td>
<td>Germany</td>
<td>Russia</td>
</tr>
<tr>
<td>5</td>
<td>France</td>
<td>India</td>
</tr>
<tr>
<td>6</td>
<td>Brazil</td>
<td>Brazil</td>
</tr>
<tr>
<td>7</td>
<td>UK</td>
<td>Germany</td>
</tr>
<tr>
<td>8</td>
<td>Italy</td>
<td>UK</td>
</tr>
<tr>
<td>9</td>
<td>Russia</td>
<td>France</td>
</tr>
<tr>
<td>10</td>
<td>India</td>
<td>Italy</td>
</tr>
</tbody>
</table>

Source: CEBR (Centre of Economics and Business Research)

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5 Published on BBC News on 26 December 2011
EXHIBIT IV

COMPANIES TARGETED: EMPIRICAL INFORMATION

<table>
<thead>
<tr>
<th></th>
<th>Nardini spa</th>
<th>RWP</th>
<th>Unitam</th>
<th>Cursali srl</th>
</tr>
</thead>
<tbody>
<tr>
<td>Founder Graduated</td>
<td>No</td>
<td>Graduated in Economics</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>Industry</td>
<td>Technology</td>
<td>Technology</td>
<td>Technology</td>
<td>Technology</td>
</tr>
<tr>
<td>Product</td>
<td>Plants &amp; machines for bitumen processing</td>
<td>Photovoltaic power</td>
<td>Injection moulds for plastic materials</td>
<td>Crosscut saws and crosscutting lines for wood and assimilated</td>
</tr>
<tr>
<td>Employees</td>
<td>42</td>
<td>35</td>
<td>35</td>
<td>Around 50/60</td>
</tr>
<tr>
<td>Person Interviewed</td>
<td>Mr. Cesare / CEO</td>
<td>Mr. Masciocchi / CEO &amp; Mr. Mazzollino / HR</td>
<td>Mr. Flammini / CEO</td>
<td>Miss Curtolo / CEO &amp; Export Sales Manager</td>
</tr>
<tr>
<td>Internationalization</td>
<td>In the Beginning of the Company</td>
<td>2002</td>
<td>1992</td>
<td>1986</td>
</tr>
<tr>
<td>BRIC</td>
<td>All BRIC</td>
<td>Russia (seasonally) and Brazil</td>
<td>Just Brazil</td>
<td>All BRIC</td>
</tr>
<tr>
<td>City</td>
<td>Carpi</td>
<td>San Siro di Lecce</td>
<td>Quarto d’Altino</td>
<td>San Fior</td>
</tr>
</tbody>
</table>
EXHIBIT V

Questions / Topics Planned as Base to the Semi Structured Interviews

1. Could you tell us about your academic background?
2. Could you tell us about your professional background?
3. Which previous life experiences you would point out as most relevant for bringing you to your current position?
4. How would you define your role in the internationalization process of your company?
5. Were you the only one in charge of this process?
6. Did you make use of any personal network to start internationalizing your company? If yes, could you explain how important it was for the company internationalization?
7. If not, how was the network built? Did you count with external support for that?
8. Have the choice of foreign market(s) had any relation with the factor network?
9. Would you say your product has any relation with the internationalization strategy adopted by your company?
10. How does your product relate to the market selection?
11. How relevant (in terms of sales / prospective demand) was the domestic market for your business at inception?
12. Has the domestic market showed any change from the foundation of your company until now?
13. Which was/were the first foreign market(s)? When? Why? And how did you enter this/these market(s)?
14. How has the internationalization process developed since then? Further investments in the same markets? Other markets? Different entry modes?
15. Have you kept the same markets? Do they have the same importance for your business? Why / why not?
16. How do you perceive the globalization phenomenon? Did it have any impact, either positive or negative on your business?
17. How do you perceive the risen of the Emerging Economies? Did it have any impact, either positive or negative on your business?
18. How would you describe your relation with the Brazilian market?

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6 The interviews were conducted in Italian for confidence of the interviewed, however the answers were translated to English and registered as documents, in order to assure the reliability of the data collected.
EXHIBIT VI
Different Internationalization Paths before and after the 1990s

Model I: Internationalization of Small Companies Founded before the 1990s

Model II: Internationalization of Small Companies Founded after the 1990s