Born Globals and Active Online Internationalization
A closer look on the effects of active online internationalization for Swedish Born Globals

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Abstract

Research pertaining to the role of active online internationalization (AOI) in the context of Born Globals has been shown to be an under-researched area of study. This compelled us to explore the possible benefits and challenges that may come from pursuing AOI for Swedish Born Globals. Our theoretical framework combined literature concerning Born Globals and their rapid internationalization with the notion of learning advantages of newness and literature regarding AOI into a theoretical model. Our theoretical investigation displayed a lack of research dealing with the potential challenges of AOI; with the virtuality trap of Yamin and Sinkovics (2006) being the exception. Through abductively analyzing qualitative data collected from four Swedish Born Globals with our theoretical model, we arrived at a number of empirically testable propositions that highlight the effects of using AOI for Swedish Born Globals. Our analysis leads to the conclusion that there are more challenges for Swedish Born Globals pursuing AOI than previously identified by present literature.
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Keywords: Active Online Internationalization (AOI), Born Globals, E-commerce, LAN, Psychic Distance, Rapid Internationalization, Resource Trap, Uppsala Internationalization Model, Virtuality Trap
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I. Introduction
During the last few decades, firms from all over the world have increasingly put a larger emphasis on operations across borders, committing themselves to compete on a global scale (Barkema et al., 1996). This is largely a result of globalization and the natural consequences of technological advancements within areas such as communication and the decline of international trade barriers (Mathews & Zander, 2007). The changing business conditions have given birth to the phenomenon of Born Globals, which has been a prominent research subject over the last couple of decades (e.g. Oviatt & McDougall 1994, 2005; Bell, 1995; Knight & Cavusgil, 1996; Madsen & Servais, 1997; Autio et al., 2001; Zhou et al., 2012) and subject to research in more than 20 countries (Gabrielsson & Gabrielsson, 2010). Halldin (2012) has examined the phenomenon in a Swedish research setting and concludes that Born Globals in Sweden differ from other firms in the way that Born Globals export to more countries outside of the Nordic countries as well as initiate more simultaneous exporting activities to different markets. Much of the attention given to Born Globals stems from the fact that their rapid internationalization processes deviate from the pattern predicted by traditional internationalization theories. The most cited traditional internationalization theory is the Uppsala Internationalization Model (UM) developed by Johanson and Vahlne (1977). This model depicts the internationalization process as one of gradual commitment to foreign markets with each foreign entry relying on the experience and knowledge acquired from prior entries. The UM emphasizes that firms start their expansion at markets that have a relatively small psychic distance to their domestic market as to manage the risk. Psychic distance is defined as “the sum of factors preventing the flow of information from and to the market” (Johanson & Vahlne, 1977, p.24).

During the past decade, one of the most prominent facilitators for the Born Global existence and its rapid internationalization process has been the rise of the Internet (Madsen and Servais, 2004). The possibilities inherent in the Internet are vast and this has led numerous Born Globals to utilize it as a means to circumvent the barriers of foreign entry: for instance many Born Globals have used the Internet to form networks or market through (Moen, 2002). However, during the past decade there has also been a growth of numerous international online markets, which also have played a part in facilitating the emergence of Born Globals (Reuber & Fischer, 2011). The use of the Internet has been argued to enable Born Globals to generate significant revenues and cash flows in a cost-effective manner (Gabrielsson and Manek Kirpalani 2004; Arenius et al. 2005). As a consequence, scholars have coined the term
active online internationalization (AOI), which in short, is a firm’s deliberate use of their website as a part of their internationalization strategy (Yamin and Sinkovics 2006, p. 342). AOI is further expected to be aimed at more developed countries (economies) that have attained a certain level of electronic infrastructure coupled with a healthy e-commerce industry (Yamin and Sinkovics 2006). A perfect example of such country is Sweden, which studies have shown to have a very high computer literacy, a well-developed e-commerce industry (HUI Research, 2012), and a population that is very used to shopping products and services online (Statistics Sweden 2013). In effect, these conditions have made AOI an interesting means for Swedish Born Globals to expand internationally.

1.1 Purpose and Research Question
The Born Global phenomenon and the Internet as an enabler for rapid internationalization have gained much interest by scholars within the field of International Business and Entrepreneurship the past couple of decades. However, while most of the existing research has put forth developments in communication, i.e. the Internet, as a facilitator to the emergence of Born Globals, or highlighted the positive aspects of the use of the Internet, we have identified a lack of research exploring the role of AOI more profoundly within this context. Moreover, very little research has linked AOI with the traditional issues of internationalization such as psychic distance (Yamin and Sinkovics, 2006). With this in mind and existing theories regarding Born Globals and AOI as groundwork, the purpose of this study is to explore and explain the effects of using AOI for Swedish Born Globals. This results in the following research question:

1. What benefits and challenges arise from pursuing AOI for Swedish Born Globals?

Thus, to answer our research question, we will develop a theoretical model based on existing theory on Born Globals and AOI, use this model as a guide for an empirical investigation of four Swedish Born Globals, and subsequently generate empirically testable propositions that further develop the model and set the stage for future research.
II. Theoretical Framework
This section starts out by introducing the most cited theory regarding firms’ internationalization process, namely the Uppsala Internationalization model (UM). This theory will form a necessary foundation in order to understand why the phenomenon of Born Globals has gained so much interest by scholars within the academic fields of International Business and Entrepreneurship. The phenomenon of the Born Global and prominent theories developed in effort to explain their rapid internationalization process will be looked at next. Finally, the role of the Internet for Born Globals, with a focus on AOI, will be looked upon more closely. Throughout this section we will develop a theoretical model that will serve as the foundation for the subsequent parts of this study.

2.1 Traditional Stage Models
Since the late 1970’s, there has within the academic world been a significant focus on the internationalization process of firms. Although there have been several theories prior to this, one could argue that there were a number of very similar models that set the whole movement in motion. Out of these models, the most cited and prominent model is the UM developed by Johanson and Vahlne and published in the journal of International Business Studies in 1977 (Johanson & Vahlne, 1977). The UM depicts the internationalization process as one of incremental nature where a firm takes small steps forward as its experiential knowledge continuously grows. The underlying assumption behind the model is that the main factor hindering firms’ internationalization process is the lack of experiential knowledge, which can only be acquired by being on the foreign market. The UM further emphasizes that firms start their expansion at markets that have a relatively small psychic distance to their domestic market as to manage the risk. The UM could be described as taking a behavioral approach where knowledge acquisition, i.e. learning, is central to the internationalization process. (Johanson & Vahlne, 1977.) However, due to the changing conditions in the business world, Johanson & Vahlne (2009) revised their model and presented the Revisited Uppsala model (RUM). This model takes on a more network perspective where the firm is looked upon as an exchange unit within different international business networks. Here, Johanson & Vahlne (2009) suggest that the complications firms experience when entering foreign markets can be more related to the low knowledge of relationships and networks in the foreign market, i.e. the liability of outsidership, than to the psychic distance to the foreign market.
2.2 Born Globals

One of the biggest criticisms of the traditional stage models of internationalization is their failure to explain the emerging phenomenon of the Born Global. The definition of Born Globals has differed widely between scholars depending on what criteria used (Gabrielsson & Manek Kirpalani, 2004). Five of the most common criteria include: (1) the vision and strategy to become global/international (Knight & Cavusgil, 1996; Oviatt & McDougall, 1994), (2) small technology-oriented firms (Bell, 1995; Knight & Cavusgil, 1996), 3) the time taken to enter international markets (Knight et al., 2001; Knight & Cavusgil, 1996), (4) the amount of foreign sales corresponding to minimum of 25% of foreign sales (Knight & Cavusgil, 1996), and (5) a minimum number of foreign markets targeted outside the home market (Oviatt & McDougall, 1994). As we will see in the subsequent section, the entrepreneurial behavior of Born Globals have given birth to a new academic field called International Entrepreneurship (Knight et al., 2004) where much attention is and has been given to try to explain the rapid internationalization of Born Globals (Hurmerinta-Peltomäki, 2004). International Entrepreneurship has its origin in the academic fields of Entrepreneurship and International Business (Oviatt & McDougall, 2005) and lately there has been a diminishing differentiation between these two academic fields (Gabrielsson et al., 2008). International Entrepreneurship is defined as “the discovery, enactment, evaluation, and exploitation of opportunities – across national borders – to create future goods and services” (Oviatt & McDougall, 2005, p.540).

Since we have chosen to focus our study on Swedish entrepreneurial firms internationalizing, this definition will serve as the foundation for the definition of a Born Global, used in this study, as a firm that early after inception create future goods and services by discovering, enacting, evaluating, and exploiting opportunities across national borders.

2.2.1 Facilitators

The emerging phenomenon of the Born Global was early highlighted by Oviatt and McDougall, who in 1994 developed a framework regarding this new type of business. Born Globals are businesses that show that, in contrary to previous theories on the internationalization of multinational corporations (MNCs), it is possible to successfully compete in the international market with limited resources. According to the authors, the emergence of Born Globals is facilitated by the increasing use of low-cost means of technology and communication, which allows smaller firms to find and exploit business opportunities that were previously reserved for bigger and more established MNCs. This lead Oviatt and McDougall to conclude that, since Born Globals do not take on incremental steps when internationalizing, the traditional stage models cannot fully explain the
internationalization process of Born Globals. (Oviatt & McDougall, 1994.) Similarly, Madsen and Servais (1997) credit the increasing use of low-cost means of technology and communication as a facilitator of Born Globals, but also recognize two other facilitators. More specifically, the authors identify three factors that work as driving forces behind the occurrence of Born Globals: 1) new market conditions; 2) technological improvements within production, transportation, and communication; and 3) richer proficiencies of people, also counting the founder of the Born Global.

Madsen and Servais recognize that the basic assumptions and dynamic processes behind the internationalization process of Born Globals are similar to the ones underlying the traditional stage model. However, they agree with Oviatt and McDougall’s (1994) notion that the traditional stage models do not manage to fully explain the internationalization process of Born Globals due to the lack of incremental steps taken by Born Globals. (Madsen & Servais, 1997.) It has also been noted that the internationalization process of Born Globals differ from the original stage models in other aspects as well; such as the internationalization process of Born Globals tend to befall early after or at the inception of the firm; the foreign markets targeted by a Born Global may be physically distant from the home market; the Born Global may utilize different modes of foreign market entry; developments of communication technology allow the Born Global to acquire pertinent market information quickly; and many Born Globals have been shown to display an entrepreneurial behavior in their internationalization process with little risk-aversion. This entrepreneurial behavior of Born Globals has given birth to a new academic field called International Entrepreneurship. (Knight et al., 2004.)

2.2.2 Speed of Internationalization
In an effort to explain the influences on the speed of entrepreneurial internationalization, Oviatt and McDougall (2005) present a model that show that the speed is determined by four forces: enabling, motivating, mediating, and moderating. First, rapid internationalization is enabled by the developments in transportation, communication, and digital technology. Second, rapid internationalization is motivated by the presence of current and new potential competitors. Third, rapid internationalization is mediated by entrepreneurial actors that discover and enact opportunities after analyzing the enabling and motivating forces through the lens of their personal experiences. Fourth, the speed of rapid internationalization is moderated by the knowledge-intensity of the firm and the characteristics of the firm’s
international network. Where the more knowledge-intense a firm is, the faster its internationalization is; and the larger, more dense a firm’s network is, as well as the more cross border weak ties the network consists of, the faster the firm’s internationalization is. (Oviatt & McDougall, 2005.)

Similarly to the traditional internationalization model of Johanson and Vahlne (1977), knowledge is at the core of the model. The ability of a firm to learn about a new host country is predicted to moderate the speed of the internationalization of said firm (Oviatt & McDougall, 2005). In disparity with a traditional MNC, the knowledge of an entrepreneurial firm mostly stems from the founder or the entrepreneurial team behind the firm (Oviatt & McDougall, 2005). Thus, some authors have argued that firms with founders or entrepreneurial teams with greater personal international knowledge will enter and commit to foreign markets at a greater speed (Almeida & Bloodgood, 1996; Bloodgood et al., 1996; Reuber & Fischer, 1997; Shrader et al., 2000; Oviatt & McDougall, 2005). This is in line with Autio et al.’s (2000) reasoning that entrepreneurial firms with founders or entrepreneurial teams that have greater personal international knowledge, which is similar to the knowledge required in the new foreign market, will have a greater absorptive capacity. This capacity allows these firms to collect and analyze additional foreign knowledge that helps to reduce the uncertainties of operating abroad, thereby increasing the likelihood of early foreign market entry with greater commitment.
Figure 1 – Model explaining the rapid internationalization of Born Globals

Figure 1 is an adaptation of the driving forces behind the emergence of Born Globals identified by Oviatt and McDougall (1994, 2005) and Madsen and Servais (1997). It represents the first steps of the development of a theoretical model explaining the rapid internationalization of Born Globals where ideas from Oviatt and McDougall’s ‘A Model of Forces Influencing Internationalization Speed’ (2005) are combined with the notion of absorptive capacity drawn from International Entrepreneurship theory (Almeida & Bloodgood 1996; Bloodgood et al., 1996; Reuber & Fischer, 1997; Shrader et al., 2000, Autio et al., 2000). The model depicts the driving forces behind Born Globals that facilitate the Born Globals’ ability to learn, which in turn speeds up the internationalization process. The model also depicts how previous international experiences of the founders or the entrepreneurial team increases the absorptive capacity of a Born Global and in turn further increases its ability to learn. The plus signs in the model denote a positive influence on the processes.

2.2.3 Learning Advantages of Newness

On the other hand, Autio et al. (2000) also argue that entrepreneurial firms that are internationalizing can benefit from ‘learning advantages of newness’ (LAN). The reasoning behind LAN is that younger firms will not be as hindered by their organizational history as older firms that have been focusing on the domestic market for a longer period of time. The greater flexibility of younger firms will allow them to more rapidly learn the proficiencies needed to continue to grow internationally. Also, the more knowledge-intensive a firm is, i.e.
the more a firm depends on knowledge as a source of competitive advantage, the more likely
the firm is to cultivate the learning of the capabilities necessary to adapt rapidly to foreign
markets and recognize opportunities to transfer those capabilities between international
markets. Following, the earlier in a firm’s life it starts its internationalization process and the
more knowledge-intensive the firm is, the faster international growth it experiences. (Autio et
al., 2000.) Further argument supporting the LAN concept is that younger firms lack sufficient
networks to learn from in the home market and therefore are forced to learn more profoundly
from its foreign exchange partners (Zettinig & Benson-Rea, 2008).

However, it is also argued that the younger a firm is when initiating its internationalization
process, the more negative will the effects of internationalization be on the probability of the
firm’s survival. This idea rests on the argument that for a firm to internationalize, it entails the
firm to either develop new capabilities, routines, and structures, or to change some of its core
activities. These are actions that normally are associated with high costs; thus making
younger, more resource-constrained firms forced to perform these actions more susceptible to
failure. (Sapienza et al., 2006.) Zhou et al. (2012) extend the LAN concept and combine it
with Johanson and Vahlne’s (2009) notion of liability of outsidership to argue that not only
does early internationalization make a firm more receptive to learning due to greater
organizational flexibility, but early internationalization also allows a firm to tap into the most
relevant network actors to learn from to develop new capabilities.
Figure 2 – Model explaining the rapid internationalization of Born Globals

Figure 2 is a further development of Figure 1 where the LAN concept (Autio et al. 2000) is added to the model to show that an early initiated internationalization process will allow a firm to take advantage of LAN, which increases its ability to learn. The plus signs in the model depict a positive influence on the processes.

2.2.4 Main Themes of Born Global theory
Concluding, the emerging phenomenon of Born Globals has received significant attention in recent International Business and International Entrepreneurship literature. The main reason behind the big interest of Born Globals is the failure of traditional internationalization theories to explain the rapid internationalization of Born Globals (Hurmerinta-Peltomäki, 2004). Some of the facilitators behind Born Globals have been identified as the increasing use of low-cost means of technology and communication (Oviatt & McDougall, 1994), new market conditions, and richer proficiencies of people (Madsen & Servais, 1997). The knowledge-intensity of the firm, the characteristics of the firm's network, and the firm's ability to learn about a new host country have been put forth as moderating factors to the rapid
internationalization of Born Globals (Oviatt & McDougall, 2005). The concept of LAN has also been put forth as a possible explanation to the fast internationalization process of Born Globals (Autio et al., 2000; Blomstermo et al., 2004; Blesa et al., 2008) and as an explanation to why a firm's age, when initiating the internationalization process, is positively related to the probability of the firm's growth (Sapienza et al., 2006).

Thus, many current explanations to how Born Globals can internationalize rapidly despite limited resources all share the common denominators of learning from network ties (Madsen & Servais 1997; Autio et al., 2000; Oviatt & McDougall 2005; Blomstermo et al., 2004; Blesa et al., 2008). Gabrielsson and Manek Kirpilani (2004) argue that in order to overcome the restraint of limited resources, a Born Global can, besides networks, utilize MNCs as system integrators/distributors or the Internet as marketing channel strategies, either separately or in combination. The Internet is a good relational management tool to use to connect to different networks and also provides a direct sales channel into foreign markets. Numerous Born Globals have used the Internet to form networks, to market through (Moen, 2002) and as a direct sales channel to foreign markets (Gabrielsson et al., 2008).

2.3 Role of the Internet
Porter (2001) claims that the Internet has enabled firms to grasp specific advantages in terms of accessing information, communicating with various dispersed parties, and expanding across international borders. This notion is further supported by Berry and Brock (2004) who conclude that through the use of the Internet, firms of any size have the ability to access information on a global scale. Porter (2001) further explains that the Internet has inherent advantages in terms of trade because it lowers the entry barriers for firms worldwide. These notions challenge older arguments claiming that information gathering and communication are functions of geographical proximity and that producers are restricted to a local context in terms of discovering innovations (Vernon 1966, 1979).

According to Reuber and Fischer (2011), the creation and growth of numerous international online markets during the past decade have enabled firms on a global basis in numerous industries to become Born Globals. The Internet allows Born Globals to generate both significant revenues and cash flows in a cost-effective manner, which in effect enable them to overcome the obstacle of resource scarcity and further permit them to internationalize much faster (Gabrielsson and Manek Kirpalani 2004; Arenius et al. 2005). Although the Internet as
a means to internationalization is available for both large and small firms, Bennet (1997) believes that smaller firms are far more probable to rely on and employ the Internet as a key aspect in their internationalization process.

2.3.1 E-commerce
One of the core aspects of utilizing the Internet as a means to foreign expansion is through electronic commerce (e-commerce), which McKay and Marshall (2004) interpreted as the use of computer networks to buy, sell, and exchange products and services. Worth highlighting is that the interpretation of e-commerce varies widely between academic scholars and have been said to include a variety of different business activities such as logistics or other management activities that are tightly interconnected with the use of the Internet (Westland et al., 1999; Weill & Vitale, 2001). One of the inherent benefits of e-commerce is that it is not limited by time and distance. As a result, firms are, in a very cost-effective manner, able to offer its services and products to a vast amount of physically dispersed consumers 24 hours a day. (Schniederjans & Cao, 2002; Gunasekaran et al., 2002.) In addition, research pertaining to e-commerce has shown that successful application of e-commerce has led firms to better communicate with their customers, which in effect has led firms to cultivate their customer bases. Furthermore, studies have shown that e-commerce leads to increased revenue growth and reduced costs. (Ramanathan et al., 2012.)

2.3.2 Active Online Internationalization
Looking at e-commerce from an internationalization perspective, the main benefit of the use of the Internet is the ease it brings in overcoming temporal and spatial barriers to conduct business across borders (Yamin & Sinkovics, 2006). By creating and launching websites, firms can enter foreign markets with the push of a button (Kotha et al., 2001). Yamin and Sinkovics (2006) argue that online internationalization is either default or active. The former refers to when firms create websites without the intention of internationalizing, whereas the latter refers to the creation of firms’ websites to target and facilitate cross-border e-commerce. AOI normally includes an adaptation of the content and design of websites to fit the local market. Thus, au contraire to default online internationalization, AOI represents a deliberate investment in the process to enter a foreign market. (Yamin & Sinkovics, 2006, p. 342.)

AOI differs from traditional internationalization in two aspects: the isolation from host markets and the dilution of sequencing. The isolation from host markets refers to the argument that AOI is much more centered on its home market than traditional
internationalization. In traditional internationalization, a foreign subsidiary may possess market specific knowledge that the parent cannot access; while within AOI, even though the website may be adapted to fit the local market, the market specific knowledge gained through the website is fully accessible for the parent in the home market. Thus, the firm’s decision-making is more likely to stay in the home market, leading the firm to become isolated from the host market. Here, it is important to note that the market specific knowledge gained through AOI is not likely to be as useful as the market specific knowledge gained by actual physical presence on the market. (Yamin & Sinkovics, 2006.) A notion we will return to in the subsequent section.

The second aspect in how AOI differs from traditional internationalization is through the dilution of sequencing (Yamin & Sinkovics, 2006). Sequencing refers to the previously discussed incremental stages of internationalization predicted by the UM (Johanson & Vahlne, 1977). These stages are likely to be much more compressed in time in AOI, where the internationalizing firm may enter several foreign markets at the same time and also may bestow less time to study the markets it is about the enter. Here, it is worth noting that because of the reduced time dedicated to study markets in AOI, the firm runs a greater risk of not learning the deeper and less obvious aspects of the culture of the foreign market. (Yamin & Sinkovics, 2006.)

2.3.3 Virtuality Trap

Yamin and Sinkovics (2006) introduced, and coined, the concept of the virtuality trap. The rationale behind the virtuality trap is grounded on the two, abovementioned, main differentiating aspects of AOI from traditional internationalization that mean that although the firm gains market specific knowledge through its websites, the knowledge gained may neither be as useful nor as profound as knowledge gained through traditional means of internationalization (Yamin & Sinkovics, 2006). The reasoning behind this argument lies in the notion of psychic distance and more specifically in what has been referred to as the psychic distance paradox (O’Grady & Lane, 1996; Stöttinger & Schlegelmilch, 1998; Evans & Mavondo, 2002). Psychic distance has been a prominent concept in early internationalization theory and was used as an explanation to the sequential steps in traditional stage theory (Johanson & Vahlne 1977, 1992). The notion of psychic distance has subsequently been modified and defined as the degree of uncertainty about foreign markets due to the obstacles of learning about said markets resulting from cultural differences and
other business difficulties (O’Grady & Lane, 1996, p.330). Since the use of the Internet as a communication medium improves firms’ capacities to learn about foreign markets (Porter, 2001), it may be argued that the use of Internet reduces the perceived psychic distance for firms. Thus, in practical terms for firms, translating psychic distance into the extent to which firms perceive that previous acquired knowledge is applicable to new foreign markets. (Yamin & Sinkovics, 2006) The psychic distance paradox lies in the fact that studies have showed that there is a positive relationship between psychic distance and export growth and market performance (O’Grady & Lane, 1996; Stöttinger & Schlegelmilch, 1998; Evans & Mavondo, 2002). A possible explanation for this paradox is that greater psychic distance equals greater perceived barriers for firms to learn about new markets, which induce firms to take on a more circumspect approach where greater resources are dedicated to learn about the new foreign markets before entering them; thereby increasing the probability of a successful market performance (Evans et al., 2000). Hence, the inferior performance of firms entering markets at a lesser psychic distance may be related to superstitious learning, where firms, due to the perceived greater familiarity between home and host market, mistakenly assume that their prior experience will be of greater value than it really is (Snyder, 1998; Fenwick et al., 2003).

Following the above reasoning, AOI will increase a firm’s ability to learn about foreign markets through its online interactivity. Consequently, the firm’s perception of psychic distance will be reduced since it will perceive fewer barriers to learn about foreign markets and perceive the knowledge obtained through online interactivities in other foreign markets as a useful forecaster to what to expect in the new market. (Yamin & Sinkovics, 2006) However, a major limitation of virtual communication has been identified as its lack of capacity to generate understanding (Leamer & Storper, 2001; Morgan, 2004) and virtual communication thus does not represent a perfect substitute for face-to-face communication. This limitation of virtual communication becomes especially important in AOI where the firm’s virtual communication with customers may be the major, or in some cases the only, channel by which knowledge about the host market is gained; AOI generally has more of a customer focus than a market focus. For firms pursuing AOI strategies, the reduced perception of psychic distance together with the limitations of virtual communication may lead firms to overestimate the knowledge gained through its online interactivity and thereby underestimate the need to dedicate resources to learn about new foreign markets through other means before entering them. If doing so, the firms have fallen into the virtuality trap. It has been proposed
that the more firms get involved in AOI, the greater is the propensity for firms to suffer from the
virtuality trap. Correspondingly, a greater reliance on host country agents in a firm’s value
chain will reduce the possibility of the virtuality trap since dealings with host country agents
will increase the perceived psychic distance and reduce the reliance on virtual
communication. (Yamin & Sinkovics, 2006.)

Concluding, we have combined the main findings from our literature research into a
theoretical model that explains the rapid internationalization of Born Globals. Subsequently,
we have combined this model with the concept of AOI in order to develop a theoretical model
(Figure 3) that looks more closely on the possible effects for Born Globals pursuing an AOI
strategy. This theoretical model will act as a guide for our research method presented in the
next section in order to lay the foundation for our empirical research.
Figure 3 – The AOI Model: an illustration of the effects of AOI for Born Globals

Figure 3 incorporates AOI (Yamin & Sinkovics, 2006) with the aforementioned model explaining the rapid internationalization of Born Globals. The model depicts how AOI increases a Born Global’s ability to learn through its virtual communication and thereby decreases the perceived psychic distance of the firm. The model also depicts how a reduction of perceived psychic distance increases the likelihood of falling into the virtuality trap. Moreover, dependence on host country agents is depicted to increase the perceived psychic distance and by that moderating the risk of the virtuality trap. The plus signs in the model depict a positive influence on the processes, whereas the minus sign represent a negative influence.
III. Methodology
This section starts by mapping out the research design to depict the reasoning behind our choice of topic and research method. Following this, the characteristics of the data set are further discussed; where the selection of case firms, collection, and analysis of the data are central to provide the research a further level of transparency. Finally, the ethical issues and limitations concerning the chosen research method are discussed in detail.

3.1 Research Design
As we have seen, the emergence of Born Globals has gathered much interest within the field of international business and there has been extensive research conducted to explore this phenomenon. While most of the research has put forth developments in communication due to the increased use of the Internet as one facilitator of the emergence of Born Globals, there has not been much research exploring more profoundly the role of AOI within this context. Moreover, very little research has linked AOI with the traditional issues of internationalization such as psychic distance. (Yamin & Sinkovics, 2006.) In regard to the rich stream of research concerning Born Globals, the increasing stream of research regarding e-commerce, and the dearth of research combining these aspects thoroughly, we deemed it appropriate to take on an abductive research approach. This is in line with Saunders et al.’s (2009:159) argument that the use of a hybrid approach of inductive and deductive reasoning will allow one to make sense of one’s findings through the use of established theoretical constructs. Deductively comparing our discoveries with established theoretical constructs allowed us to inductively develop empirically testable propositions for future research. The abductive approach is therefore particularly suitable for theory development (Dubois & Gadde, 2002).

Due to the novelty of our research focus, our research took on an exploratory form since this form of research is especially valuable when assessing phenomenon in a new light (Robson, 2002). Moreover, the geographic scope and the limited number of firms taking part in our study also narrowed our research to take on an exploratory form. While a small number of case studies and a limited geographic scope limit the generalizability of the findings, we found that the flexibility to adapt and change according to empirical findings that exploratory research brings (Saunders et al., 2009, p. 140) was more valuable in our abductive approach. An approach that is characterized by the simultaneous evolvement of the theoretical framework, empirical findings, and case analysis (Dubois & Gadde, 2002).
The abductive approach together with the exploratory purpose of our research also provided good rationale for us to opt for a multiple case study strategy to conduct our empirical investigation. According to Dubois and Gadde (2002), the abductive approach provides a great fit with a case study strategy. Furthermore, a case study strategy is often used in exploratory research due to its great ability to answer questions regarding what and how things are functioning. Hence, a case study strategy is a good strategy to explore and challenge existing theory in order to provide new insight. (Saunders et al., 2009, p. 146) The geographical context of our study also determined the research strategy since a case study strategy may provide thorough understanding of processes taking place within the context (Morris & Wood, 1991). While we have already touched upon the limited generalizability of our exploratory research, opting for a multiple case study strategy helped restrict this disadvantage slightly since a multiple case study strategy has more potential to establish congruence in findings than a single case study strategy (Saunders et al., 2009, p. 146-147).

Also, being able to relate empirical findings from qualitative research to existing theory will increase the generalizability of the research (Bryman 1988; Yin 2003; Marshall & Rossman, 1999); thus, providing further justification for the abductive approach of our research project.

3.2 Data Sample
The data that we analyzed and derived our conclusions from were drawn from interviews with key personnel from four different firms. Due to the study being of an exploratory nature, the choice of firms was based on a combination of purposive, self-selection and snowball sampling (Saunders et al., 2009, p. 236). Self-selection came to occur as each selected firm in the sample was duly contacted and asked to partake in the study, upon which the selected firms expressed a desire of participation. Furthermore, as a conscious effort was made to select firms that would enable us to meet the objectives with this study and also answer the research question set forth, the choice of firms was also based on purposive sampling. Snowball sampling was a result of one respondent, from one of the firms gathered through self-selection and purposive sampling, upon inquiry referred us to another firm that the respondent thought fit our list of criteria.

Due to the exploratory nature of our research, the use of self-selection sampling was imperative in order to obtain rich and extensive qualitative data concerning the investigated phenomenon. Given the focus on Born Globals and AOI, purposive sampling was useful in
providing data that is more informative and relevant to the objectives of this study. However, by adopting purposive and self-selection sampling, the sample cannot be considered statistically representative of the total population and one must take into consideration the possibility of subjectivity inherent in the data sample. (Saunders et al., 2009, p. 236.) In terms of snowball sampling, there is a high likelihood of the sample being affected by biases and becoming homogenous, as those who provide the referrals will be looking towards firms similar to themselves (Saunders et al., 2009, p. 240). However, as explained in the subsequent section, the firm we found through snowball sampling was omitted from our analysis and thus eliminating the possibility that the negative effects of this sampling technique affected our research.

3.2.1 Selection of Case Firms and Interviewees
We found an extensive list of more than a hundred Swedish firms who are actively involved in e-commerce in Sweden on the website of the Swedish E-commerce Trade Association. This is an organization whose aim is to ensure continuous growth within the e-commerce industry in Sweden and manages the most recognized trust mark in Sweden, ‘Trygg E-handel’ (Svensk Distanshandel, 2013). We continued our search process by investigating each firm to determine if they fit our list of criteria. To fit our list of criteria, the firms should have: 1) been founded within the last decade, 2) been pursuing AOI in at least three markets, and 3) entered their first international market within five years of inception. We further limited our search to firms within the branded consumer goods industry and web retailers of branded consumer goods. Accordingly, we managed to narrow down the list to 15 firms, and added these firms to our initial sample that included firms that we knew fit our list of criteria.

The second part of the selection process involved the establishment of an initial contact with the remaining firms on our list in order to get access to interviews with relevant parties. We started this process by first sending out letters that introduced our research topic, our aim with the interviews, and ourselves. Furthermore, we assured the firms complete anonymity and presented the insights we believed our study could produce and be made available to them as a participating firm. The introductory letters and all further communication were directed towards management of the firms to avoid putting unnecessary pressure on potential participants to grant us access (Robson 2002; Sekaran 2003); thus not only ensuring ethical behavior from our part but also improving the data collected by ensuring fully informed consent by the participants (Saunders et al., 2009, p. 201). We followed up the introductory
letters by phone to provide a more extensive presentation of our study and ourselves. This follow-up also gave us the opportunity to give answer to any reservations and/or inquires that the firms might have had. By the end of this stage, we had gained relevant access to four firms: Company A, Company B, Company C, and Company D. In this part of our research process, we experienced trouble in gaining access to firms. Most of the firms that declined our request did so due to time constraints. This was not surprising considering that most of the firms contacted were younger entrepreneurial firms and in such firms it is not unusual for the founder to carry a big portion of the workload. Also, a few firms were reluctant of discussing their internationalization strategy with us. However, due to the time-constraint, the specificity of the research focus, and the limited geographical scope of this study, we deemed a response rate of about 25% as a valid data sample.

Since our study focuses on the phenomenon of AOI within Swedish Born Globals, we were careful in our choice of interviewees to ensure that they had knowledge of their firms’ AOI. As a result of this selection process, we ended up interviewing the CEO and founder of Company A, the E-commerce manager of Company B, the purchasing manager of Company C, and the CEO and founder of Company D. That we could not get access to the founders of all firms limited our interviews in that we could not fully probe the reasoning behind all decisions made in terms of the firms’ internationalization strategy. However, in the case of Company B, the E-commerce manager was very knowledgeable regarding the firm’s AOI and in the case of Company C, the respondent had been working for the firm since inception. This together with the fact that both respondents offered to, if there were questions they could not answer during the interviews, check with the founders of their respective firm and then return to us via email helped to offset this limitation. Additionally, the use of secondary data also helped to offset this limitation.

Furthermore, when interviewing Company B, we were referred to another firm to interview. After repeating the same process of initiating a contact as previously described, we managed to gain access to this firm: Company E. However, during the interview with Company E, it became clear that the data gathered would not add value to the research due to it not pursuing active online internationalization and thereby not fitting the focus of this research. The results from the interview with Company E were therefore excluded from our subsequent presentation of our empirical findings and analysis.
3.2.2 Data Collection
Before the interviews, we collected and studied secondary data from the firms’ websites and, when available, annual reports. We also collected secondary data from magazine articles where the founders of the case firms had been interviewed. The knowledge drawn from our secondary data enabled us to demonstrate credibility and assess the accuracy of the responses during our interviews. The collection of secondary data also gave us the opportunity to triangulate it with our primary data in our subsequent analysis, which served to strengthen the credibility of our research. (Saunders et al., 2009, p. 146.)

The interviews were semi-structured, in-depth, non-standardized, and lasted between 60 and 90 minutes. The interviews were conducted face-to-face while being audio-recorded. Open-ended questions were used as they increase the probability of receiving extensive and developmental answers and thus enabled us to get a firm grasp of the general attitude of our respondents as well as gather facts pertaining to our chosen topic (Grummitt, 1980). The interviews followed the responsive interviewing model. In brief, the responsive interview model gives, through interpretation of the interviewee’s perspective of his/her occupation and various experiences, a clear understanding of the interviewee’s situation. This required us to be highly flexible in order to be able to adapt to unexpected answers and follow up with probing questions that might provide unanticipated, however, invaluable data. (Rubin & Rubin, 1995, p. 36.) According to Saunders et al. (2009:324), non-standardized interviews are especially beneficial as they provide the interviewers with the possibility to gather more informative and in-depth answers from the interviewees. Worth noting is that there is a reliability issue with non-standardized interviews since it is highly unlikely that a future research or interview will garner identical output (Saunders et al., 2009, p. 326). However, the purpose of this study is to reflect the world as it was at the time of the interview and we are well aware that this study’s point of interest may change with time (Marshall & Rossman, 1999). Also, the choice of using non-standardized interviews was based out of the necessity to be flexible in order to take full advantage of the exploratory approach taken to study this complex topic. Thus, because of the qualitative and non-standardized nature of our research, attempting to ensure that it “could be replicated by other researchers would not be realistic or feasible without undermining the strength of this type of research” (Saunders et al., 2009, p. 328).
3.2.3 Operationalization of Theory
The interviews were guided by the main interview themes (Appendix 1) drawn from our theoretical model and constructed for us to gain a deeper understanding of the underlying thinking behind the firms’ decision to internationalize through the means of the Internet. More specifically, we wanted to know about the firms’ AOI, ability to learn, and perceived psychic distance. Prior to our interviews, we introduced our interview themes via email in order to make the respondents more prepared for and comfortable with the interview.

We started the interviews by asking the respondents to describe the firm background and their personal background. This did not only serve as trust-building questions but also allowed us to gain information about the background of the respondent, which would be important for our analysis of the firm’s ability to learn. Subsequently, we asked the respondents to describe the internationalization process of the firms in general in order to capture the overall internationalization strategy of the firms. Moreover, we asked the respondents to more specifically describe the role of the Internet in the firms’ internationalization process to gain information about the firms’ AOI. Asking the respondents about what benefits and drawbacks that they had experienced from internationalizing at a young age also furthered our understanding of the firms’ ability to learn. Furthermore, we asked questions on what kind of information the firms are using when making decisions to enter foreign markets and these questions allowed us to get a clearer picture on the firms perceived psychic distance.

Due to the semi-structure nature of our interviews, the specific questions asked during our interviews varied according to the answers of the respondents. Our rich material of questions (Appendix 1) all connected to the theoretical model allowed us to choose the appropriate question to probe deeper into the aspects we deemed most applicable to our research.

3.2.5 Data Analysis
Each interview was transcribed according to a simple transcription convention and further analyzed both deductively and inductively. In a simple transcription convention the focus lies in readability and thus non-verbal and para-verbal elements of the interview are removed (Dresing et al., 2012). In order to develop a more in-depth and objective analysis, each transcribed interview was first analyzed separately and then triangulated with secondary data, before being analyzed together with the transcribed material from the other interviews. The non-standardized data gathered during the interviews were analyzed through a deductive summarization and categorization based on our theoretical model. Due to AOI being a
relatively under-researched topic, we had to inductively develop explanations to the researched phenomenon. (Saunders et al., 2009.)

3.3 Ethical Issues
Throughout our research process we took great care to bear in mind the different ethical issues that arose. We followed the general ethical issue that our research should in no means cause discomfort, embarrassment, or harm for our research population (Saunders et al., 2009, p. 185). During the design phase of our research project, we realized that we would need access to information that our case firms may consider sensitive. Therefore, we made sure, when establishing a contact with our case firms, to fully specify our requirements in order to behave ethically and to reduce cautious attitudes from the case firms’ part (Saunders et al., 2009, p. 191). We also made sure not to apply pressure on potential participants to grant access to us (Robson, 2002; Sekaran, 2003) and further reduced the pressure by approaching members of the firms’ management teams in our requests for access. In order to gain informed consent from our case study participants, we made sure to include information about the nature of our research; the requirements and implications of taking part; the use of the data collected and how it would be reported; assurances on anonymity and confidentiality; and whom to contact with questions about the research. (Saunders et al., 2009, p. 191.) During our face-to-face interviews, we reduced our participants discomfort by avoiding over-zealous questioning (Sekaran, 2003) and by underscoring that the participant could refuse to answer any question that he/she did not feel comfortable answering (Schindler, 2008). To further reduce discomfort, we also allowed the interviewees to choose the time and place for the interviews (Saunders et al., 2009, p. 329) and made sure that the interviews were conducted within the beforehand agreed upon timeframe (Zikmund, 2000). To make sure that our data analysis was conducted ethically, we made sure that we avoided subjective selectivity by collecting the data accurately (Saunders et al., 2009, p. 194). This was done by first recording and transcribing the interviews, and then by each author individually analyzing the interview findings before comparing the results.

3.4 Limitations of Method
One particular worry with case study strategies is their lack of ability to produce generalizable results (Saunders et al., 2009, p. 327). This was a concern that we tried to address already in the design phase of our research project. We opted for a multiple case study strategy where we tried to find case firms from different industries in order to reduce the danger of relying on results from a case firm that is clearly different from its peers (Saunders et al., 2009, p. 177).
That said, the purpose of our study was not to produce generalizable results across all populations but instead to explore and explain what is going on in our particular research setting of Swedish Born Globals conducting AOI. This justifies our choice of adopting self-selection, purposive, and snowball sampling as we deemed the need to gain access to in-depth and information rich firms to be imperative to reach the objectives of this study (Saunders et al., 2009, p. 236). While we recognize that our results are more of the tentative than definitive nature due to our limited research scope, our aim was to develop propositions to set the stage for future empirical testing in other research settings; thereby, negating the need for generalizable results (Saunders et al., 2009, p. 158).

In order to address the concern of reliability and more specifically potential participant error, we allowed the participants to choose time and place for the interviews and informed them fully about our project. This helped reduce potential stressful situations (Saunders et al., 2009, p. 329). We also followed Saunders et al.’s (2009:156) advice on reducing potential participant bias by interviewing members of the management at our case firms. To avoid possible observer errors, even though both researchers were always present, only one of us asked questions in order to give the interviews more structure. Using non-standardized interviews allowed us to clarify answers and question when needed, which increased the level of validity of our findings. Also, the use of non-standardized interviews along with us recording and transcribing the interviews further reduced the potential of observer errors. (Saunders et al., 2009, p. 157.) In the instances when the case respondents were native Swedish, we opted for conducting the interviews in Swedish in order to avoid translation errors. Both researchers analyzed the transcribed data separately and then compared the results, which further reduced potential observer bias (Saunders et al., 2009, p. 297), and reduced the possibility of missing important information.

Another limitation of our research is that we cannot insert references to the secondary data that we used since the data come from documents and websites fully displaying the case firms’ names. Thus, it is impossible for us to provide those references without giving away the firms’ identities. Since fully guaranteed anonymity was a condition for participation from all case firms, this is unfortunately a limitation we have to tolerate. On the other hand, the use of primary and secondary data helps strengthen the credibility of research by the means of triangulation (Saunders et al., 2009, p. 146) and we therefore believe that the use of secondary data is more beneficial than detrimental to our research.
All in all, we believe that the our choice of method have allowed us to answer our research question by helping us gain a deeper empirical understanding of how AOI has affected the internationalization process of Swedish Born Globals; thereby enabling us to put forth theoretical propositions for future empirical testing.
IV. Empirical Findings
In this section, we begin by providing a brief description of the different case firms participating in this study summarized in Table 1. This description is given to provide a background for our main interview findings that are presented subsequently.

Table 1 – Summary of Case Firm’s Backgrounds

<table>
<thead>
<tr>
<th>Year Founded:</th>
<th>Company A</th>
<th>Company B</th>
<th>Company C</th>
<th>Company D</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2011</td>
<td>2008</td>
<td>2010</td>
<td>2003</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Type of business:</th>
<th>Company A</th>
<th>Company B</th>
<th>Company C</th>
<th>Company D</th>
</tr>
</thead>
<tbody>
<tr>
<td>Branded consumer goods</td>
<td>Branded consumer goods</td>
<td>Web retailer</td>
<td>Web retailer</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Web sales:</th>
<th>Yes</th>
<th>Yes</th>
<th>Yes</th>
<th>Yes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wholesales:</td>
<td>Yes</td>
<td>Yes</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>Concept stores:</td>
<td>No</td>
<td>Yes</td>
<td>No</td>
<td>No</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Region of first international market (year):</th>
<th>Company A</th>
<th>Company B</th>
<th>Company C</th>
<th>Company D</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>Number of AOI markets:*</th>
<th>9</th>
<th>22</th>
<th>3</th>
<th>4</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>International / English Webpage</th>
<th>Yes</th>
<th>Yes</th>
<th>No</th>
<th>Yes</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>Founder experience:</th>
<th>Company A</th>
<th>Company B</th>
<th>Company C</th>
<th>Company D</th>
</tr>
</thead>
<tbody>
<tr>
<td>Entrepreneur (web shops, consumer goods)</td>
<td>Entrepreneur (PR/marketing industry) / **Graphical design</td>
<td>Consumer goods / **Entrepreneur (web retailer)</td>
<td>International Entrepreneur (consumer goods)</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Number of employees:</th>
<th>11</th>
<th>12</th>
<th>35</th>
<th>5</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>Listed on the stock exchange (Year):</th>
<th>No</th>
<th>No</th>
<th>Yes (2012)</th>
<th>No</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>Growth Strategy:</th>
<th>Organic</th>
<th>Organic</th>
<th>External Investors</th>
<th>Organic</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>Product range:</th>
<th>0-100</th>
<th>101-200</th>
<th>15,000-20,000</th>
<th>400-500</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>Respondent Position</th>
<th>Company A</th>
<th>Company B</th>
<th>Company C</th>
<th>Company D</th>
</tr>
</thead>
<tbody>
<tr>
<td>Founder &amp; Business Development</td>
<td>E-Commerce Manager</td>
<td>Purchase Manager</td>
<td>Founder &amp; CEO</td>
<td></td>
</tr>
</tbody>
</table>

Table 1 summarizes the background of the case firms. The information in the table is drawn from the interviews and secondary data.

*AOI market refers to a webpage specifically adapted to a certain country market

**Experience of second founder
4.1 Main findings from the interviews
In the subsequent sections, the main findings from our case firm interviews along with complimentary information from our secondary data are presented according to the main themes in our theoretical model.

4.1.1 Active Online Internationalization
During our interview, the respondent explained that Company A has had a very strong reliance on the Internet when internationalizing. The respondent stated, “Without globalization and Internet as a phenomenon, our business would not exist today so it is extremely, extremely important for our business.” The interviewee further explained that the firm has had an AOI strategy from inception and the main advantage of pursuing this strategy was the very low costs associated with entering new markets. The respondent clarified that the combination of no initial direct costs to enter new markets and the high margins that come with web sales has enabled the firm to quickly raise necessary capital to further accelerate the international expansion. Also, the interviewee highlighted the fact that AOI reduces the difference of the cost of entering markets that are physically distant from markets within geographical proximity. This enabled the firm to target larger economies with more potential regardless of their geographical position. The interviewee further indicated the belief that the firm would not have been able to grow as successfully and rapidly without relying so heavily on AOI. In fact, the respondent stated that the firm probably would be better off dedicating even more resources on their AOI since the margins are much bigger and the time and energy savings from not having to try to cultivate partnerships with physical retailers are much greater. Some of the challenges that Company A experienced with their rapid internationalization process fueled by AOI concerned keeping up with the rising demand as they were limited in terms of production capacity and logistics.

In our interview with Company B, it was revealed that the firm also has experienced an early and rapid internationalization through AOI. In the words of the respondent, “Internet is internationalization for us.” The respondent explained that from the beginning there was no doubt that the product was to be sold internationally and the firm ran a web shop from inception. It was further described that the firm is split up into wholesale and web sale, where wholesale involves all sales through their own concept stores, retailers, and distributors in different countries, and web sales involve all sales through the firm web shop. The respondent indicated a strong belief that sales through the two channels strengthen each other and help build the brand. Initially, it was the sales from the firm’s web shop that helped to bring in the
needed capital for the firm to establish its wholesale by going to fairs all over the world to find retailer and distribution partners. The respondent stated that since the firm internationalized early with limited resources, it has been key for the firm to concentrate on those markets and projects that show the best return. One of the main challenges Company B has experienced with their rapid internationalization was to protect and build their brand across borders. Regarding protecting their brand, the respondent mentioned that they have found numerous people trying to copy their designs, brand, or both. In terms of building their brand across borders, the respondent indicated that their main challenge was in making sure that the brand was global while still being perceived as local by customers. With the founders having prior experience within graphical design and entrepreneurial experience from the PR / marketing industry, Company B was at inception relatively open-minded in regard to trying new initiatives. Moreover, the founders of Company B have stated that the reason behind their early success has been attributed to the fact that they did everything against industry standards and norms.

From our interview with Company C, it was stated that the firm has been using AOI as a means of finding growth abroad. Although having the ambition of becoming global, the respondent indicated that they did not expect to internationalize as early and rapidly as they did. However, after seeing how fast they had become successful in the domestic market, the management became quite early convinced that it was time to expand abroad. According to the respondent, the decision to internationalize was further strengthened by the fact that they did not have a direct competitor in the markets they had targeted, which would render them first-mover advantages. Although not being limited by an organic growth strategy and benefitting from the added capital from external investors, Company C saw the inherent value of the cost-effectiveness of AOI as an important factor for their growth. The respondent explained that the cost of only needing to expand warehouses when entering other markets is a minor one in contrast to the cost of setting up physical stores in each foreign market. Furthermore, Company C’s previous internationalization decisions have been made in regard to logistics, which have led them to expand to Scandinavian markets that are physically close in order to keep costs down. The respondent indicated that furthering their internationalization to more distant markets would necessitate significant investments in terms of logistics.

In our interview with Company D, the founder indicated that the firm relies on AOI. However, the respondent professed that when starting the firm he did not plan for it to be an
international firm. Instead, it was intended to be more of a project to learn about e-commerce. The firm only has web sales and the respondent was surprised by the early success the firm brought; they received their first order within 48 hours without marketing the website nor their products. He further explained that the immediate orders created challenges for the firm since they were neither properly prepared to deliver orders nor receive payments. The respondent stated that their web sales enabled the firm to grow gradually; and a few years after inception, the firm made the active decision of entering a foreign market. However, the firm spent about a year adapting the website to handle different currencies and languages before initiating the actual entry. The firm entered a neighboring country first through franchising and the respondent explained that there was no strategic thinking behind choosing this market. Instead, the respondent explained, the decision was guided by opportunity when another firm that wanted to represent them on this market contacted them. This was seen as a good opportunity since the respondent had extensive experience from franchising and believed it represented an entry mode of low risk due to the costs being covered by the franchisee. Similarly, the firm continued its AOI when entering another neighboring country as the second international market because the respondent had contacts there from previous business experiences. The interviewee identified one advantage of pursuing an AOI strategy as the ease of reaching and entering international markets where all you need is to put up a website and translate it into the local language or English. However, he also stressed the importance of translating the website correctly. Another advantage of focusing on online activities, that the respondent identified, was the bigger opportunities to optimize the money invested on marketing. He explained that it is much easier to calculate the return and effectiveness of online marketing in comparison to traditional marketing, which he believes to be much more wasteful due to its lack of precision. The respondent identified the fact that they operate in a very traditional line of business as the biggest challenge of pursuing AOI, since the firm has to convince manufacturers that there is an online market for their products.

4.1.2 Ability to learn
According to the respondent, Company A has through their early internationalization been able to benefit from advantages of being a relatively new and not so established firm when internationalizing. The interviewee explained that the flexibility of being a smaller firm has enabled the firm to take paths and seize opportunities in ways that often are unavailable to older and more established competitors. The respondent mentioned that these paths could be attributed to him being the sole owner of the firm; the firm is not stock-listed or has taken in
any capital from external investors. By the respondent being both very active in the firm’s internationalization process as well as the sole owner of the firm, the firm has the ability to quickly make and execute important decisions without having to answer to a board. Furthermore, it was mentioned that by not being a stock listed firm, the firm is able to take relatively unprecedented initiatives without having to worry about how publicity might affect their stock prices. The respondent emphasized that the firm’s short and fast decision processes only encompass the respondent and the CEO at headquarters in Sweden, which enable the firm to be quite flexible to new initiatives and changes. It was further explained that this coupled with a learning-by-doing approach have led the firm to quickly absorb valuable knowledge from prior experiences while not being slowed down in their international expansion. The respondent was explicit about not being too analytical in terms of their internationalization and emphasized that pursuing rapid internationalization was key. The interviewee further explained that even though they perform some analytics on a macro level to identify new attractive markets in terms of potential demand and consumer buying power, they believe that the information gathered from existing markets and network partners is more important when entering new ones.

According to the respondent from Company B, they have also been able to enjoy specific advantages in terms of their internationalization that older and more established competitors might not have been. The respondent highlighted that one positive aspect of being a small firm is the ability to move, adapt, and grow very fast. This notion was further strengthened when the respondent emphasized that the close relationship the firm has to its customers enables the firm to react to customer feedback relatively fast in comparison to older and more established firms. In similarity with Company A, the respondent mentioned that positive aspects of being a small firm are the significantly short and fast communication levels. The interviewee believed that this in part stems from a lack of bureaucracy usually prevalent at older firms as well as the fact that all employees work within proximity to each other and the decision-making thus is centered to their Swedish headquarters. As the respondent said, “You can Skype someone or you can call, then you have different time zones, but nothing is as good as personal contact”. Furthermore, it was also indicated that by being a young firm, Company B has been able to take larger risks and try more things in terms of their international expansion. One positive aspect of the web shop, that was mentioned in the interview, is that the firm easily can sell to countries all over the world and gather useful data from those sales, e.g. look up how much and to which countries they have sold to.
respondent explained that these kinds of data have provided the firm with direct feedback that has allowed the firm to determine which markets to focus on in terms of webpage optimization and wholesale operations. However, the respondent described that the firm also dedicates resources to research markets through benchmarking other websites and web shops, reading relevant literature, attending seminars and conferences, and by probing existing business as well as personal networks.

In our interview with Company C, the respondent provided several key areas where they as a young firm were able to utilize significant advantages in relation to their older and more bureaucratic competitors. Worth noting is that the founders of the firm have, according to the respondent, extensive prior experience within the consumer brand industry as well as entrepreneurial experiences within the e-commerce industry. The key advantage of being a young firm was their ability to make quick decisions, which further makes them able to act and adjust to changes much faster. The respondent attributed this ability in part to the fact that the firm is centrally controlled from the Swedish headquarters where all employees are working in proximity to each other. Furthermore, because they, as a young and not so bureaucratic firm, do not have predetermined ways of doing things, they have the ability to experiment. As the interviewee said when mentioning that they were the first on the Swedish market to offer free shipping and returns to all customers, “It is about pushing the boundaries.” Free shipping and returns have since become industry norm and the respondent indicated that their ability to try new things gives them a certain edge over their competitors.

The respondent from Company D also credited the flexibility of being a younger and smaller firm that internationalizes as a big advantage over older and more established competitors. He explained that the short communication levels in the firm enable them to make and execute changes in all their markets quickly. That the firm now no longer works with franchises and makes all decisions in-house from headquarters in Sweden further increases their flexibility. However, the interviewee also highlighted that too much flexibility may result in too much manual labor and explained that there is a difficult balancing act maintaining the flexibility while at the same time automatizing operations by giving them more structure. The respondent further explained that the firm does not rely heavily on information from existing markets when making new market entries because his experience tells him that although countries are geographically close, the cultures could still differ immensely. As the interviewee has been an entrepreneur since he was 16 years old and has founded and run

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several international firms before founding Company D, he explained that he has been able to draw a lot on his previous experiences when internationalizing. He also stated that he believes there is a challenge to pick up market information through web sales and that it is important to visit the market in order to pick up this type of information. The interviewee professed that when using franchises, the firm could have listened to and learned more from their foreign partners. However, he also believes that today due to the big growth of Swedish e-commerce firms, there are much more information and knowledge gathered and available through forums and seminars about foreign markets which to a degree negates the need for physical presence.

4.1.3 Rapid Internationalization

The respondent from Company A indicated that they from their inception have had an internationalization strategy with the emphasis on achieving as rapid internationalization as possible. The respondent several times during our interview came back to the importance of reaching markets quickly and admitted that if he could go back in time and start the firm again knowing what he does now, the main thing he would change would be to speed up the online expansion in order to reach new markets even more rapidly. The respondent explained that the reason to why the firm opted out of establishing their own concept stores in foreign markets is because expanding internationally in this way takes longer time than through web sales and foreign distributors.

According to the respondent from Company B, rapid international expansion has been very important for the firm in order to build its brand and pursue its first-mover strategy. The firm is striving to become a household brand within its industry and therefore believe that it is key to build its brand in as many markets as possible.

The respondent from Company C explained that the firm started off in Sweden and did not to plan to grow as quickly as it did. However, entering as many markets as quickly as possible has never been the focus of the firm’s internationalization strategy; instead, the respondent elaborated that the firm’s growth strategy has been to achieve as much revenue as possible in one market, with time turn this volume into profit, and then move into the next one. After experiencing success on the Swedish market and noting great potential for revenue growth without significant investments in terms of logistics, the firm raised capital from external investors to expand to nearby Scandinavian markets.
For Company D, their international expansion has never been about growing as rapidly as possible but the respondent explained that it has been more of a gradual development. The respondent stated that there were opportunities and circumstances that pulled the firm into international markets in the first place and proceeds from those markets enabled the firm to further international growth. The firm has had plans for a while to expand further to different countries but the respondent stated that they have decided to wait because the market conditions are not believed to be right at the moment and the firm has not recovered the money invested in their most recent foreign expansion. Interestingly, the respondent stated that if he could have done things differently he would have entered more countries earlier in order to benefit from first-mover advantages on more markets. He explained that today there are not many markets that they could enter and still be among the first, which means that for them to establish themselves successfully on the more saturated markets, it would take more resources than they have today.

4.1.4 Perceived Psychic Distance
Although the respondent from Company A said that it is easy to do business on new markets that were not accessible before, the respondent still sees challenges of entering some markets due to cultural differences and market potential. Still, the interviewee likened their way of establishing themselves on new foreign markets to a ‘machine-gun method’; where the firm has, when contacted by distributors from markets that were not prioritized, chosen to enter these markets if a good partnership could be struck and it felt like a good opportunity. The respondent believed that these challenges then could be overlooked as the revenues from these less prioritized countries helped raise capital to put into markets with greater priority. The interviewee exemplified this by highlighting the fact that the first foreign country they entered was a Southeast Asian country, which was prior to the expansion never considered a country of priority. However, they were contacted by a distributor with whom they felt that they could build a good relationship with and believed that the conditions were favorable, so they saw no issue of expanding to this country. The proceeds from this market helped accelerate the firm’s future international expansion. So the respondent explained that the firm has often relied on ‘gut feeling’ when deciding what markets to enter. Moreover, the respondent also emphasized his belief that lenient trade regulations within the European Union (EU) make markets within the EU very attractive. Although the interviewee indicated that it might have been more effective for the firm to focus on the Nordic market first due to
smaller cultural differences and to optimize their organization and operations, he stated that the speed of the internationalization process has always taken precedence over other aspects. The respondent believed that their success was a result of this current strategy focused on rapid internationalization coupled with the naivety and entrepreneurial energy that comes from his relative inexperience in international business. The respondent explained that he only had experience from running a domestic web shop before starting Company A.

In the interview with Company B, the interviewee said that from inception there was no doubt that the product was to be sold internationally. Part of this was, as the respondent explained, due to the simplicity of their product; it needs no explaining in terms of usability and it is used in most if not all countries. Another part of this was that a rapid international expansion has been very important for the firm in order to build its brand and pursue a first-mover strategy. As such, their internationalization process was quite rapid and not bounded by physical distance. The interviewee mentioned that their internationalization strategy focused on markets and regions where they judged they would find the largest potential return. However, the respondent explained that they have been well aware of the big cultural and business differences that may exist between markets, and that their main challenges stem from these differences. The firm therefore has taken significant measures to adjust their web shop to specific markets in order to overcome those challenges. The respondent explained that those measures have included translation of web content, campaigns adjusted to unique market characteristics, adaptation of payment methods, and product customization.

According to the respondent from Company C, several factors were involved in their decision to internationalize to Scandinavian markets. The benefit of being physically close to these foreign markets played a major role in their decision, as this meant they did not have to invest in new warehouses to handle the logistics. Furthermore, the respondent indicated that the cultural similarity between the domestic market and these markets was an important factor behind their decision since this gave them a good indication that their business idea would garner the same reception as it did in Sweden. However, the interviewee pointed out that they, with time and experience, have learnt that there are numerous aspects that separate each market; hence, the firm has put significant resources into making sure that their website is customized to each targeted market by translating content properly to the local language and adapting the payment methods. The respondent also indicated that the main challenge they faced in terms of further internationalization to other large markets was the existence of well-
established competitors in these markets, which means that when entering these markets, Company C will not be able to benefit from first-mover advantages.

As mentioned above, the respondent from Company D explained that they do not base new market entries on information from existing markets because of the big cultural differences that may exist between countries even though they are geographically proximate. The interviewee further stated that the firm does have the same concept in all countries but this is more down to the firm being limited by resources than because they believe there are few differences between the different markets. The respondent said that he learned the importance of paying attention to differences between markets when running another firm that put all their resources into an expansion to a neighboring country market, which failed and led the firm to bankruptcy. Hence, awareness of differences between different markets was something that guided Company D when entering its most recent international market. Here, the respondent explained that the information from their web sales on their international web page was useful in identifying the potential demand of the market but the most important aspects were that this market was believed to have very small cultural and business differences as well as a favorable competitive environment. For those reasons, the firm decided not to enter the two markets from where they had received the most orders through their international web shop and the interviewee also explained that because of trade barriers, the firm has for now opted out of expanding outside of the EU. The respondent indicated that the decision to enter the most recent market was a much more strategy-driven decision than the previous international entries, which were more driven by opportunities and circumstances.
V. Analysis and Discussion
In this section, we start by combining the main themes of our theoretical model with the core findings of the empirical data in order to establish a greater understanding of Swedish Born Globals pursuing AOI. This leads us to further develop the model by putting forth empirically testable propositions for future research.

5.1 Active Online Internationalization
When looking at our case firms’ internationalization strategies, it is clear that AOI has played a significant role in the firms’ early and rapid internationalization process. As mentioned earlier, the use of the Internet and AOI in particular reduce the costs associated with having a physical presence in a foreign country (Yamin & Sinkovics, 2006) and thus allow Born Globals to overcome the obstacle of resource scarcity by enabling them to generate significant revenues and cash flows in a very cost-effective manner (Gabrielsson & Manek Kirpalani, 2004; Arenius et al., 2005). Due to the cost-effective international expansion the use of Internet brings, it has also been argued that small firms are far more likely to rely on and employ the Internet as a key aspect in their internationalization strategy (Bennet, 1997). Putting this into context with our case firms, the cost-effectiveness of AOI was something that came up in all of our interviews. All case firms were quite clear on the fact that AOI has enabled the firm to reach markets that would not be accessible in other ways without dedicating greater resources to the process. The respondent from Company A several times stressed that the big margins from web sales enabled the firm to raise capital quickly. Similarly, the respondent from Company B indicated that their limited resources have forced the firm to focus on cost-effectiveness in all areas and stated “you turn around every dollar twice, before you spend it.” Even though Company C had the backing of external investors, they also mentioned the cost-effectiveness of AOI as an important factor. Company D likewise highlighted the cost-effectiveness of AOI by mentioning the ease of reaching and entering international markets and the better possibilities to optimize marketing efforts.

As previously discussed, Sweden has a very high computer literacy which has led to well-developed e-commerce industry with great potential for future growth (HUI Research, 2012). Moreover, Swedes have been shown to be very used to online shopping (Statistics Sweden, 2013). The high computer literacy in Sweden increases the possibility that the founder of a Swedish Born Global is used to online shopping and therefore sees web sales as an evident and imperative component of the firm’s sales strategy. The well-developed e-commerce
industry also provides a good foundation for a firm to quickly raise capital through its web sales in order to further push on its internationalization process. Correspondingly, all of our case firms saw web sales as a prominent strategy from inception, where Company C and Company D made the conscious decision to only focus on web sales, and all firms experienced fast online growth. The fact that the founders of Company A and Company C had prior entrepreneurial experience of e-commerce and that the founders of Company B and Company D had a favorable view of e-commerce upon inception further strengthens this notion.

The cost-effectiveness of AOI together with the high level of computer literacy and the healthy e-commerce industry in Sweden thus makes it likely that a Born Global will choose to pursue an AOI strategy in order to overcome resource scarcity and quickly realize returns necessary for future international expansion. This leads us to propose the following:

Proposition 1: Swedish Born Globals are likely to pursue an AOI strategy.

5.2 Ability to learn

The fact that AOI enables firms to more rapidly internationalize also means that these firms will be less hindered by organizational inertia and have less differentiated managerial positions, which in turn lead to more frequent and effective communication. Thus, an earlier initiated internationalization process means that the firm will experience faster international growth. (Autio et al., 2000; Sapienza et al., 2006.) All case firms have experienced rapid international growth, although to different degrees, and all firms mentioned their flexibility coming from their fast decision-making processes as a major advantage over bigger, more established MNCs.

Moreover, early internationalization makes firms more receptive to learning and this together with the lack of sufficient networks in the home markets make early internationalizing firms more likely to learn from foreign network actors to develop new capabilities (Zettinig & Benson-Rea, 2008; Zhou et al., 2012). Company A specifically mentioned their learning-by-doing approach, where the respondent stated that it was more important for the firm to early strike partnerships with foreign distributors and learn from these partnerships than analyzing the foreign market in depth before entry. Similarly, the respondent from Company B also
explained that even though it is possible to do a lot of research before entering a market, there are still many factors about a local market that you will not discover without having an online or physical presence on the market, and that they, among other things, probe their business and personal networks to learn about these factors. However, during our interview with Company C, the respondent did not mention the ability to learn from foreign network partners as something important. This is something that could be related to the facts that Company C initiated their internationalization process later in comparison to Company A and B, and that it is a stock listed firm, which in effect gives the firm less flexibility. Also, since Company C’s founders had extensive experience from their line of business domestically and attributed these connections to some of their early success, it is quite plausible that the firm’s rapidly established domestic networks made the firm less likely to learn from their foreign network actors. Similarly, Company D has not focused on learning from exchange partners either. Although the founder of Company D showed an awareness of the need to have physical presence in foreign markets in order to pick up relevant market information, the founder also professed that the firm probably should have listened to and learned more from its foreign partners. In comparison to the other firms in our study, it took Company D the longest to internationalize. Moreover, Company D’s founder has run several firms before starting Company D. So, much like Company C, the lesser flexibility and the higher likelihood of more establish domestic networks could serve as a possible explanation to Company D’s slighter focus on learning from foreign network partners.

As we have seen, the underlying notion of the concept of LAN is the flexibility that comes from the less organizational strains and better communication of younger firms (Autio et al., 2000; Sapienza et al., 2006) and all of the case firms have claimed to benefit from this aspect of LAN. Accordingly, it can be argued that the early initiated internationalization processes of all our case firms have enabled the firms to benefit from LAN to a certain degree. Furthermore, Company A and Company B have shown support for the notion that early internationalization increases a firm’s receptiveness and likelihood of learning from foreign network partners (Zettinig & Benson-Rea, 2008; Zhou et al., 2012). Thus, this leads us to propose the following:

Proposition 2a: Swedish Born Globals pursuing an AOI strategy
are likely to benefit from LAN.
Proposition 2b: The earlier a Swedish Born Global pursuing an AOI strategy initiates its internationalization process, the higher degree of LAN it will benefit from.

5.3 Rapid Internationalization

As noted above, AOI differs from traditional internationalization in two aspects: isolation from host markets and the dilution of sequencing. The isolation from host markets points to the fact that AOI is likely to lead a firm to keep its decision-making in the home market since the knowledge gained through the firm’s online interactions will be as accessible from the home market as from the host market. (Yamin & Sinkovics, 2006.) As our empirical investigation revealed, all firms in our study showed isolation from host markets by stating that they are benefitting from having short and fast communication levels because all important decisions are made from their headquarters in Sweden.

As well as being isolated from host markets, a firm pursuing AOI is more prone to dilute the sequencing of its foreign market entries. Such a firm is more likely to enter several markets at the same time or dedicate less time to study markets before entry due to the reduced amount of resources needed when internationalizing online in comparison to traditional internationalization strategies. (Yamin & Sinkovics, 2006.) Company A’s ‘machine-gun method’ is a perfect example of such dilution of sequencing. By establishing partnerships with distributors that contacted them from various markets, Company A did not only internationalize into several markets at the same time or within a short timeframe but also put little resources into learning about the markets before entering them. Even though the firm has performed some analyses to identify the potential of markets, the respondent claimed that in most instances they have gone with ‘gut feeling’. The main focus for the firm has since inception been to achieve as fast international growth as possible. Comparably to Company A, Company B has also diluted the sequencing of their international expansion; however, not to the same extent. Company B has also experienced rapid international growth but expressed bigger focus on researching markets before entering them. That said, the respondent still expressed the necessity of rapid international expansion in order to realize first-mover advantages and that, because of their lack of resources, it sometimes was better to enter a market and learn from the experience. On the other hand, Company C has expanded to three nearby Scandinavian markets and more so due to logistics than due to a focus on rapid internationalization. Similarly, Company D demonstrated less focus on rapid
internationalization and has restricted its foreign expansion to four Western European countries. Still, both Company C and Company D admitted to have internationalized quicker than expected and the founder of Company D even stated that the firm was started without the intention to internationalize at all; which goes to show that both firms also have diluted their sequencing of foreign market entries in comparison to traditional internationalization strategies albeit to a lesser degree than Company A and Company B. Consequently, one telling difference between the firms with a higher degree of dilution of sequencing than the others is that they have had an explicit focus on internationalizing as rapidly as possible. This leads us to the following propositions:

Proposition 3a: Swedish Born Globals pursuing an AOI strategy are likely to be isolated from the host markets and to dilute the sequencing of their foreign market entries.

Proposition 3b: Swedish Born Globals pursuing an AOI strategy focused on speed are likely to dilute the sequencing of their foreign market entries to a higher degree.

5.4 Perceived Psychic Distance
As previously discussed, the isolation from host markets and the dilution of sequencing that may arise from AOI mean that the knowledge gained through its online activities may neither be as useful nor as profound as the knowledge gained through traditional internationalization. Psychic distance can be translated into the extent to which firms perceive that previous acquired knowledge is useful to new foreign markets. AOI can be argued to reduce the perceived psychic distance since a firm pursuing AOI will be able to learn about foreign markets through its online interactivity and thereby perceive fewer barriers to learn about foreign markets as well as perceive the knowledge obtained through its online interactivities as a useful predictor for new foreign market entries. (Yamin & Sinkovics, 2006.)

An example of a reduced perception of psychic distance can be seen with Company A that operates by learning-by-doing principles. The respondent stated that the information gained from their experiences and online interactions with existing markets was very important when entering new ones. As we have seen, Company B also has been operating by learning-by-doing principles but here again, not to the same extent as Company A. Although Company B
believes that the information gained through its online interactions is very useful when entering new markets, they also conduct research to see what is needed to succeed in different markets to compliment this information since they are well aware of the potential cultural and business differences that may exist between markets. The respondent from Company C admitted that the cultural similarity between the domestic market and the Scandinavian markets was an important factor behind their decision to enter those markets instead of more geographically distant markets albeit they in time have learnt that several aspects separate each of the Scandinavian markets as well. Company D has not based market entries on information from existing markets at all because of cultural differences and thus displayed the highest perceived psychic distance.

Out of the firms in our study, Company A displayed the lowest degree of perceived psychic distance followed by Company B. Here again, these firms’ foci on rapid internationalization lead us to postulate the following:

Proposition 4a: Swedish Born Globals pursuing an AOI strategy focused on speed are more likely to have a reduced perception of psychic distance.

It has been argued that the reduction of psychic distance may be curbed by dealings with host country agents (Yamin & Sinkovics, 2006). However, this does not suffice as an explanation for the lower degree of perceived psychic distance of Company A in comparison to Company B since both firms have relied on foreign distributors in their value chain. The difference instead, may lay in the fact that Company B has established concept stores in the foreign markets. Establishing concept stores means a bigger investment in terms of resources into the foreign market and further diminishes the reliance of virtual communication. As market specific knowledge gained through AOI is not as likely to be as useful as market specific knowledge gained by actual physical presence (Yamin & Sinkovics, 2006), it is likely that Company B’s concept stores help them offsetting the risk from AOI of not learning the deeper and less obvious aspects of the culture of the foreign market. This reasoning leads us to the following proposition:
Proposition 4b: For Swedish Born Globals pursuing AOI, physical presence on the host market moderates the reduction of the perceived psychic distance.

In our interview with Company D, the founder several times stressed that his previous experiences from running international firms have made him well aware of the dangers of not understanding the cultural and business differences between markets. Thus, the firm’s internationalization strategy has taken a precautious nature, which is highlighted in the firm’s decision, despite extensive plans, to hold off further international expansion for now because of market conditions. The higher perceived psychic distance is also illustrated in the firm’s most recent expansion where smaller cultural and business differences were more important factors than potential demand when deciding what market to enter. Worth highlighting is that it has been argued that because the knowledge of an entrepreneurial firm to a large degree rests with the founder or the entrepreneurial team behind the firm, firms with founders or entrepreneurial teams with greater personal international knowledge will have a faster internationalization process (Almeida & Bloodgood, 1996; Bloodgood et al., 1996; Reuber & Fischer, 1997; Shrader et al., 2000; Oviatt & McDougall, 2005). The greater personal international knowledge gives the firms greater absorptive capacity, which helps the firms collect and analyze additional foreign knowledge that help to reduce the uncertainties of operating abroad (Autio et al., 2000). Thus, applying this to the empirical data, it would suggest that the bigger personal international knowledge of the founder of Company D would in fact prompt a much more rapid internationalization. The discrepancy between theory and data in this case may be explained by the fact that those studies did not look specifically at firms pursuing an AOI strategy. For a firm pursuing AOI, a greater absorptive capacity will only serve to further highlight the limitations of virtual communication since the firm will know what information it needs and therefore be quick to realize the difficulties in picking up this information through virtual communication only. Hence, a firm pursuing AOI with greater absorptive capacity will be more likely to have a higher degree of perceived psychic distance since it will perceive more barriers to learn about foreign markets as well as perceive the knowledge obtained through its online interactivities as a less useful predictor for new foreign market entries. This reasoning leads us to postulate the following:
Proposition 4c: For Swedish Born Globals pursuing AOI, previous international experience of the founder or the entrepreneurial team moderates the reduction of the perceived psychic distance.

5.5 The Virtuality Trap
A low perceived psychic distance per se might not be detrimental for a firm. All case firms argued that the use of Internet enabled them to reach foreign markets more easily and also diminished the obstacles for doing business in different markets. The respondent from Company A specifically stated that one of their main competitive advantages was the naivety and entrepreneurial energy that comes from his relative inexperience in international business. Similarly, the founders of Company B have stated that the reason behind their early success have been attributed to the fact that they did everything against industry standards and norms. The danger however, lies in the limitations of virtual communication and AOI. Virtual communication has been shown to have a lack of capacity to generate understanding (Morgan 2004; Leamer & Storper, 2001) and AOI often brings great focus on the virtual communication with customers as the main information channel of host markets, which often lead firms pursuing AOI to have more of a customer focus than a market focus (Yamin & Sinkovics, 2006).

For a firm pursuing AOI strategies, the reduced perception of psychic distance together with the limitations of virtual communication may lead firms to fall into the virtuality trap; firms may overestimate the usefulness of the knowledge gained through its online interactivity and thus not dedicate enough resources to learn about new foreign markets before entering them. This reasoning has led Yamin and Sinkovics to propose that the more involved a firm gets in online internationalization, the more susceptible they are to fall into the virtuality trap. (Yamin & Sinkovics, 2006) Our empirical data points to support this notion. The limitations of virtual communication and AOI were neither acknowledged during our interview with Company A nor with Company C. However, Company B highlighted the fact that even though the technological developments have made virtual communication more efficient than ever, it is still inferior to face-to-face communication, and Company D mentioned the challenge of picking up relevant market information through online interactions. Interestingly, the distinguishing factors between Company B and Company D from Company A and Company C is that they either have a physical presence on the foreign markets (Company B)
or extensive international founder experience (Company D), which further supports our previously discussed notions of those factors as moderators to the reduction of psychic distance. Combining our preceding propositions with the notion of the virtuality trap we thus end up with the following propositions:

Proposition 5a: Swedish Born Globals pursuing an AOI strategy focused on speed are more susceptible to the virtuality trap.

Proposition 5b: For Swedish Born Globals pursuing AOI, physical presence on the host market moderates the susceptibility to the virtuality trap.

Proposition 5c: For Swedish Born Globals pursuing AOI, previous international experience of the founder or the entrepreneurial team moderates the susceptibility to the virtuality trap.

5.6 The Resource Trap
Following the reasoning behind the above presented propositions, Swedish Born Globals pursuing AOI focused on speed, without or with a lesser degree of the moderating factors of dependence of host country agents in the value chain, physical presence on the host market, or previous international experience of the founder, are more susceptible to the virtuality trap. Thus, those BornGlobals are more likely to dilute their sequencing of foreign market entries due to an overestimation of the usefulness of the knowledge gained through its online interactivity (Yamin & Sinkovics, 2006). In effect, the diluted sequencing of foreign market entries will also lead to a dilution of the firms’ resources. We propose that an effect of the rapid entry to several markets at the same time, or within a small time frame, and the less time studying the markets to enter, is that the firm also is likely to spread out the allocation of resources over more markets and also spend less time analyzing how to optimize the use of their scarce resources.

As we have seen, the notion of LAN have been argued to have a positive effect on the probability of young internationalizing firm’s growth (Autio et al., 2000; Sapienza et al., 2006). However, developing new capabilities, routines, and structures in order to adapt to new
market conditions is also associated with high costs that will make younger, more resource-constrained firms more susceptible to failure when internationalizing (Sapienza et al., 2006). Thus, Swedish Born Globals pursuing AOI focused on speed will be more likely to internationalize at a young age and hence be more susceptible to failure. Since one of the major benefits of AOI identified by all our case firms was its cost-effectiveness, we also propose that such Born Global will increase its focus on rapid AOI further to bring in more revenues to cope with the dilution of resources. The greater focus on AOI brings a greater propensity for the virtuality trap, which consequently leads back to a higher degree of dilution of resources. The firm then has effectively ended up in a vicious cycle that we have decided to label the resource trap.

Our empirical investigation showed that two of the firms were pursuing an AOI focused on speed. Looking at Company A, who showed the most propensity of falling into the virtuality trap, one of the major challenges from their use of AOI was related to keeping up with demand since they were limited by production and logistics. At the same time, the founder stated that the firm, due to the bigger margins and time savings, would be better off dedicating even more resources on their AOI to grow more rapidly since this strategy had previously enabled the firm to quickly raise necessary capital. Looking at Company B, who showed less propensity of falling into the virtuality trap, one of their main challenges from their use of AOI came from protecting and building their brand across borders. The respondent explained that although it is very important for the firm to reach as many markets as quickly as possible to overcome this challenge, the firm also takes time to try to optimize their allocation of resources to the markets that show the best return. Thus, our empirical data seem to support our notions of the dilution of resources and the resource trap, which leads us to the following propositions:

Proposition 6a: Swedish Born Globals pursuing an AOI strategy focused on speed are likely to dilute the allocation of resources over more markets to a higher degree.

Proposition 6b: Swedish Born Globals pursuing an AOI strategy focused on speed are more susceptible to the resource trap.
Table 2 – Summary of propositions

<table>
<thead>
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<th>Proposition</th>
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<tbody>
<tr>
<td><strong>P1</strong>: Swedish Born Globals are likely to pursue AOI.</td>
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<tr>
<td><strong>P2a</strong>: Swedish Born Globals pursuing an AOI strategy are likely to benefit from LAN.</td>
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<tr>
<td><strong>P2b</strong>: The earlier a Swedish Born Global pursuing an AOI strategy initiates its internationalization process, the higher degree of LAN it will benefit from.</td>
</tr>
<tr>
<td><strong>P3a</strong>: Swedish Born Globals pursuing an AOI strategy are likely to be isolated from the host markets and to dilute the sequencing of their foreign market entries.</td>
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<tr>
<td><strong>P3b</strong>: Swedish Born Globals pursuing an AOI strategy focused on speed are likely to dilute the sequencing of their foreign market entries to a higher degree.</td>
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<tr>
<td><strong>P4a</strong>: Swedish Born Globals pursuing an AOI strategy focused on speed are more likely to have a reduced perception of psychic distance.</td>
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<tr>
<td><strong>P4b</strong>: For Swedish Born Globals pursuing AOI, physical presence on the host market moderates the reduction of the perceived psychic distance.</td>
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<tr>
<td><strong>P4c</strong>: For Swedish Born Globals pursuing AOI, previous international experience of the founder or the entrepreneurial team moderates the reduction of the perceived psychic distance.</td>
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<tr>
<td><strong>P5a</strong>: Swedish Born Globals pursuing an AOI strategy focused on speed are more susceptible to the virtuality trap.</td>
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<tr>
<td><strong>P6b</strong>: Swedish Born Globals pursuing an AOI strategy focused on speed are more susceptible to the resource trap.</td>
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Table 2 shows a summary of the propositions developed through our abductive analysis of the theoretical framework and collected empirical data. Furthermore, we have developed our theoretical model (Figure 4) to incorporate said propositions.
Figure 4 – The AOI Model: an illustration of the effects of AOI for Born Globals

Figure 4 is a further development of the AOI model (Figure 3) used in our research, where the proposed propositions are added to the model. As before, the model depicts how the use of AOI increases a Born Global’s ability to learn. It also shows how an early initiated internationalization process increases the possibility for the firm to benefit from LAN and how previous international experience of the entrepreneur or the entrepreneurial team of the firm increases the firm’s absorptive capacity. LAN and absorptive capacity is shown to positively influence the firm’s ability to learn, which in turn is depicted to decrease the perceived psychic distance. Dependence on host country agents is shown to have a moderating effect on the perception of the psychic distance of the firm. Previous international experience of the entrepreneur or the entrepreneurial team of the firm and physical presence on the host market are added to the model as moderators to the firm’s perceived psychic distance. A lower perceived psychic distance is displayed to increase the susceptibility to the virtuality trap while a higher perceived psychic distance is depicted to moderate the susceptibility. The model further shows that if falling into the virtuality trap, the firm is more likely to speed up its internationalization process and thereby increase its likelihood of ending up in the resource trap, which in turn is depicted to have a positive influence on the firm’s focus on AOI. The plus signs in the model depict a positive influence on the processes, whereas the minus signs represent a negative influence.
VI. Conclusion

As previously discussed, the organizational benefits found in the use of the Internet as well as its role as a facilitator for the Born Global phenomenon have been widely explored during the past couple of decades. Yet, less attention has been given to the specific role of AOI within this context and the possible challenges that may arise from its use. As such, this study has sought to explore what possible benefits and challenges that may arise from using AOI for Swedish Born Globals. Through our analysis, we managed to arrive at 13 propositions, out of which many highlights the potential benefits the use of AOI for Swedish Born Globals may bring.

In this study, we have proposed that one benefit of pursuing AOI for Swedish Born Globals encompasses LAN, which provides these firms with a certain level of flexibility and ease of communication, as well as increases the firms’ receptiveness and ability to learn from foreign business partners. Furthermore, the dilution of sequencing and the reduction of perceived psychic distance are proposed to promote rapid internationalization for Swedish Born Globals, with the reduction of the perceived psychic distance specifically making the firms perceive fewer barriers to enter and learn about foreign markets. However, although these propositions individually may be regarded as beneficial outcomes from Swedish Born Globals’ pursuit of AOI, we have also proposed that they are the underlying factors behind the possible challenges that may arise for Swedish Born Globals using AOI.

One of those challenges was first identified by Yamin and Sinkovics (2006) as the virtuality trap. The virtuality trap stems from AOI pursuing firms’ reduced perception of psychic distance coupled with the inherent limitations of virtual communication. By overestimating the value of the knowledge gained from its online interactivity, firms may underestimate the resources they need to invest in order to learn about new foreign markets prior to their entry and as a consequence fall into the virtuality trap. (Yamin & Sinkovics, 2006) We have proposed that Swedish Born Globals with an AOI strategy focused on speed are more susceptible to fall into the virtuality trap. This proposition is based on the understanding that the more rapid the firms’ internationalization is, the less time and resources the firm will dedicate on acquiring the foreign market knowledge needed to avoid the virtuality trap.

Another challenge concerns the resource trap. We have further proposed that Born Globals that are pursuing an AOI strategy with a focus on speed will not only experience a diluted...
sequencing of their foreign market entries but also a dilution of its resources. As such, the firms will choose to put a larger focus on the use of AOI due to its inherent cost-effectiveness in generating the revenues needed to cover the dilution of resources. Consequently, the larger focus on AOI will make the firms even more susceptible to the virtuality trap, which in effect exposes the firms to further dilute their resources. Effectively, this might lead the firms to find themselves in the vicious cycle we have labeled the resource trap.

Concluding, our findings point to the notion that there might be more layers to the effects of the use of the Internet as a major part of firms’ internationalization strategy than previously identified by existing theory. Even though, our study have shown support for the notion of the Internet and the use of AOI as a cost-effective way to induce rapid internationalization, it also indicates that many of the challenges that arise from the use of AOI are more likely to occur for firms with a big focus on achieving as rapid internationalization as possible.

6.1 Limitations

Apart from the limitations highlighted in our method section, we would like to draw further attention to other limitations not aforementioned yet equally important. First, our analysis has been drawn upon data from firms that operate in the branded consumer goods industry as either web retailers or brand owners. There is likelihood that some of the highlighted dissimilarities between the firms also can be explained by the differences in the firms’ lines of business, especially in terms of their focus on rapid internationalization. However, all firms in our study highlighted the importance of having a rapid internationalization where the difference was more in if the firms saw this as the overriding objective or not. Thus, we believe that it is probable that other factors such as the perceived psychic distance plays a more important part in determining the focus on rapid internationalization than the firms’ lines of business. Second, we have based much of our reasoning on the propositions presented by Yamin and Sinkovics (2006). Although their study has not yet been empirically tested, we still believe that it is important to try to further develop the theory in order to gain more insights. After all, the main reason to why we conducted our research was because of the lack of research pertaining to this particular area of international business and thus allowed our research to take on a truly exploratory nature. Third, our study is limited in terms of the recording and identification of attitudes shown by the respondents when talking about the perceived psychic distance, this attributed to the fact that feelings and attitudes in general are hard to capture. We have tried to offset this limitation by basing much of our research on
qualitative data in the form of semi-structured interviews, which gave us the flexibility to really probe the respondents’ answers to capture their attitudes. Finally, we also acknowledge that our sample could be suffering from survival bias. However, due to the small sample of Swedish Born Globals and the difficulties gaining access to the firms that are still operating successfully, it is feasible to think that it would prove even harder gaining access to founders from firms that have experienced failure. This assumption is supported by Saunders et al. (2009; 179) who point out that organizations may be reluctant to share experiences of failure. The notion of survival bias is also a rather common problem in studies of international entrepreneurship (Sapizena et al., 2006; Zhou et al., 2012).

6.2 Managerial Implications and Future Research
Our findings come with certain implications, theoretical as well as practical. Theoretically, we have put forth empirically testable proposition in order to develop existing notions of Born Global theory. These propositions and our theoretical model should be tested on a more generalizable data sample. Researchers could for instance conduct a qualitative study on a bigger data sample or conduct a quantitative study through the means of survey of Born Globals. We also recognize that there are many factors that affect the internationalization process of Born Globals and that it is likely that our study has not captured all of them. Therefore, a study that looks at identifying for example more factors moderating the perceived psychic distance would also be of great interest. Also, the limited geographical and industrial scope of our study also provides an interesting avenue for researchers to test our propositions.

Practically, our findings suggest that entrepreneurs should have in mind that there are not only benefits that come from the use of AOI. This could be of particular importance for Swedish Born Globals since we are proposing that they are likely to incorporate AOI as part of their internationalization strategy. The use of AOI enables firms to internationalize rapidly, in many instances more rapidly than expected, but it is important for the firms to realize that there may lie a danger in inducing a too rapid internationalization process reliant solely on AOI. Firms should ensure that the challenges of rapid internationalization through AOI are moderated through for instance a lesser reliance on AOI or a greater reliance on host country dealings.
VII. References


Bell, J. 1995. ”The internationalisation of small computer software firms: a further challenge to “stage” theories”, *European Journal of Marketing*, vol. 29, no. 8, pp. 60–75.


8.1 Appendix 1 - Interview template for semi-structure interviews

**Active Online Internationalization**

- *General Internationalization Strategy:*
  - Could you describe your firm’s internationalization strategy?
  - What are your perspectives on the globalization phenomenon?
  - How did you get the resources to enter international markets?
  - How was your international network built?
  - How important was Sweden as a market upon inception (in terms of sales / prospective demand)?
  - How important is it today? Is it more important than other markets?
  - Which was the first foreign market/s you entered? When?
  - Why did you enter this/these market/s?
  - Has your internationalization process developed since then? Have you invested further into these markets? Other markets? Different entry modes?
  - Are some markets more important than others? Why/why not?
  - Do you perceive any drawbacks with entering too many markets? If so, what?
  - What do your future plans look like? Are you planning on increasing your international presence further? Why / why not?

- *Role of the Internet:*
  - How would you describe the role of Internet in your internationalization process?
  - Has Internet facilitated an earlier and faster internationalization process? In what way?
  - How important is the Internet in gathering information about markets?
  - How useful is the information gained through the Internet from current markets when entering new ones?
  - What potential advantages come from being a smaller firm and utilizing the Internet as a means of internationalization?
  - What potential drawbacks can you see with pursuing an active online internationalization strategy?
  - Could you give us examples of when the use of Internet could mean the difference between success and failure?
  - Could you give us an example of when the use of Internet has resulted in an unwanted result?

**Ability to Learn**

- *Firm and founder background:*
  - Could you tell us about your academic background?
  - Could you tell us about your professional background?
  - Which previous life experiences would you point out as the most relevant for bringing you to your current position?
  - What is your position in the firm?
  - How would you define your role in the internationalization process of your firm?
  - Are you the only one in charge of this process?
  - Could you please briefly describe the history of the firm? Founding, investors, people involved etc.
  - How would you describe the firm in terms of business idea and vision?
● What are your biggest competitive advantages?
● How useful was your previous personal or professional experience when going international?

❖ **LAN:**
● What benefits do you see with reaching international markets as a young firm age? What disadvantages?
● Who makes the decision about what markets to enter? (Local or central decision-making)
● Do you see any advantages with being a smaller firm when it comes to internationalization? Which?
● Do you see any disadvantages? Which?
● How do you go about getting information about new markets before entering them?

**Perceived Psychic Distance**

● What are the biggest obstacles for you when internationalizing?
● How do you choose what markets to enter?
● How do you go about getting information about current markets?
● How useful is the information from current markets when making decisions about future markets?
● How does geographic distance affect your internationalization strategy?
● How does cultural distance affect your internationalization strategy?
● In retro perspective, is it something you would do differently in terms of internationalization strategy if you knew what you know now?
● What have you learned from your internationalization process so far?
● How much do you adapt webpages to local content?