



BI Norwegian Business School - campus Oslo

EXP 24001

Bachelor Thesis in International Management

Bachelor thesis

How do domestic factors influence some small Norwegian entrepreneurial firms' choice to primarily operate in international markets, rather than their domestic market from inception?

Navn: Henriette Hedenstad, Elise Christine Helgesen

Start: 11.01.2021 09.00

Finish: 02.06.2021 13.00

Bachelor thesis

BI Norwegian Business School Oslo



How do domestic factors influence some small Norwegian entrepreneurial firms' choice to primarily operate in international markets, rather than their domestic market from inception?

EXP 24001

Bachelor Thesis in International Management

This assignment has been completed as part of the study programme at BI Norwegian Business School. This does not mean that BI Norwegian Business School endorses the methods used, the results obtained, or the conclusions drawn.

Preface

We would like to thank BI Norwegian Business School Oslo for an educational study period. Through these past three years of our bachelor in international management, we have acquired a lot of knowledge, both academically and personally. This knowledge has prepared us to excel in our future working life.

We want to thank our lecturer and supervisor of this bachelor's thesis, Jon Bingen Sande, for his good guidance and input throughout this journey. He showed great interest in guiding us on the right track from day one, and has been supportive, encouraging and motivating. Additionally, we want to thank the professors and students in our seminar group, who contributed with good feedback throughout the development of our thesis. We want to thank the two firms in our case studies: Platina Seafood Market and EpiGuard for setting aside time for interviews, and showing interest in our thesis.

Finally, we would like to thank our family and friends for their great patience and encouragement. Your support has been priceless during this difficult and uncertain time we all stand upon.

Summary

The emergence of *born globals* (BGs), defined as *firms that from, or near founding obtain a substantial portion of total revenue from sales in international markets*, has increased during the past three decades. The phenomenon of such firms that are heavily involved in exporting short time after establishment has consequently received increased attention from scholars.

We identified a gap in the literature around how *domestic* factors influence BGs' internationalization choices; previous research mainly focused on factors of the foreign markets, and the firm's internal factors. Based on this, we designed a research question that reads as follows: *How do domestic factors influence some small Norwegian entrepreneurial firms' choice to primarily operate in international markets, rather than their domestic market from inception?*

Initially, the thesis will present relevant literature for the topic of BGs. This includes traditional internationalization theory, as well as a review of the existing BG literature. Furthermore, the relevant research method and design are presented. In the thesis, we used an exploratory design to gain a deeper knowledge of how domestic factors influenced the BGs' internationalization choices. The method used in the thesis is a qualitative research method where we obtained data through individual in-depth interviews. Two case studies were selected: Platina Seafood Market, a firm in the seafood industry, and EpiGuard, a firm in the medical technology industry. Both firms were established in the same year and considered to be Norwegian BGs.

Prior to the in-depth interviews, an interview guide was designed to ensure structure in the conduct of the interviews. The data obtained through the interviews further formed the basis for the analysis.

Finally, relevant findings are discussed in the light of theory presented earlier in the thesis, followed by a conclusion and recommendation section. We presented three domestic factors which are argued to influence the BGs' internationalization choices. These were a *lack of innovation adoption*, *large incumbents with market power*, and a *small market size*. Based on our analysis, we developed a model as an attempt to fill the gap in the previous BG literature. This model illustrated how

factors of the domestic market could make it difficult for small Norwegian entrepreneurial firms to grow domestically, which consequently could lead them to explore opportunities internationally. It is put an emphasis on the fact that such factors should be seen in context with other external and internal factors, as the choice to internationalize is characterized by complexity.

Table of contents

1.0 INTRODUCTION.....	6
1.1 BACKGROUND FOR THE THESIS.....	6
1.2 CASE STUDIES.....	7
1.2.1 PLATINA SEAFOOD MARKET.....	7
1.2.2 EPIGUARD.....	7
1.4 LIMITATIONS.....	8
2.0 THEORY.....	8
2.1 TRADITIONAL INTERNATIONALIZATION THEORY: THE UPPSALA MODEL....	9
<i>Criticism of the Uppsala model</i>	9
2.2 THE BORN GLOBAL THEORY	10
2.2.1 BORN GLOBALS’ DEFINING THREE FACTORS	10
<i>Speed of internationalization</i>	11
<i>Extent of internationalization</i>	11
<i>Scope of internationalization</i>	12
2.2.2 DRIVING FORCES OF THE BORN GLOBAL PHENOMENON.....	13
<i>New market conditions</i>	13
<i>Technological developments in production, transportation, and communication</i>	13
<i>More elaborate capabilities of people</i>	14
2.2.3 CHARACTERISTICS OF BORN GLOBAL FIRMS	14
2.2.4 PREVIOUS RESEARCH ON DOMESTIC FACTORS THAT MAY INFLUENCE BGS.....	16
3.0 METHODOLOGICAL APPROACH	17
3.1 RESEARCH DESIGN	17
3.1.1 CHOICE OF DESIGN	17
3.2 DATA COLLECTION.....	18
3.2.1 IN- DEPTH INTERVIEW	18
3.2.2 CASE STUDY SELECTION CRITERIA	19
3.2.3 DEVELOPMENT OF INTERVIEW GUIDE.....	20
3.2.4 CONDUCTION OF THE INTERVIEWS	21
3.3 ANALYZING THE DATA.....	22
3.4 EVALUATION OF METHOD	22
3.4.1 RELIABILITY.....	23
3.4.2 CREDIBILITY (INTERNAL VALIDITY).....	23

3.4.3 TRANSFERABILITY (EXTERNAL VALIDITY)	24
3.4.4 VERIFIABILITY (OBJECTIVITY)	24
3.5 ETHICAL AND LEGAL IMPLICATIONS OF THE RESEARCH	24
3.5.1 THE INFORMANT'S RIGHT TO SELF-DETERMINATION AND AUTONOMY	25
3.5.2 THE RESEARCHER'S DUTY TO RESPECT THE INFORMANT'S PRIVACY	25
3.5.3 THE PERSONAL DATA ACT	26
4.0 FINDINGS.....	26
4.1 INNOVATION	26
<i>Platina Seafood Market.....</i>	<i>26</i>
<i>EpiGuard.....</i>	<i>27</i>
4.2 MARKET STRUCTURE.....	29
<i>Platina Seafood Market.....</i>	<i>29</i>
<i>EpiGuard.....</i>	<i>30</i>
4.3 MARKET SIZE	31
<i>Platina Seafood Market.....</i>	<i>31</i>
<i>EpiGuard.....</i>	<i>31</i>
5.0 DISCUSSION.....	31
5.1 DOMESTIC FACTORS.....	32
5.1.1 DOMESTIC FACTOR: SMALL MARKET SIZE	32
5.1.2 DOMESTIC FACTOR: LACK OF INNOVATION ADOPTION.....	32
5.1.3 DOMESTIC FACTOR: LARGE INCUMBENTS WITH MARKET POWER	33
5.2 DOMESTIC FACTORS IN CONTEXT WITH INTERNATIONAL AND INTERNAL FACTORS	34
5.3 MODEL: DOMESTIC FACTORS FOR INTERNATIONALIZATION	34
6.0 CONCLUSION	36
6.1 WHAT MANAGERS CAN LEARN FROM THIS.....	37
6.2 FURTHER RESEARCH.....	37
REFERENCES	39
ATTACHMENTS	46
1 Interview guide.....	46
2 Information letter.....	46

1.0 Introduction

1.1 Background for the thesis

The preparation of this thesis began with an informal interview with the case firm Platina Seafood Market (hereinafter PSM), a Norwegian firm in the seafood industry. In this interview, we attempted to examine the firm's chain of events on an overall level. During the interview, several thoughts and stories emerged that formed interesting possible angles to the thesis. The main challenge for PSM was the entry into the Norwegian market. This was something we wanted to further explore. After reading up on literature regarding the internationalization of small entrepreneurial firms, we concluded that PSM could be classified as a *born global* firm.

The phenomenon *born global* (in short BG) is defined as *firms that from, or near founding obtain a substantial portion of total revenue from sales in international markets* (Knight & Cavusgil, 2004, p.124). The three defining factors of BGs, based on this definition, is thus the *speed*, *extent*, and *scope* of internationalization, which will be further defined in chapter 2.2.2. The emergence of such firms that are heavily involved in exporting short time after establishment has increased during the past three decades (Øyna & Alon, 2018, p. 157). Previous research around BGs has, to a large extent, focused on factors of the *foreign markets*, and the firm's *internal* factors. When reading through previous material, we noticed a gap in the literature; there is not a lot of research around how *domestic* factors influence BGs' internationalization choices. As such factors appeared to be a prominent reason for PSM's internationalization choice, we deemed it interesting to gain a better understanding of this area. Based on this, we designed a research question that reads as follows:

How do domestic factors influence some small Norwegian entrepreneurial firms' choice to primarily operate in international markets, rather than their domestic market from inception?

In order to cross-check if the case of PSM was not an outlier, we included another Norwegian BG firm, EpiGuard, a firm that operates in the medical technology

industry. This way we could analyze if the data obtained in the different case studies were transferable across different industries.

1.2 Case studies

1.2.1 Platina Seafood Market

Platina Seafood Market was established in 2015 as a subsidiary of Platina Seafood AS. PSM is a small Norwegian firm in the seafood industry that exports salmon products to large parts of the world. Their product line is called “EatSalmon” and includes variants of salmon products such as burgers, sausages, and gratins. Their products are considered to be of high quality in the seafood industry and have won the Norwegian Championship in food products for several of their products. The firm uses exclusively Norwegian raw materials, and outsources their production to the Norwegian manufacturer Ferdigmat AS.

PSM currently operates in a couple of chains in Norway, but mainly exports (95% of total sales) to the U.S., Spain, The Netherlands, Dubai, Saudi Arabia, Mexico, and Turkey. The U.S. is today the firm’s primary market, where the entry mode into the market has been through co-branding with the Norwegian firm Kvarøy. In the other export markets, the firm has primarily entered through buyers and agents who have contact with chains and distributors. The firm planned to internationalize from inception.

1.2.2 EpiGuard

EpiGuard is a Norwegian firm in the medical technology industry. It was established in 2015 by a group of doctors at the Oslo University Hospital (OUH). The firm was established on the basis that there was a Norwegian doctor infected with Ebola in Sierra Leone when she was on assignment from Doctors Without Borders in 2014. When transporting her back to Norway, to OUH, they realized that the medical equipment against infection control was insufficient and ineffective. Therefore, they developed the “EpiShuttle”, a single-patient isolation and transportation unit, designed to protect the environment from an infected patient, as well as to protect the patient.

The product has been highly relevant during the COVID-19 pandemic, and is sold to ambulance services, hospitals, the military and air ambulances. EpiGuard is present in the Norwegian market, but mainly exports (about 90% of total sales). They sell to around 25 different markets across Europe, the Middle East and the Americas, amongst others. EpiGuard planned to internationalize from inception. The firm is financially supported by “Horizon 2020”, an innovation program presented by the EU, to develop new products.

1.4 Limitations

This thesis is limited to examining two case firms’ perspectives on domestic factors that influence the choice to internationalize from inception. A larger sample of case firms would naturally have strengthened the transferability of this research. That being said, a quantitative survey could maybe have strengthened the thesis by including a larger number of companies. Nevertheless, we considered the in-depth interview to be the most appropriate method as it provided us with the depth of information needed.

The time constraint for the thesis was to be considered a limitation. It has been a time-consuming process to hold in-depth interviews, as well as to transcribe them, yet this was considered more appropriate than *e.g.*, sending out surveys, where we might have risked not getting answers from the interviewees sent back in time. A small amount of existing literature and research on the subject has also been a limitation. It is therefore not unlikely that further research can highlight new factors beyond what is presented in the thesis.

2.0 Theory

In this chapter, we have reviewed and presented the existing theory in which our bachelor thesis is based on, to give the reader an increased understanding and knowledge of the area of interest. We deemed it appropriate to briefly include the traditional internationalization theory through the Uppsala model, and its criticism, in order to understand how the theory of *born globals* emerged, and why this is a phenomenon that has received increased attention in the recent

decades. Within the theory of BGs, we defined the term, discussed the driving forces of the phenomenon, its defining factors, as well as BG characteristics and previous research around how different factors influence internationalization choices. Our sources of data consist of both primary and secondary sources, more specifically academic journals, research papers, and credible magazines.

2.1 Traditional internationalization theory: The Uppsala model

Existing theories of internationalization emphasize the importance of learning through experience in order to expand to foreign markets, and, thus, to explain internationalization as an incremental learning process (Øyna & Alon, 2018, p. 157). Such a traditional approach to internationalization is the Uppsala internationalization model (Johanson & Vahlne, 1977, 1990, 2006, 2009, 2017).

The basic assumption in this model is that firms become more committed to a market and invest more resources in it as they learn more about that specific market. Firms begin exporting when they have established a strong base in the domestic market. Exporting then usually begins in markets with a close physical and/or psychic distance. Once established in these markets, and the knowledge of foreign markets increases, they proceed into more distant markets (Chetty & Campbell-Hunt, 2004, p. 59-60; Braunerhjelm & Halldin, 2019, p. 61).

Criticism of the Uppsala model

The Uppsala model has been criticized for oversimplifying a complex process (Dicht et al., 1984, p. 52), that firms oftentimes skip stages (Oviatt & McDougall, 2005, p. 33), that it overlooks the impact of external factors (Welch, 1982), and that it ignores certain acquisitions (Forsgren, 1990, p. 262). Others have criticized the model for coming up short when trying to explain how small firms internationalize in the (increasingly) global market of today (Andersson & Wictor, 2003, p. 250; Chetty & Campbell-Hunt, 2004, p. 76).

Based on a 1994 study of 328 Norwegian, Swedish, Danish, and Finnish exporters, it was concluded that the firm's domestic market no longer appeared to be as important a "learning place" as demonstrated by earlier studies. The same

study shows that a large proportion of the exporters started expanding internationally just after inception (Lindmark et al., 1994). Christensen & Jacobsen report, based on a longitudinal study, that an increasing number of firms start exporting within the first years of establishment (Christensen & Jacobsen, 1996). This trend of firms' internationalization from or near inception is still as, if not more, present today (Gull et al., 2021).

2.2 The born global theory

As Gabrielsson & Kirpalani (2012) state, "A new breed of firm, the born global firm, has increased in importance during the last two decades" (p. 3). In the literature, it has also been termed "international new ventures", "instant internationals" and "global start-ups", amongst others (Moen & Servais, 2002, p. 50). When the phenomenon of BGs became an area of interest, numerous studies were conducted that contradicted the traditional stages theory of internationalization for an unforeseen fast international activity of businesses within a few years from inception (Ganitsky, 1989; Knight & Cavusgil, 1996; Mcdougall et al., 1994; Welch & Loustarinen, 1988). A BG may not even have sales in their home country (Braunerhjelm & Halldin, 2019, p. 61). These firms, characterized by an early and fast-paced internationalization, challenged the pre-existing theories in the field, which for a larger part focused on the gradual internationalization of larger businesses with greater experience, such as the Uppsala model, as aforementioned.

2.2.1 Born globals' defining three factors

Within the definition presented by Knight and Cavusgil (2004) (see chapter 1.1), there are three dimensions, which are often used to describe the uniqueness of the BG firm: *speed*, *extent*, and *scope* of internationalization. Knight and Cavusgil (1996) introduced the measure of "25% of revenues from foreign markets within three years of inception" (p. 18) to empirically define BGs, which, to some extent, have become the norm within BG research (Knight & Liesch, 2016, p. 98). However, there are several problems relating to these measures. In this chapter, we have explained these dimensions, and how they can be problematic.

Speed of internationalization

This dimension was the initial identifier of the BG firm; the *speed of internationalization*, that is, time from inception until the internationalization begins and the following internationalization process (Øyna & Alon, 2018, p. 162). Empirical definitions of this dimension differ to a certain extent, and so do the applied, more specific, cut-offs chosen for a number of years from inception. These numbers need to be evaluated in light of firm, industry, and country context due to the fact that they likely will differ to a large extent based on domestic market size and industry (Øyna & Alon, 2018, p. 162). For instance, up to ten years is suggested for German, Australian, and Swiss firms (Gassmann & Keupp, 2007, p. 353), five years for Spanish firms (Acedo & Jones, 2007, p. 242), while one year is suggested for Irish firms (Evers, 2010, p. 400).

Two issues, in particular, emerge from using this criterion to describe BGs. *First*, it is not clear from which point in time “inception” takes place (Hewerdine & Welch, 2013, p. 467). Here, questioning if it is at the discovery of the opportunity, the founding of the firm, or the launch of the product. For instance, events such as R&D, planning, and bureaucracy related to founding a firm are factors that can differ considerably in time. *Second*, some firms behave almost identical to BGs, but not necessarily within a few years from inception. Some, additionally, have been limited to their domestic market the first years, but internationalize with a considerable pace when they eventually do (Hashai & Almor, 2004, p. 469-470). This discussion shows that the dimension of *speed* might incorrectly include or exclude firms. Yet, it is often employed in the topic of research (Madsen, 2013, p. 68).

Extent of internationalization

This dimension of the BG firm relates to the intensity of the international activity. It tells us something about the firm’s level of commitment to its foreign market(s), often measured by the amount of turnover. Many scholars use an empirical definition referring to the extent of internationalization which states that a BG firm should have “25% of its revenues from foreign markets”, as aforementioned. However, this was originally based on a study of firms in the U.S. and has been criticized for being trivial (Knight & Liesch, 2016, p. 98). Some claim it is too mild of a criterion for firms from smaller domestic economies (Madsen & Servais,

1997, p. 564; Gabrielsson et al., 2008, p. 387).

Moen, for instance, found the average export intensity of BGs from Norway to be 65%, and 74% in France (Moen, 2002, p. 162). In Denmark, it was 69% (Madsen et al., 2000), while they in New Zealand found it appropriate to require 75% of sales to be international when studying BGs due to the fact that majority of the NZ firms viewed Australia as an extended home market, and, therefore, retrieved a considerable part of their revenues here (Chetty & Campbell-Hunt, 2004, p. 65). In light of this information, some suggest this measure of *extent* is unsuitable considering its dependence on the context regarding characteristics such as industry factors, size of the home, and neighboring markets, amongst others. However, it is still a widely used measure when describing BGs, either as presented above or with other cut-offs, such as 10% (Zhou et al., 2007, p. 68), 20% (Fan & Phan, 2007, p. 1116), or 50% (Luostarinen & Gabrielsson, 2006, p. 780). As a result, comparing studies is problematic since there is no *de facto* standard among them.

Scope of internationalization

The third defining factor of a BG relates to its global diversity, *i.e.*, number of foreign markets entered, or these markets' geographic spread. A common understanding is that BGs have a wide geographical scope. It implies in the name born *global* that the firm has activities in several regions in the world. It is anticipated to be easier to expand your business to neighboring countries in which markets are economically advanced, institutionally, and culturally similar to the BGs domestic market, such as the case for Scandinavian countries (Øyna & Alon, 2018, p. 163).

Some, thus, categorize studies that fail to address the scope of many firms classified as born *global* to, in reality, be “born *regional*” or “born *international*” (Chetty & Campbell-Hunt, 2004). Even though internationalization happens early and fast, the majority of their revenue from international markets originates from countries surrounding the domestic market. For these firms, geographical expansion occurs more incrementally (Lopez et al., 2009, p. 1228-1229). An attempt to address this misconception introduces the term “degree of born-globalness”, as a way of measuring a “true born-global” by its degree of export

turnover in relation to market distance (Kuivalainen et al., 2007, p. 260).

2.2.2 Driving forces of the born global phenomenon

In this chapter, we discussed the driving forces that *enabled the rise* of the BG phenomenon. In other words, what affected the shift from the traditional way of internationalizing to the early and fast way of BGs' internationalization. This discussion is not only important to explain the BG emergence over the last three decades, but also to understand and try to establish the relevance of this phenomenon in the future. According to Madsen & Servais, there are, at least, three driving forces that contributed to the rise of BGs (Madsen & Servais, 1997, p. 565).

New market conditions

The first driving force relates to new market conditions in which several industries had been subject to in the recent decades leading up to the 1990s. The number of niche markets seen to arise, as a result of an increasing specialization, pushes the firm from inception to sell its specific products to an international market. This is both due to the domestic market being too limited, even in larger countries, but also because the BG's high technology innovative products are meant for a global market (Madsen & Servais, 1997, p. 565). Even though much of the BG literature has been connected to the high-tech sector, the phenomenon has, in later research, also been found in other mature sectors, such as the arts and crafts business (Wictor & Andersson, 2012, p. 14). Furthermore, as a result of globalization, cross-border networks can develop easily, resulting in customer's needs becoming more homogeneous (Madsen & Servais, 1997, p. 565).

Technological developments in production, transportation, and communication

The second driving force relates to technological developments. Technology has played a crucial part in terms of changing market conditions, as it removed cost barriers to internationalization. There are at least two notable reasons for this. *First*, production process technology made processes such as small-scale operations affordable, and transportation of goods and people less expensive. *Second*, the technological development in terms of communication made it possible to communicate across world markets in an efficient and cheap way. Furthermore, since communication became increasingly advanced, information on

international markets became easily available, thus making the entrepreneur more prepared for internationalization (Madsen & Servais, 1997, p. 565-566).

More elaborate capabilities of people

The final driving force includes more elaborate capabilities of people, such as the founder of the BG firm. Such capabilities include, amongst other things, a high degree of innovativeness, openness to internationalization, a flexibility towards change and a global vision. The number of people with international experience has increased drastically during the last couple of decades leading up to the 21st century. This is, amongst other things, a result of the promotion of international exchanges and international internships between students. Madsen and Servais argue that this mobility and education beyond country borders shaped the individual to experience and understand foreign practices and cultures, resulting in future business leaders being more prompt to explore and exploit international opportunities. Also, this mobility and integration of people made their preferences more homogenous and less domestically bound (Madsen & Servais, 1997, p. 566).

Madsen & Servais (1997) concluded in their study that “it must be expected that the phenomenon of *born globals* will become more widespread in the future. The driving forces mentioned will probably be even stronger in the years to come, and therefore more industries and firms can be expected to be affected” (p. 566).

Recent developments in the *technology of production, transportation, and communication* may be argued to reflect that such a driving force has become stronger. Such developments include the Internet of Things, hereunder route planning, making it easier for transportation vehicles to plan efficient routes (Ohio University, 2021). In terms of *market conditions*, the world is more globalized than ever, implying more homogeneity, something that may also relate to an increase in *elaborate capabilities of people* (Ghemawat & Altman, 2019).

2.2.3 Characteristics of born global firms

In this chapter, we described the more general characteristics that appear to be recurring in a large proportion of BG firms according to different studies.

In previous literature, there is a significant emphasis and focus on how internal factors of the firm, *i.e.*, firm-specific factors, characterize the BG firm. This

involves organizational characteristics such as international experience, vision, commitment, entrepreneurial orientation, innovativeness, international marketing capabilities, strong market orientation, and the ability to adapt to changing conditions (Knight & Cavusgil, 2015, p. 9). Furthermore, it is believed that the BG firm's management plays a significant role in the development of the firm (Solberg & Bretteville, 2012, p. 154). Some suggest an international entrepreneurial orientation; a global vision from inception - firms must "think globally" to become global (Knight & Cavusgil, 2004, p. 127; Rialp et al., 2005, p. 145; Roque et al., 2020, p. 5). The entrepreneur also has to create an organization that will carry out this vision (Victor & Andersson, 2012, p. 13). Other relevant factors include products of high-tech or superior quality, and pursuance of global niche markets (Knight & Cavusgil, 2015, p. 9).

Some scholars argue that BGs may have distinctive assets enabling them to more efficiently make use of resources so that they do not need the level of maturity or scope previously assumed essential for multinationality in the traditional internationalization theories (Oviatt & McDougall, 1994, p. 49). It is argued to be four necessary and sufficient characteristics for successful BG firms: (1) *internationalization of some transactions*. (2) *alternative governance structures*, for instance, minimal use of internalization due to the fact that BGs commonly lack sufficient resources to control many assets through ownership. (3) *foreign location advantage* (over indigenous firms). As an international firm entering a foreign market, there are certain disadvantages vis-à-vis a domestic firm such as an incomplete understanding of language and business practices, amongst other things. We call this *liability of foreignness*. Here, multinational enterprises have often relied on economies of scale to overcome such barriers, but BGs must oftentimes rely on other resources; private knowledge is the most obvious alternative here. (4) *Unique resources*. In order to achieve success in foreign markets close to inception, BG firms leverage knowledge, innovativeness, and capabilities (Knight & Cavusgil, 2004, p. 127).

We see, through this chapter, and the driving forces of the BG phenomenon (see chapter 2.2.2), that a majority of the previous literature around BGs have focused on factors and characteristics of the international environment and internal factors within the firm, and how these are influencing the internationalization choice.

Further, we proceeded to discuss some scattered previous research around domestic factors in the context of BGs.

2.2.4 Previous research on domestic factors that may influence BGs

In the international marketing literature, the domestic environment has for long been considered an environment that would trigger firms to pursue international opportunities. When the domestic market is saturated, or characterized by intensive competition, firms are likely to see growth opportunities in foreign markets (Rutihinda, 2008, p. 47). However, after looking at previous research of the historical driving forces for the BG phenomenon as well as some recurring characteristics, we noticed that previous research around this topic, to a large extent, focused on the factors of the international environment as well as internal factors within the firm that drive BGs to internationalize. There is some scattered previous research on the topic of domestic factors, which is further presented.

Schueffel et al. did research on the phenomenon of “born-again globals”, which are “firms that have been well established in their domestic markets, with apparently no great motivation to internationalize, but which have suddenly embraced rapid and dedicated internationalization” (Bell et al., 2001, p. 173). The findings were that the domestic market’s limited growth and increasing competition levels, for the most part, were vital factors (Schueffel et al., 2014, p. 429). However, this study focuses on the behavior of larger, established firms (ref. born-again globals), which differentiates from our focus on BGs, which are smaller entrepreneurial firms.

An interesting find is that Knight & Cavusgil concluded on the premise of their research on early and rapid internationalization that nations with small domestic markets tend to have a higher incidence of BG firms (Knight & Cavusgil, 2015, p. 10). This finding is reinforced through another study, which found that the decision for a BG to internationalize from inception is, in particular, influenced by the size of its home market (Fan & Phan, 2007, p. 1128).

3.0 Methodological approach

A *qualitative* research method became the natural choice for our thesis, as this approach was more likely to provide us with the depth of information we needed in order to answer our research question, as opposed to a quantitative approach. We argue that the latter approach would not have given us the ability to gain the same amount of information that is required in case studies. Qualitative methods are research methods used in the collection and analysis of qualitative data, usually available in text form. Methods for collecting qualitative data can be participatory observation, focus groups, in-depth interviews, qualitative content analysis, or ethnography. These studies often include few case studies, where the purpose is to achieve an in-depth knowledge and understanding of specific contexts or to develop categories, concepts, and typologies. They may also aim to formulate theories and hypotheses, or to make transferable theoretical results (Grønmo, 2020). In the next chapter, we have gone through our choice of research design.

3.1 Research design

It is common to distinguish between three main types of design in the pragmatic approach. Here, the thought is that each design has its strengths and its weaknesses and that each can complement each other: *exploratory* design, *descriptive* design, and *causal* design. In an exploratory design, little is known about the subject area in advance. The intention here is to obtain a lot of information. The descriptive design is used to describe one or more variables, whilst the causal design is based on testing whether variables match by testing the cause-effect relationship (Gripsrud et al., 2018).

3.1.1 Choice of design

After a thorough search of the literature, we found that there is limited research in general around the area of BG, but especially around how domestic factors can influence BG's internationalization choices. As previously discussed in the theory chapter, there is no consensus on a theoretical model nor agreement on a definition of BG. We, therefore, considered an exploratory research design to be suitable for our thesis, as our research question involved understanding and

interpreting the current phenomenon in the best possible way (Gripsrud et al., 2018).

By choosing an exploratory research design, we had the opportunity to be more flexible and adaptable to change. This turned out to be valuable in the process of formulating a final research question. Our starting point for the research question of this thesis was broad. Through conversations with the first case study, each other, the supervisor, and the seminar group, we gradually narrowed down the topics so that we ended up with the research question we have today. We also saw that the exploratory research design in the form of in-depth interviews with the two firms as study objects would make it possible to further study the influence of domestic factors and answer our specific research question. Through the exploratory design, we aimed for in-depth interviews, secondary data, and literature searches to obtain information.

3.2 Data collection

3.2.1 In- depth interview

In-depth interviews allow us to uncover context that otherwise would not necessarily have been made visible, for example, through quantitative surveys. Through an in-depth interview, the moderator also gets the chance to ask follow-up questions (Johannessen et al., 2020). This provides us with the opportunity to reach the depth of information we need to gain insight into our research question. Further benefits of doing in-depth interviews are that they require fewer people than focus groups, which makes it easier to execute (Johannessen et al., 2020). This was a great advantage due to the time limitation of our bachelor thesis. In addition, through in-depth interviews, we eliminate the risk that the presence of other respondents affects the answers. The disadvantages of using this technique are that it takes more time to execute the interviews, as well as to analyze the data subsequently. A further disadvantage is that the moderator can inhibit the respondent (Gripsrud et al., 2018). In order to minimize this risk, we conducted the interviews with the minimum amount of interruptions as possible.

3.2.2 Case study selection criteria

Initially, we started with one case study. However, we realized early that it would be useful to compare findings from one firm to another firm in a different industry to avoid our result only ending up reflecting one firm's perception. Doing this, our results would be of higher transferability. This would strengthen the argument that the case of the initial firm was not an outlier. Additionally, looking across industries would give us more variation, and the ability to explore the mechanisms behind domestic factors and their influence. By going thoroughly into these case firms, we wanted to document the chain of events that made them internationalize as they did.

To select which case firms to study, we used a selection strategy that is based on choosing firms with comparable factors: a *criteria-based selection* (Johannessen et al., 2020). The first criteria consisted of choosing firms based on the three defining factors of BGs; *speed*, *extent*, and *scope* of internationalization (see chapter 2.2.1 for more elaboration) to make sure that they, in fact, could be considered BGs. As our case firms internationalized from inception, have a majority of their revenues from foreign markets, and exports to markets with both large physical and psychic distances we considered them to be well within what is considered to be BGs if we compare it to the Knight & Cavusgil norm within BG research (see chapter 2.2.1).

The second criteria referred to the firms' year of establishment. Here, we wanted to find firms of approximately the same age. We included this criterion because it can be argued to increase the comparability of the firms. Both PSM and EpiGuard were established in 2015.

PSM was considered a BG due to the fact that:

- o They internalized from inception (*speed*)
- o Their export share is approximately 95% of total sales (*extent*)
- o They export to around 7 markets in Europe, America, and the Middle East (*scope*)

EpiGuard was considered a BG due to the fact that:

- o They internalized from inception (*speed*)
- o Their export share is approximately 90% of total sales (*extent*)
- o They export to around 25 markets in Europe, America, and the Middle East (*scope*)

3.2.3 Development of interview guide

The interview guide was based on a framework described in the book *Forskningsmetode for økonomisk-administrative fag* [Research method for economic-administrative subjects] (Johannessen et al., 2020). In the preparation phase, we prepared an interview guide with a semi-structured layout. This provided us with some control over the course of the interview, as well as it ensured room for flexibility for follow-up questions according to what the interviewees answered. This way, we gained access to useful additional information and views of the interviewees beyond the questions posed. The in-depth interviews were held with people with key positions in the case firms' management.

The preparation of the interview guide was a lengthy process as it was important for us to find good and correct questions that provided answers to what we wanted to investigate. The design of the questions was time consuming as it was a challenge to separate the questions from each other so that the answers were not too similar. We started the interview guide with two factual questions where we asked if the interviewees could start by telling a little about their own education and how long they had worked for the firm. It was a conscious choice to start with relatively simple questions to create a safe and relaxed environment for the interview. During the interviews, there was no need for these questions as the conversation flow was good from the start.

We prepared an introductory question to briefly hear the interviewee's words on what the firm does. Then we asked a transition question to point the interviewee in the right direction, so that there would be a smooth transition to the important key questions. We divided the key questions into the three main themes: abroad, domestic and firm specific. These questions were the very core of the interview, and we therefore made sure to spend well over half the time on these questions.

We experienced the interviews as a dialogue rather than a monologue, and that the conversations flowed naturally. Towards the end of the interviews, the interviewees were informed about the number of questions that remained. Finally, we asked if there was anything the informant wanted to add or omit in the interview.

For the full interview guide, see attachment 1.

3.2.4 Conduction of the interviews

Although the thesis is written in English, we held all the interviews in Norwegian as this was the native language of all the interviewees. For that reason, we considered it inhibiting and unnatural to hold the interview in English. Due to the social distancing regulations introduced as a result of the COVID-19 pandemic, all interviews were held virtually over Zoom. An advantage of holding the interviews virtually has been that it has become easier to get hold of interviewees, as it is not as time consuming as physical interviews. One disadvantage is that it is more difficult to interpret non-verbal communication through the screen. Another option would be to send the questions by e-mail. This alternative was considered to cause uncertainty, because we then would risk them not taking the time to write down all the answers. We also anticipated that we would not get complementary answers with this alternative. Therefore, the conclusion was that the most secure way to obtain sufficient data was via virtual interviews.

The interviews started with us introducing ourselves and the research project to the interviewees. In this part, we took the opportunity to thank the person for setting aside time. It was important to initially specify that there were no right or wrong answers; we were interested in the interviewee's own thoughts, opinions, and stories. Furthermore, we conveyed the interviewee's degree of importance and relevance to the thesis. It was important for us to inform the interviewees that the interviews and the information that emerged there would be of great relevance to our thesis. We informed the participants about the course of the interview, that one of us mainly asked questions while the other one took the role of a moderator, asking questions along the way in case of unclearness, and taking notes. The interviewee was then informed that the time estimate for the interview was set at 45-60 minutes.

3.3 Analyzing the data

Since we got the consent to audio record the interviews, we had to transcribe them. This was relatively time-consuming, but something we believed was better for the research; this way, we did not risk missing any information, compared to if we would have been to solely rely on notes taken during the interview.

We analyzed qualitative data, which is based on meanings expressed through words. We categorized the data into groups and later analyzed it, as the material was non-standardized data (Saunders et al., 2019). When going through the data, we first organized the material in order to get an overview and identify particular patterns, also called data reduction. There are several ways of doing this; however, we mainly used a *cross-sectional* and *categorical division* of data. Cross-sectional data division means creating a system for *indexing* the data. Indexing means that labels are placed on sentences that make it possible to identify certain topics in the data. This process is also called categorical division, because the index system often ends in a type of categorization. A category is a term used primarily about a group of people, activities, places or other relevant topics, whose members have common features, *i.e.*, that they are in some way alike (Johannessen et al., 2020). Our indexing system consisted of labeling sentences in different colors according to the three recurring themes: innovation, market structure, and market size. We used this method because we are looking for patterns in market constructions that have common features, which can be placed in categories of domestic factors of the Norwegian market (Saunders et al., 2019).

3.4 Evaluation of method

In this chapter, we assessed the quality of the choice of the qualitative research design for the thesis. The quality is assessed through *reliability*, *credibility*, *transferability* and *verifiability*. These concepts are compared to the more quantitative concepts of reliability, validity, representativeness and objectivity (Johannessen et al., 2020).

3.4.1 Reliability

Reliability is linked to the survey data; what data is used, how it is collected, and how it is processed (Johannessen et al., 2020). As we chose a qualitative research design, it is not considered appropriate to set the same requirements for reliability as one would do in the case of a quantitative research design. We did not use structured data collection techniques but collected data through conversations. It is therefore not possible for others to carry out *exactly* the same research as us. The reason for this is because the observations made during the interviews are context-dependent, and because no one else has the same experiences and hence the interpretations we possess. That being said, through all chapters of this thesis we attempted to strengthen the reliability by giving the reader an informative and detailed presentation of the entire research process so future researchers may carry out similar research.

3.4.2 Credibility (internal validity)

Credibility, or internal validity can be understood as whether or not a method examines what it intends to examine (Johannessen et al., 2020). We have therefore taken a closer look at the extent to which our findings and purposes of the study represent reality. To strengthen the credibility of the thesis, we used various techniques such as continuous observation, method triangulation, and, to a certain degree, regressive results. By reviewing existing BG literature and research, we gained greater knowledge on the field, making it easier for us to distinguish between relevant and irrelevant information during interviews and during conversations with the supervisor. The time and resources we have used to acquire the knowledge can, this way, be argued to have strengthened the credibility of the thesis. Method triangulation was used by examining two separate case firms from different industries. Furthermore, conversations in seminars and with the supervisor may be argued to have strengthened the thesis' credibility, as discussions along the way shed a valuable light on different interpretations of the collected data material. This way the supervisors both corrected and confirmed our interpretations.

3.4.3 Transferability (external validity)

External validity, or transferability, deals with the extent to which the results from the research project can be transferred to similar phenomena through analysis and systematization of the data. Based on these results, the goal is to establish new knowledge by developing theories, concepts and interpretations that shed light on the phenomenon being studied (Johannessen et al., 2020). Qualitative surveys talk about the transfer of knowledge instead of generalization, because the latter gives associations to statistical generalization and quantitative studies (Johannessen et al., 2020). The thesis presents a custom model based on domestic factors described in previous research, combined with new domestic factors that have not been presented in research before. The design of this model can therefore be argued to strengthen the transferability of the thesis as the model can be considered useful for other BGs than the two case firms. As the thesis goes into depth on data collection from two firms, the transferability is thus strengthened through detailed descriptions, as these descriptions make it easier for the reader to assess whether the results can be transferred to other contexts or not (Johannessen et al., 2020).

3.4.4 Verifiability (objectivity)

Verifiability is defined as the extent to which other researchers can confirm and study results. It is important that the findings are a result of the research and not of the researcher's personal attitudes (Johannessen et al., 2020). Throughout the thesis, the research process has been described in detail to give the reader an ability to evaluate our decisions themselves. The fact that the interviews were held virtually may have created information noise. This may have affected how we perceived the information provided during the interviews, and thus weakened the verifiability of the thesis. Nevertheless, the fact that our own views and methods were subjected to review by the supervisors may have prevented biases, which supports the verifiability of the thesis.

3.5 Ethical and legal implications of the research

According to Saunders et al., research ethics relates to questions about formulating and clarifying the topic of research, designing and gaining access, collecting data, processing, storing, and analyzing our data, as well as writing up

research findings in a moral and responsible way (Saunders et al., 2019). Throughout the research process, it has been important that the research is legal and ethical. We have therefore adopted guidelines prepared by the National Research Ethics Committee for the Social Sciences and Humanities. The guidelines can be divided into three types: the informant's right to self-determination and autonomy, the researcher's duty to respect the informant's privacy, and the researcher's responsibility to avoid harm (Johannessen et al., 2020). The latter guideline is considered less relevant, as our data collection did not address vulnerable and sensitive areas for the interviewees.

3.5.1 The informant's right to self-determination and autonomy

All the interviewees were sent an information letter about the research project by e-mail before the interviews were held. The content of the information letter was designed in accordance with the Norwegian Center for Research Data's (NSD) template (see appendix 2 for the supplementary information letter) (NSD, n.d.). By sending out the information letter in advance, the interviewees were provided with an overview of what the research project was about, what data we were looking for, and their own rights. In sum, prior to the interview, it was clarified what they agreed to participate in. At the beginning of each interview, we ensured the permission to audio record the interviews by double-checking their consent. All interviewees agreed to this. Only audio recordings were made along the way, no video recordings or photos. Moreover, we informed them about their full right to cancel at any time if desirable, without any need of further justification. Finally, it was specified that all data content would be deleted, and that this would have no further consequences for the interviewee.

3.5.2 The researcher's duty to respect the informant's privacy

We informed the interviewees that they did not need to answer if the questions were perceived as inappropriate or too private. Furthermore, we stated that all collected research data would only be discussed by us and our supervisor, and that the data would only be used for this thesis. The interviewees were informed about the opportunity of full anonymity throughout the thesis, both for themselves and the firm, but also the industry. None of the case firms wanted to remain anonymous, in any form.

3.5.3 The Personal Data Act

All research involving personal data must comply with the Personal Data Act (Johannessen et al., 2020). We decided to audio record the interviews to make sure we did not miss out on important information. As these audio recordings contain direct personal information in the form of the interviewees' voices, we sent a notification form to NSD to secure the information. NSD considered the privacy disadvantage to be low for this thesis. The interviewees were informed that the audio recordings would be deleted by the thesis submission date 02.06.21.

4.0 Findings

After conducting and transcribing the interviews, we proceeded to categorize the data in three different themes that were recurring throughout the interviews. These were *innovation*, *market structure*, and *market size*. In the following chapters, we have presented these findings.

4.1 Innovation

Platina Seafood Market

PSM described a domestic food industry that, in general, is difficult to enter, in their experience.

“I think this (entering the Norwegian food market) is generally difficult for startups that do not have many resources to spend on marketing and sales in Norway.”

The interviewee had an impression that the Norwegian people are less innovation-oriented and eager to try out new things on the market. On top of that, the interviewee also believed that markets, such as Spain and the U.S., are much more receptive to new food products. Furthermore, PSM perceived the merchants in Norway, to a lesser extent, as “open-minded” compared to foreign markets. By this, the interviewee meant that the Norwegian merchants are not as willing to try out new products. It is further described that there is no good system for taking in new products in the grocery chains.

“Us Norwegians choose to believe that we are so innovative and so fond of new things and new tastes. But we have noticed that we are not, especially out in the countryside.”

The firm receives financial support from Innovation Norway. One of the reasons for this support is their innovative and forefront work in utilizing all parts of the fish. The interviewee stated that the financial support is sufficient for entering the foreign markets; however, these resources are not enough to succeed in Norway. It was then added that internationalization is the only chance to survive as the small producer they are with the few resources they have.

EpiGuard

The interviewee from EpiGuard described Norway as a market that has a high level of education, as well as good research and educational institutions. The interviewee's impression was that there are many innovation and development opportunities. However, in Norway, one is a bit “stationary”, in the way that a lot of innovation is based on the oil sector. The interviewee identified the focus on the oil sector as a problem, arguing that if such a resource becomes scarce in the future, “it is important to have ‘more legs to stand on’”, believing it should be built a health industry that can be viable and sustainable for many years to come. Thus, the interviewee believed there should be more focus on innovation stimulation in this industry. It was further stated that there have been improvements here, but that there still is a long way to go. Further, the interviewee described that in the health sector, there is no incentive nor tradition to use new innovation because, here, one preferably buys products at the lowest price. Additionally, the industry is not particularly loyal to Norwegian solutions.

“There is no tradition nor incentive for the Norwegian health care system to use new innovation and perhaps especially no focus on using Norwegian innovation.”

The interviewee elaborated saying that some actors are better than others at trying new innovations. Due to the COVID-19 pandemic, EpiGuard's product (the Epishuttle) received an increased demand. Some actors invested right away because “they saw that this was important in the pandemic response”, while some decided to wait it out. The interviewee described that, in their impression, certain

players tend to be “pending”, and that, as a whole, the industry lacks a common system for guidelines regarding innovation utilization.

When describing the Norwegian market, here referring to the health sector, the interviewee mentioned the Law of Jante (see chapter 5.1.2 for further elaboration). In some cases, they had the impression that this plays a role in terms of looking at new innovations and entrepreneurs.

“They preferably buy the cheapest, and are not particularly loyal to Norwegian solutions, it is almost a bit like the Law of Jante in some cases.”

The interviewee exemplified this further by explaining cases of other Norwegian firms that have tried to establish themselves domestically, but have ended up establishing their home market outside of Norway. One of these firms was in the medical technology industry, and ended up establishing themselves in Germany because “they are better at utilizing innovation in Germany”. Here, challenges were described to be lack of innovation adoption and investment in new firms in Norway, which ultimately were considered obstacles to entering the Norwegian market.

Further, the interviewee from EpiGuard described that there, within the health sector, is no system for adopting new innovation; there is no system that makes them, *i.e.*, actors in the health sector know “how to be good reference customers”. Moreover, they compared this to other countries where it is put in place as a system, for instance in Germany.

“If you put it in perspective; in Norwegian hospitals there are still some who use fax, while there are several more efficient communication tools available. This is far from everyone, but it tells us something about the ability to adapt and utilize innovation.”

4.2 Market structure

Platina Seafood Market

The interviewee from PSM described how one is reliant on the large players in order to gain entry into the Norwegian market. As a small entrepreneurial firm, you are dependent on getting access to a large distributor to get a fixed range on the shelves. However, this is so resource-intensive that it is more valuable to use one's resources in foreign markets. They exemplified this by saying that working with one pallet of product in Norway is, more or less, equally as resource intensive as working with a full container to the U.S.

PSM also described how one, in Norway, to a larger extent, is reliant on an already established market in order to gain entry. In foreign markets, one is much more reliant on the purchasers, and their ability to market the products. The interviewee described the food chains in Norway as more rigid.

“But as in Norway it is difficult; there the (food) chains are so rigid that you have to have much more resources than what we have, in order to succeed.”

Furthermore, it was described that once you have succeeded in entering the Norwegian market, you are often dependent on several joints. Well-established Norwegian seafood brands have fixed shelf space in one or several of the four large grocery chains. For a small firm like PSM, it is voluntary for each individual store if they want to take in their products, and if they do, PSM only gets to sell one pallet at a time. For the brands with a fixed shelf place, the grocery stores must buy a certain amount of volume each time. PSM has been in contact with several of the large Norwegian chains, and has been told to focus on 10-12 stores. If they get sales here, there might be a chance to earn a spot in the grocery chains' distributors. However, they are reliant on referring to previous sales, which complicates the whole process.

“If you are going to get in there (to the distributor), you have to show previous sales numbers to access shelf space. Then we end up “stuck between a rock and a hard place”, as we depend on a distribution to get such sales numbers.”

Moreover, the interviewee described how the large food chains in Norway have a lot of power over small businesses like themselves. It was added that it is difficult to enter the Norwegian market as long as you are not “Lofoten” or “Lerøy” (two large Norwegian seafood producers). They, (*i.e.*, the large seafood producers), make key agreements and produce on a large scale. Small producers, such as PSM, produce a lot (though on a smaller scale), but are organized more narrowly; they do not have their own sales and marketing department like the large producers have.

The interviewee emphasized that these characteristics of the domestic market played a large part in their decision to mainly operate internationally from inception. It was further discussed how it is generally difficult to get in contact with Norwegian distributors. It was believed that a reason for this is the fact that the market consists of few, powerful, large distributors that have the say in what goes into the market. “The system simply does not work for newcomers in the market”, they finished. This is on the contrary to what they are experiencing abroad; there, it is agents that handle the larger parts of the process, ergo less resource intensive from PSM’s side, and greater earnings since they send larger volumes at a time. PSM experiences the foreign distributors as more proactive.

EpiGuard

In our interview with EpiGuard, the interviewee expressed that, to a larger extent, it is difficult to enter the market without good reference customers. This is something that one often is lacking as a small entrepreneurial firm. Additionally, the purchasers “preferably buy the cheapest”, which also may be difficult when you are a new, small player in the market. Here, the larger incumbents may have benefits in terms of economies of scale and the ability to have lower prices.

“Usually, you need to have good reference customers.”

Together, these are factors that may give greater power to the larger businesses, as they often have more reference customers, as well as the ability to produce more at a lower price.

4.3 Market size

Platina Seafood Market

The interviewee characterized the Norwegian market as a market on the rather smaller side, population-wise. “It is a country with rather few inhabitants, if we, for instance, compare it to nearby countries.” It was further stated that there is simply more money to get abroad. In larger foreign markets, you have the opportunity to sell in larger volumes due to the larger customer base. The interviewee finished, saying that “one is not even close to achieving the same volume of sales in Norway.”

EpiGuard

EpiGuard described the small market size as a characteristic of the domestic market that played into their choice and influenced their plan to internationalize from inception. It was explained that the sales volume was a strong factor and that “the market is much bigger outside. If you want to have some volume, you have to sell to several countries”. It was further elaborated that an important driving force for them to internationalize was the fact that they believe they have a product that is important and helpful in disease prevention, and that it would be unfortunate to only market this in Norway. “Our product is too specific to just focus on the Norwegian market. It is simply not enough high-risk patients that need the product.” That being said, the economic motive’s part in the choice of internalization was also emphasized. More specifically, the interviewee stated that it is an important financial incentive to invest in more markets, especially in large markets such as the U.S. and Japan, and larger European countries, such as the UK, Germany and France.

“If you do not make products that are profitable and can be sold, then there is no breeding ground for new innovation, so it is important that this is profitable.”

5.0 Discussion

We have now presented our findings from conducting interviews with two different small Norwegian entrepreneurial firms, considered to be BGs. Our interest behind this thesis was to earn a better understanding of how *domestic*

factors influence some small Norwegian entrepreneurial firms' choice to primarily operate in international markets, rather than their domestic market from inception, hence our research question. We proceeded to analyze and interpret our findings, and how these could be transferred into market structures, hereunder domestic factors of the Norwegian market, in light of the expectations and implications of our bachelor thesis. The result of this is presented in the following chapters.

5.1 Domestic factors

5.1.1 Domestic factor: Small market size

Within domestic factors' influence, there was little previous research. That being said, we did find, in a study (2007), one domestic factor that may influence the decision for a BG to internationalize from inception: the (small) size of its home market (see chapter 2.2.4). We anticipated this to be a factor that we might see influencing the choice of the case firms of this thesis. Indeed, it did reflect some of our findings in terms of how the *small size of the Norwegian market* influenced their choice to go international with their businesses.

We found a strong correlation with PSM and EpiGuard in terms of how the size of the market influenced their internationalization choices. Especially “niche” products show a greater need for exploring international markets. In conclusion, we may deem the small size of the Norwegian market to be a domestic factor that makes it more difficult for small entrepreneurial firms to grow their business, which leads them to explore other opportunities abroad.

5.1.2 Domestic factor: Lack of innovation adoption

Another domestic factor we found by looking at recurring themes in the BG cases of PSM and EpiGuard was the *lack of innovation adoption* in small entrepreneurial firms. Here, we saw that in both cases, it was very difficult to enter the market unless you could refer to previous sales. It can be argued that Norway lacks a good system for exploiting innovation. In a comparative study of ten European and Asian countries' national systems of innovation, Norway ranks low on “average innovation outcome” (Edquist & Hommen, 2008, p. 30). There are reasons to believe that this may reflect a lack of innovation adoption, as

Norway does stimulate innovation via grants and funds. In terms of systems for innovations, other countries, such as Germany, appear to utilize innovation more efficiently by organizing templates for how to present new innovations. That being said, one may argue that Norway is less proactive in terms of new innovations.

Our interviewee from EpiGuard mentioned that they feel as if the attitude towards new innovators in the industry is characterized by the Law of Jante. The Law of Jante is a literary element assumed to explain the egalitarian nature of Nordic countries, such as Norway. If a country is characterized by the Law of Jante, it is often believed that it is a country where it is difficult to stand out or achieve something because there is a social attitude of disapproval towards expressions of individuality and personal success. The law consists of ten rules, all expressive of variants on a single theme, usually referred to as a homogeneous unit: “You are not to think you are anyone special, or that you are better than us” (SNL, 2020). This is an interesting thought, as this may be argued to reflect a more deep-seated market culture in Norway, which may be something that affects the development and adoption of new innovations.

In light of the arguments discussed above, one may transfer these findings into a domestic factor consisting of a market that lacks innovation adoption, and, thus, makes it increasingly difficult for small entrepreneurial firms to establish themselves domestically, and end up seeing increased opportunities abroad.

5.1.3 Domestic factor: Large incumbents with market power

The third domestic factor we found to influence the firms’ choices was that the market is characterized by *large incumbents with market power*. The large players can be argued to make it difficult to gain market entry. These are players that have a lot of power with large market shares, and advantages such as several reference customers and economies of scale. These are internal factors of the larger players in the domestic market that may, to some extent, be generalized into a hierarchical and rigid market structure, making it difficult for small entrepreneurial firms to enter the market. This may contribute to it being harder for such firms to grow domestically, and thus, seeking more opportunities abroad.

This factor, *large incumbents with market power*, may be viewed as a characteristic of the market, hereby a domestic factor, and may also be viewed as a consequence of a *lack of innovation adoption* (see fig. 1). With this, meaning that a lack of innovation adoption, leads to the large players, hereunder the well-established enterprises, ending up with great power. With all this in consideration, it may be considered difficult for new entrants to enter the market.

5.2 Domestic factors in context with international and internal factors

In this thesis, we have looked at how domestic factors influence small entrepreneurial firms' choice to internationalize. In the cases of our study, we have seen how domestic factors such as a *lack of innovation adoption*, *large incumbents with market power*, and a *small market size*, on one hand, can make it hard to establish oneself domestically and, on the other hand, make firms realize there are more opportunities abroad (see fig. 1). In the case firms of this thesis, such domestic factors appeared to be crucial in terms of choosing to internationalize from inception. Exporting, for them, was a way of handling difficulties in the home market.

That being said, it is important to acknowledge that other factors found in the previous literature, such as firm-specific factors (internal), and factors of the foreign markets (international) play a role as well. It is deemed too simplistic to say that the complex choice to internationalize only is influenced by factors of the domestic market. We must, therefore, see these factors in relation to each other.

5.3 Model: Domestic factors for internationalization

Based on our findings and discussion, we present a model that attempts to answer our research question. The model describes how domestic factors, consisting of a *lack of innovation adoption*, *large incumbents with market power*, and a *small market size*, can make it hard to grow domestically. Consequently, this may lead the firms to explore opportunities abroad, and thus influence their choice to internationalize, more specifically their choice to primarily operate in international markets, rather than their domestic market from inception. The

dotted arrow from the factor of *lack of innovation adoption* to the factor of *large incumbents with market power* illustrates the discussion of how the former may affect the latter (see chapter 5.1.3).

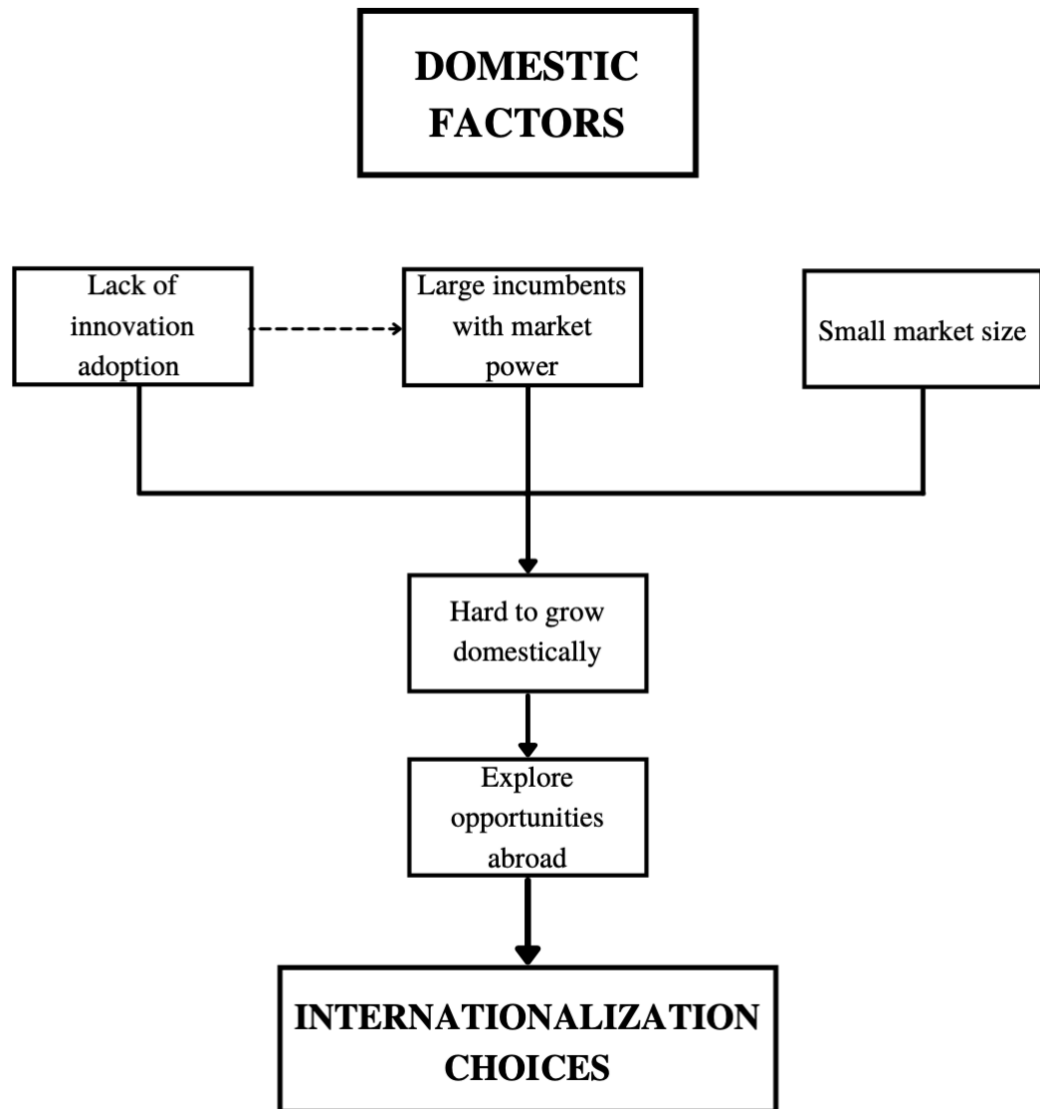


Figure 1: Domestic factors' influence on small Norwegian entrepreneurial firms' internationalization choices

This model shows three different domestic factors we found through studying our case firms. That being said, it is not a given that these factors are interdependent, or that all three must be present in order for it to be considered difficult for a small entrepreneurial firm to grow domestically in Norway.

6.0 Conclusion

The purpose of this bachelor thesis was to gain a better understanding of domestic factors' influence on some small Norwegian entrepreneurial firms' choice to operate primarily in international markets, rather than in their domestic market from inception. It appeared to be a gap in how *domestic factors* influence internationalization choices in the previous literature on the subject of BGs.

Through in-depth interviews with two BG firms from different industries, we found recurring themes in which we proceeded to analyze and divide into three domestic factors of the Norwegian market. These were *lack of innovation adoption*, *large incumbents with market power*, and a *small market size*. As discussed, a lack of innovation adoption could also contribute to an increase in the power of large incumbents in the market. These are domestic factors we argued to play a significant part in the case studies' choice to internationalize. As an attempt to contribute to the existing BG theory, we developed a model based on our analysis which described how factors of the domestic market could make it difficult for small Norwegian entrepreneurial firms to grow domestically, which consequently could lead them to explore opportunities internationally. We emphasize that such domestic factors must be seen in the context of other external and internal factors and may play a greater role for BGs' internationalization than previously assumed.

Writing this thesis, we truly learned the meaning and value of conducting an exploratory research design. We experienced how the research became narrower and took shape as we got more insight into the topic. The research design's flexible nature made our research more adaptable to change. This design counteracted possible inhibition from not being able to change topics as we benefited greatly from suggestions and guidance from supervisors and co-students through the thesis project.

Moreover, we gained a greater understanding of the complexity of international operations. Our research reflects the reality of the two case firms. Comparing two case studies strengthens the transferability of the research to other industries. However, exploring additional cases from different industries would make the thesis even more transferrable. That being said, comparing firms from two

considerable different industries, and observing similar findings, gives reason to argue that our results may apply to BGs in other industries.

6.1 What managers can learn from this

Much of the issue making it difficult for small entrepreneurial firms to establish themselves domestically appears to lay in the lack of innovation adoption across the industries. We argue a need for a system for exploiting and adopting innovation. Managers should encourage each other and other players in the industry to come together in the making of such a system.

We discussed assumptions of how a more deep-seated market culture characterized by the Law of Jante may affect Norwegian managers' openness to innovation. Managers should be aware of the appearance of this cultural element in the business world. Being aware of this could open the eyes of managers of dominating market players, in terms of being more open to new innovations. This increased awareness might, in the long run, affect the deep-seated culture, and shape an innovation environment in Norway that is more sustainable in future. That being said, in the end, the adoption of an innovation depends on whether the innovation is cost-effective, or not.

As seen, the number of BGs is increasing. The cost of internationalizing should not be underestimated, but it is a fact that both of our case studies make better use of current resources in foreign markets. Managers in other small entrepreneurial firms may learn that there might be more opportunities for a higher profit by going international from inception, considering the obstacles in the domestic market. Here, managers could benefit greatly from being open to internationalization, and flexible towards change.

6.2 Further research

Because the relevance, and thus importance, of BGs has increased in the recent decades, it would be valuable to expand on this topic and analyze more case studies in both similar, and different industries. This would improve the overall quality of the implemented model, as with more qualitative data it would be

possible to refine the classification and relevance of each domestic factor. In addition, it could help identify other domestic factors that are industry specific, such as the technology industry.

Our research is limited to uncovering domestic factors. It would be interesting if further research analyzed the degree of presence of each domestic factor, quantitatively, and the importance of each domestic factor. The idea here would be to explore the creation of a conceptual model that can be re-used systematically.

As this thesis addresses domestic factors of the Norwegian market, it would be interesting if further research addressed other markets. Here, a starting point could be to confirm if the model is applicable in markets with close psychic and physical distances, i.e., the Nordic countries. Later on, research can be expanded to other markets. This way the research could be compared across different markets and would then strengthen the complexity of the BG theory.

As a consequence of this thesis, the lack of innovation adoption emerges as an important factor for small Norwegian entrepreneurial firms' expansion abroad. As this is a factor that can be altered, in comparison to *e.g.*, the market size, this could be an interesting topic for further research.

As mentioned in the introduction, domestic factors' influence on born globals' internationalization choices is a relatively empty research area. Therefore, a general greater focus will be needed here in the future.

References

- Acedo, F. J., & Jones, M. V. (2007). Speed of internationalization and entrepreneurial cognition: Insights and a comparison between international new ventures, exporters and domestic firms. *Journal of World Business*, 42(3), 236-252. <https://doi.org/10.1016/j.jwb.2007.04.012>
- Andersson, S., & Wictor, I. (2003). Innovative Internationalisation in New Firms: Born Globals - the Swedish Case. *Journal of International Entrepreneurship*, 1(3), 249-276. <https://doi.org/10.1023/A:1024110806241>
- Bell, J., McNaughton, R., & Young, S. (2001). 'Born-again global' firms: An extension to the 'born global' phenomenon. *Journal of International Management*, 7(3), 173-189. [https://doi.org/10.1016/S1075-4253\(01\)00043-6](https://doi.org/10.1016/S1075-4253(01)00043-6)
- Braunerhjelm, P., & Halldin, T. (2019). Born globals - presence, performance and prospects. *International Business Review*, 28(1), 60-73. <https://doi.org/10.1016/j.ibusrev.2018.07.004>
- Chetty, S., & Campbell-Hunt, C. (2004). A Strategic Approach to Internationalization: A Traditional Versus a "Born-Global" Approach. *Journal of International Marketing*, 12(1), 57-81. <https://doi-org.ezproxy.library.bi.no/10.1509/jimk.12.1.57.25651>
- Christensen, P. R., & Jacobsen, L. (1996). *The role of export in new business formation*. Paper presented to RENT X, Brussels.
- Dichtl, E., Leibold, M., Köglmayr, H., & Müller, S. (1984). The Export-Decision of Small and Medium-Sized Firms: A Review. *Management International Review*, 24(2), 49-60.
- Edquist, C., & Hommen, L. (2008). Comparing national systems of innovation in Asia and Europe: Theory and comparative framework. In C. Edquist, & L. Hommen (Eds.), *Small Country Innovation Systems: Globalization*,

Change and Policy in Asia and Europe, (ed., pp. 1-36). Edward Elgar.

- Evers, N. (2010). Factors influencing the internationalisation of new ventures in the Irish aquaculture industry: An exploratory study. *Journal of International Entrepreneurship*, 8(4), 392–416. <https://doi-org.ezproxy.library.bi.no/10.1007/s10843-010-0065-7>
- Fan, T., & Phan, P. (2007). International new ventures: revisiting the influences behind the ‘born-global’ firm. *Journal of International Business Studies*, 38(7), 1113-1131. <https://doi.org/10.1057/palgrave.jibs.8400308>
- Forsgren, M. (1990). Managing the international multi-centre firm: Case studies from Sweden. *European Management Journal*, 8(2), 261-267. [https://doi.org/10.1016/0263-2373\(90\)90098-Q](https://doi.org/10.1016/0263-2373(90)90098-Q)
- Gabrielsson, M., Kirpalani, V. H. M., Dimitratos, P., Solberg, C. A., & Zucchella, A. (2008). Born globals: Propositions to help advance the theory. *International Business Review*, 17(4), 385-401. <https://doi.org/10.1016/j.ibusrev.2008.02.015>
- Gabrielsson, M., & Kirpalani, V. H. M. (Eds.). (2012). *Handbook of Research on Born Globals*. Edward Elgar Publishing.
- Ganitsky, J. (1989). Strategies for Innate and Adoptive Exporters. *International Marketing Review*, 6(5), 50-65.
- Gassmann, O., & Keupp, M. M. (2007). The competitive advantage of early and rapidly internationalising SMEs in the biotechnology industry: A knowledge-based view. *Journal of World Business*, 42(3), 350-366. <https://doi.org/10.1016/j.jwb.2007.04.006>
- Ghemawat, P., & Altman, S. A. (2019, February 6). The State of Globalization in 2019, and What It Means for Strategists. *Harvard Business Review*. <https://hbr.org/2019/02/the-state-of-globalization-in-2019-and-what-it-means-for-strategists>

- Gull, N., Asghar, M., Ahmed, Q. A., Muhammad, A. R., Jameel, A. S., & Ali, S. (2021). Entrepreneurial orientation and international performance of born global firms: the mediating role of entrepreneurial competencies. *Vilakshan - XIMB Journal of Management*. <https://doi.org/10.1108/XJM-06-2020-0009>
- Gripsrud, G., Olsson, U. H., & Silkoset, R. (2018). *Metode og dataanalyse: Beslutningsstøtte for bedrifter ved bruk av JMP, Excel og SPSS* (3rd ed.). Cappelen Damm.
- Grønmo, S. (2020). *Kvalitativ metode*. Store Norske Leksikon. https://snl.no/kvalitativ_metode
- Hashai, N., & Almor, T. (2004). Gradually internationalizing 'born-global' firms: an oxymoron?. *International Business Review*, 13(4), 465-483. <https://doi.org/10.1016/j.ibusrev.2004.04.004>
- Hewerdine, L., & Welch, C. (2013). Are international new ventures really new? A process study of organizational emergence and internationalization. *Journal of World Business*, 48(4), 466-477. <https://doi.org/10.1016/j.jwb.2012.09.003>
- Johannessen, A., Christoffersen, L., & Tufte, P. A. (2020). *Forskningsmetode for økonomisk-administrative fag* [Research method for economic-administrative subjects] (4th ed.). Abstrakt.
- Johanson, J., & Vahlne, J. E. (1977). The internationalization process of the firm - A model of knowledge development and increasing foreign market commitments. *Journal of International Business Studies*, 8(1), 23-32. <https://doi.org/10.1057/palgrave.jibs.8490676>
- Johanson, J., & Vahlne, J. E. (1990). The mechanism of internationalization. *International Marketing Review*, 7(4), 11-24. <https://doi.org/10.1108/02651339010137414>

- Johanson, J., & Vahlne, J. E. (2006). Commitment and opportunity development in the internationalization process: A note on the Uppsala internationalization process model. *Management International Review*, 46(2), 165-178. <https://doi.org/10.1007/s11575-006-0043-4>
- Johanson, J., & Vahlne, J. E. (2009). The Uppsala Internationalization Process Model Revised: From Liability of Foreignness to Liability of Outsidership. *Journal of International Business Studies*, 40(9), 1411-1431. <https://doi.org/10.1057/jibs.2009.24>
- Johanson, J., & Vahlne, J. E. (2017). From internationalization to evolution: The Uppsala model at 40 years. *Journal of International Business Studies*, 48(9), 1087-1102. <https://doi.org/10.1057/s41267-017-0107-7>
- Knight, G. A., & Cavusgil, S. T. (1996). The Born Global firm: a challenge to traditional internationalization theory. *Advances of International Marketing*, 8, 11-26
- Knight, G. A., & Cavusgil, S. T. (2004). Innovation, organizational capabilities, and the born-global firm. *Journal of International Business Studies*, 35(2), 124-141. <https://doi.org/10.1057/palgrave.jibs.8400071>
- Knight, G. A., & Cavusgil, S. T. (2015). The born global firm: An entrepreneurial and capabilities perspective on early and rapid internationalization. *Journal of International Business Studies*, 46(1), 3-16. <https://doi-org.ezproxy.library.bi.no/10.1057/jibs.2014.62>
- Knight, G. A., & Liesch, P. W. (2016). Internationalization: From incremental to born global. *Journal of World Business*, 51(1), 93-102. <https://doi.org/10.1016/j.jwb.2015.08.011>
- Kuivalainen, O., Sundqvist, S., & Servais, P. (2007). Firms' degree of born-globalness, international entrepreneurial orientation and export performance. *Journal of World Business*, 42(3), 253-267.

<https://doi.org/10.1016/j.jwb.2007.04.010>

- Lindmark, L., Christensen, P. R., Eskelinen, H., Forsström, B., Sørensen, O. J., & Vatn, E. (1994). Småföretagens internationalisering - en jämförande studie. *Nord REFO*, 7.
- Lopez, L. E., Kundu, S. K., & Ciravegna, L. (2009). Born global or born regional? Evidence from an exploratory study in the Costa Rican software industry. *Journal of International Business Studies*, 40(7), 1228-1238.
<https://doi.org/10.1057/jibs.2008.69>
- Madsen, T. (2013). Early and rapidly internationalizing ventures: Similarities and differences between classifications based on the original international new venture and born global literatures. *Journal of International Entrepreneurship*, 11(1), 65–79. <https://doi-org.ezproxy.library.bi.no/10.1007/s10843-012-0099-0>
- Madsen, T. K., & Servais, P. (1997). The internationalization of Born Globals: An evolutionary process?. *International Business Review*, 6(6), 561-583.
[https://doi.org/10.1016/S0969-5931\(97\)00032-2](https://doi.org/10.1016/S0969-5931(97)00032-2)
- Madsen, K. T., Rasmussen, E., & Servais, P. (2000). Differences and similarities between born globals and other types of exporters. In A. Yaprak, & H. Tutek (Eds.), *Globalization, the Multinational Firm, and Emerging Economies*, (Advances in International Marketing, Vol. 10, pp. 247-265). Emerald Publishing Limited. [https://doi.org/10.1016/S1474-7979\(00\)10013-4](https://doi.org/10.1016/S1474-7979(00)10013-4)
- McDougall, P. P., Shane, S., & Oviatt, B. M. (1994). Explaining the formation of international new ventures: The limits of theories from international business research. *Journal of Business Venturing*, 9(6), 469-487.
- Moen, Ø. (2002). The Born Globals - A new generation of small European exporters. *International Marketing Review*, 19(2), 156-175.
<https://doi.org/10.1108/02651330210425015>

- Moen, Ø., & Servais, P. (2002). Born Global or Gradual Global? Examining the Export Behaviour of Small and Medium-Sized Enterprises. *Journal of International Marketing*, 10(3), 49-72. <https://doi-org.ezproxy.library.bi.no/10.1509%2Fjimbk.10.3.49.19540>
- NSD. (n.d.). *Informasjon til deltakerne*. Norsk senter for forskningsdata. <https://www.nsd.no/personverntjenester/fylle-ut-meldeskjema-for-personopplysninger/sjekkliste-for-informasjon-til-deltakerne/>
- Ohio University. (2021). *5 Advancements in Transportation Technology*. <https://onlinemasters.ohio.edu/blog/5-advancements-in-transportation-technology/>
- Oviatt, B. M., & McDougall, P. P. (1994). Toward a Theory of International New Ventures. *Journal of International Business Studies*, 25(1), 45-64. <https://doi.org/10.1057/palgrave.jibs.8490193>
- Oviatt, B. M., & McDougall, P. P. (2005). Toward a theory of international new ventures. *Journal of International Business Studies*, 36(1), 29–41. <https://doi-org.ezproxy.library.bi.no/10.1057/palgrave.jibs.8400128>
- Rialp, A., Rialp, J., Urbano, D., & Vaillant, Y. (2005). The Born-Global Phenomenon: A Comparative Case Study Research. *Journal of International Entrepreneurship*, 3(2), 133-171. <https://doi.org/10.1007/s10843-005-4202-7>
- Roque, A. F. M., Alves, M-C. G., & Raposo, M. (2020). Management control in born-global firms: a case study. *Estudios Gerenciales*, 36(154), 3-14. <https://doi.org/10.18046/j.estger.2020.154.3499>
- Rutihinda, C. (2008). Factors Influencing The Internationalization Of Small And Medium Size Enterprises. *International Business and Economics Research Journal*, 7(12), 45-53. [10.19030/iber.v7i12.3312](https://doi.org/10.19030/iber.v7i12.3312)

- Saunders, M., Lewis, P., & Thornhill, A. (2019). *Research Methods for Business Students* (8th ed.). Pearson.
- Schueffel, P., Baldegger, R., & Amann, W. (2014). Behavioral patterns in born-again global firms: Towards a conceptual framework of the internationalization activities of mature SMEs. *Multinational Business Review*, 22(4), 418-441.
<http://dx.doi.org.ezproxy.library.bi.no/10.1108/MBR-06-2014-0029>
- SNL. (2020). *Janteloven*. <https://snl.no/Janteloven>
- Solberg, C. A., & Bretteville, T. (2012). Inside the boardroom of born globals. *International Journal of Entrepreneurship and Small Business*, 15(2), 154-170. <http://dx.doi.org/10.1504/IJESB.2012.045202>
- Welch, L. (1982). Internationalization Pressure: A Post-War Australian Perspective. In M. R. Czinkota & G. Tesar (Eds.), *Export Policy: A Global Assessment*, (pp. 3-19). Praeger.
- Welch, L.S., & Loustarinen, R.K. (1988) Internationalization: evolution of a concept. *Journal of General Management*, 14(2), 34-55.
- Wictor, I., & Andersson, S. (2012). The Importance of Leadership and Vision in Born Globals. *Business and Management Research*, 1(1), 13-25.
- Zhou, L., Wu, Wp., & Luo, X. (2007). Internationalization and the performance of born-global SMEs: the mediating role of social networks. *Journal of International Business Studies*, 38(4), 673-690.
<https://doi.org/10.1057/palgrave.jibs.8400282>
- Øyna, S., & Alon, I. (2018). A Review of Born globals. *International Studies of Management & Organization*, 48(2), 157–180. <https://doi-org.ezproxy.library.bi.no/10.1080/00208825.2018.1443737>

Attachments

1 Interview guide

2 Information letter