

The Internationalization Behavior of Mature Firms

A Case Study of Born-again Global Firms

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Abstract

The international entrepreneurship model developed by Zahra and George was used in an exploratory effort to explain the internationalization pattern of mature and previously domestically focused firms. In-depths interviews were conducted with seven older firms based in Switzerland that suddenly expanded beyond national borders, resulting in substantial business in foreign markets

The results of the case studies show that not only new ventures, but also well-established mature companies can internationalize quickly and comprehensively, when searching for the best entry strategies according to the market situation in the respective country. Once established in foreign markets, the born-again global firms are able to attract a more qualified and high-skilled workforce and developed a significant capability of learning from their new international partners. This leads to an improvement in their products and services, which in some cases result in a change in business model as well as in a different choice of target market. Due to their late, but fast internationalization process, the companies did not only achieve growth, but they also became more innovative, self-confident and sustainable.

INTRODUCTION

Since the late 1980s an increasing number of new ventures with limited resources have been reported to be international from inception. These so-called “international new ventures” (Oviatt and McDougall 1994) or “born globals” (Rennie 1993) neither developed in incremental stages with respect to their international activities nor did they dispose of a large resource base. Instead, other factors such as the ownership of unique intangible assets or specific knowledge prevailed. They did not regard internationalization as a risky business but rather as their only chance to survive in this new environment. Nowadays, more and more small and medium-sized companies “leapfrog” (Moen and Servais 2002) into the international arena and therefore generate a substantial share of their revenues in foreign markets early in their corporate lives. Being a new observable phenomenon, contradicting existing internationalization theories such as the stages model, these born globals claimed a place of their own in the academic world. As a result, numerous researchers investigated the antecedents and outcomes of this internationalization pattern (Coviello and McAuley 1999) and new frameworks, models and theories attempting to explain this behavior were developed.

Yet an increasing number of researchers have recently started to criticize the fact that only international *new* ventures were taken into account in research papers, thus neglecting one particular type of firms regarded as equally important by numerous authors and institutions [for example (Zahra and George 2002; European Commission 2003; Dimitratos and Jones 2005)]: mature domestically focused corporations with apparently no considerable motivation to go international during a long time in their lives, but which “suddenly” decide a strategic shift and consequently “embrace [...] rapid and dedicated internationalization” (Bell, McNaughton et al. 2001, p.174). These firms are referred to as “reborn globals” (European Commission 2003) or “born-again global firms” (Bell, McNaughton et al. 2001) that seem to combine elements from both the traditional process theories and the born global model.

In the beginning of international entrepreneurship (IE) research, most studies focused on the internationalization of new ventures. According to several authors [for example Young, Dimitratos, and Dana (2003), Zahra et al. (2002)], however, IE needs to expand its field beyond the early stages in the internationalization behavior of specific types of companies, namely high technology firms in global or rapidly internationalizing markets. We therefore posit that research emphasis should be placed on the internationalization activities of all firms irrespective of age, size or industry, including activities of established mature organizations that can be considered internationally entrepreneurial.

This topic is of even higher relevance when looking at Switzerland. Swiss companies are generally very export-oriented: In the high-tech industry, 51.3 percent of the firms start exporting within three to four years after inception, and in the services industry it is a considerable 32.2 percent. Only 8.3 percent of all companies that have not yet exported think they will not take up any export activities in the coming two years (Arvanitis and Marmet 2001). Moreover it is important to know that small and medium-sized enterprises (SMEs) are the predominant type of firm as they account for 99.7 percent of private businesses, and 66.8 percent of all people in employment work in an SME (Habersaat, Schönenberger et al. 2001).

The main objective of this paper is to build theory by examining the internationalization behavior of SMEs. In particular we want to shed light on the questions why mature domestically focused firms suddenly turn into born-again global firms, how they do so, what the consequences are in terms

of profitability and survival, and what necessary and sufficient elements are needed for sustainable born-again global firms.

The article proceeds with a brief literature review and an outline of the research method and model we suggest, followed by a summary of the case study results. Finally, conclusions and implications are presented

INTERNATIONALIZATION THEORIES

Process Theory of Internationalization

The process theory of internationalization, also referred to as the stages model of internationalization, is considered as one of the most influential theories explaining the internationalization of a firm. In this area of research, two schools of thought co-exist: The Uppsala model (U-model) and the innovation-related internationalization model (I-model), which views expansion into foreign markets as an innovation.

The Uppsala model considers internationalization as a slow and incremental process whereby internationalizing firms pass through four distinctive stages, each level reflecting some higher involvement in the foreign country (Johanson and Wiedersheim-Paul 1975): 1. No regular export activities, 2. Export via independent representatives (agents), 3. Establishment of an overseas sales subsidiary, 4. Overseas production/manufacturing units.

Based on these deliberations, (Johanson and Vahlne 1977) developed a model to describe and explain the internationalization process of the firm. They view internationalization as causal cycles where knowledge about foreign markets and market commitment (resources committed to foreign markets) are affected by the firm's current activities and commitment decisions. Central to the model is the importance of cumulative market knowledge. Firms are expected to make stronger resource commitments as they gain experience from their current business activities, which results in an increase in market knowledge.

Additionally, due to the implied reduction of uncertainty and risk, firms gradually penetrate markets with increasing psychic distance (Knudsen and Madsen 2003). Psychic distance is defined as "the sum of factors, preventing the flow of information from and to the market", for instance differences in "language, education, business practices, culture, and industrial development" (Johanson and Vahlne 1977).

While the described dimensions are useful in analyzing the internationalization pattern of a company, the gradual evolvement is certainly not applicable to many companies as the international new venture theory has shown. This aspect is not the only flaw of the process models: Several authors have criticized them as they only focus on one single firm, neglecting the impact of networks [for example Coviello and Munro (1995)].

Born-again Global Firms

According to Bell et al. (2001), there is growing evidence of a new phenomenon, that is the emergence of born-again global firms. They have been well established in their home markets with no intention of going international, but after a certain period of time they unexpectedly turn into rapidly and compre-

hensively expanding companies. With regard to theory, their behavior can be considered as a combination of the process theory and the INV theory. On the one hand, these companies are well-established in their country of origin, but on the other hand they internationalize with great speed, engage in foreign direct investment (FDI) very quickly and are prepared to take risks.

Mature domestically focused companies may be influenced by specific events such as new opportunities in the international markets or unfavorable economic conditions in the home country and therefore undergo a strategic shift. Bell et al. conducted studies in several UK regions, Australia and New Zealand in order to find out more about the reasons and internationalization processes of these born-again global firms. The case firms had to be current exporters, employing less than 250 employees and be independent and indigenous. All in all, 60 companies were investigated, 16 of which fulfilled the criteria of a born-again global: they were predominantly “traditional” firms, that is a long time focused on the home market and then rapidly internationalized within 2-5 years of their first sales in a country other than their origin. Nearly two-thirds of them had export ratios of over 50 percent, one third between 20 percent and 49 percent, and only one case company had international sales of below 20 percent.

Interestingly, with a number of the case companies, the dramatic change in strategy was triggered by a “combination of ‘critical incidents’ and not just as a result of a single ‘episode’” (Bell, McNaughton et al. 2001, p.180). The most common “episode” was a change in ownership and/or management, for example a management buy out, a takeover by another firm or by an administrator who then triggered the internationalization process.

Another observation was that the focal firm had taken over another firm with international involvement, which was an encouragement to launch its existing products into new markets, too. Finally, client follower ship also provided a stimulus to venture abroad, which can be considered as a “critical incident” coming from a firm’s network. On the one hand, it is possible that an existing domestic customer starts internationalizing and that the company then follows him into new markets. On the other hand, there is evidence that new clients that are already involved internationally enter the home market of a company and bring international business.

Bell, McNaughton and Young claim that “the rationale behind the ‘born global’ phenomenon need not only apply to start-up ventures” and that “‘born global’ is not an organizational form per se” (Bell, McNaughton et al. 2001, p. 186). They rather consider it as a strategy to increase firm value, which can also be embarked on by using alternative organizational forms, though. Another finding is that internationalization is “not a linear, incremental, unidirectional path” (Bell, McNaughton et al. 2001, p. 186). Although mature firms have focused on the domestic market for many years, they can also start rapid and dedicated internationalization and do not necessarily adopt an ad hoc, reactive and opportunistic approach. In comparison to new ventures, their proceeding can be equally structured, proactive and flexible in terms of entry modes.

Research Model

The research model from Zahra et al. (2002) was used to investigate why, how, when and which consequences mature domestically focused companies would suddenly internationalize their operations. The model provides a useful framework for qualitative research as it covers many important aspects of firm internationalization, although the large number of interdependent variables leads to a considerable level of complexity. Second, its rather broad nature allows the researchers to expand the field of

international entrepreneurship and does not limit the research to the domain of start-ups. Finally, Zahra et al (2002) identify at least three promising research streams when their model is tested in practice: the international entrepreneurship process (“how, why, and when do entrepreneurial firms discover and exploit opportunities outside their home country?”), the context of international entrepreneurship (“what contextual factors influence the internationalization of entrepreneurial firms?”) and post-internationalization agenda (“what happens after internationalization?”). Thus, the framework aims at exploring the factors that are of interest to researchers in the area of born-again global firms.

According to Zahra and George, prior research of international entrepreneurship has generally concentrated on the three dimensions extent/degree, speed and scope of internationalization. Based on their process-related definition, they developed a comprehensive framework linking inputs and determinants of internationalization with outputs. Therefore it connects both internal and external factors with the firm’s strategy and combines traditional international business theories [(Hymer 1976; Dunning 1988), Global Strategy (Hitt, Hoskisson et al. 1997), Strategic Management (Grant 1996) and Entrepreneurship (Kirzner 1973)].

Antecedents: The integrated model states that the environmental, organizational and strategic factors affect the extent, speed and scope of a corporation’s internationalization process and its ability to create competitive advantage.

Determinants: The international entrepreneurship framework analyses the internationalization process of a company in several dimensions, namely extent, scope and speed. The first dimension indicates the amount of international sales as a percentage of firm sales (export ratio), the second reflects the number of markets covered or value chain activities operated abroad, and the third counts the number of years elapsed between the establishment of the firm and its first foreign sales.

Outcomes: Obviously, much attention is drawn to the question whether international activities do have a positive impact on firm performance. (Schueffel and Baldegger 2008) found evidence that rapidly expanding companies attach more importance to value creation than to long-term profitability. Nevertheless, the results provided by past empirical studies have remained inconclusive concerning the link between international entrepreneurship and performance. Whereas Bloodgood, Sapienza, and Almeida (1996) proved a positive and marginally significant correlation, others reported a negative (Collins 1990) or even a non-existing relationship between international entrepreneurship and firm income (McDougall and Oviatt 1996).

Context: Context variables are “those conditions that make internationalization more attractive or lucrative than solely domestic operations” (Zahra and George 2002, p. 27). Environmental as well as strategic factors are supposed to have a moderating effect on the relationship between antecedents and international entrepreneurship.

RESEARCH METHODOLOGY

Our exploratory study, whose methods are described below, has the objective of gathering suitable qualitative data in order to conduct an initial investigation in this direction. Therefore, our approach is inductive (generating hypothesis) rather than deductive (testing hypothesis).

The theory, being fragmented and affected by the absence of a common frame, we chose to resort to qualitative methodology in the development of concepts and hypothesis (Eisenhardt 1989;

Yin 2003). Our sample should serve to identify companies whose internationalization behaviour is as close as possible to the process model of internationalization. That is why, for a company to be chosen, it must (1) be based in Switzerland and its owner must be Swiss, (2) be a family firm with no intention of entering the stock market (3) originally be a company comprising low-level technology, (4) employing fewer than 250 workers prior to internationalization (see European Commission, 2003), (5) displaying an export ratio of more than 20 percent, (6) been active on the domestic market at least 5 years before entering foreign markets and which (7), while developing their core products and services were active in at least one foreign country. These criteria allowed us to control the variability related to the size of the enterprise, the sector of activity, the ownership and place of operation; they should improve the external validity of our results. 21 of the enterprises matched all of the criteria.

Table 1: Sample of enterprises

Case	Founding Year	Activity/Product	Turnover before Internationalisation	Turnover in 2005	Number of Employees before Internationalisation	Number of Employees in 2005	Number of Employees in Foreign Operations in 2005
A	1936	water-miscible cutting fluids, cutting oils and forming oils	10 Mio.	160 Mio.	60	400	180
B	1975	garden design/landscape architecture			64	100	1
C	1904	<ul style="list-style-type: none"> • stainless steel hardware (stranded wire, wire ropes etc.) • stainless steel components for facade greening • webnet solutions 	6 Mio.	21 Mio.	30	72	12
D	1918	<ul style="list-style-type: none"> • water-resistant, synthetic adhesives • elastomeric sealants 	9 Mio.	26 Mio.	35	75	0
E	1958	production and supply of honey, dried fruit, nuts and herbal products	29 Mio.	50 Mio.	70	89	5
F	1878	production of high-quality handtools (screwdrivers, striking tools etc.)	2.5 Mio.	25 Mio.	70	120	0
G	1859	<ul style="list-style-type: none"> • card manufacturer (debit/credit/loyalty cards etc.) • national identification documents • securities 	25 Mio.	120 Mio.	120	400	200

The information was obtained by interviewing the CEO as well as a second person who had been involved in the planning and/or implementation of internationalization. Other sources, publications (press articles, company brochures, internet), were used in order to prepare for the interviews and acquire information about the previous five years. This was necessary because constraints of time meant that longitudinal research was not possible. After the interview stage and initial evaluation, a workshop was organized for the companies which participated in the research; the aims of which were to encourage exchange of experiences connected with internationalization and future business.

In order to improve conceptual validity, we conducted in-depth, semi-structured interviews. The aim of this process was to encourage the interviewees to voice any ideas which we had not considered at the beginning (Yin 2003). By using only one moderator, a standard number of questions and put in the same order the reliability of the evaluation was assured. The interviews lasted, on average, 90 minutes and were recorded. The audio tapes were transcribed and the transcripts were reviewed by the persons questioned to ensure that the contents corresponded to their original intentions. The interviews for cases A, B, D and F were conducted in German, case C was in English and cases E and G were in French. The content of the transcripts was analysed in order to identify common themes. In order,

once more, to improve the validity of this analysis these were cross-checked with secondary sources obtained relative to the enterprises.

The IE framework described above served as a basis and guideline for the interviews that were conducted in a semi-structured way. Despite the use of a questionnaire the interviews were as open and flexible as possible.

The studied case companies, their main activities/products are briefly presented in Table 1. Furthermore Table 1 provides an overview of the most important demographics of the case study firms.

RESULTS

Organizational Factors

When analyzing the organizational factors of the case companies before they launched their internationalization process, it is particularly interesting to examine the top management team (TMT) characteristics with regard to education abroad, previous experience in a multinational company and professional experience in foreign markets. With the exception of company E, which started international activities already in 1958, all the companies were internationally-oriented in some way. Interestingly, the first step into international markets took place shortly after a change of the CEO, on average within less than four years. Again, this was not the case with E or with D, which had already gone abroad four years before the current CEO took his position.

Table 2: Top Management Team Characteristics before Internationalization

Company	Professional Experience abroad	Internationally-oriented Company	Education abroad
A	No	No	Yes
B	Yes	No	Yes
C	Yes	No	No
D	Yes	No	Yes
E	Yes	Yes	No
F	No	No	No
G	Yes	Yes	Yes

Regarding the firms' unique assets, process know-how and product knowledge generally seemed to play a more important role than networks, for instance, as all case companies had a strong focus on research and development although they were not technology-based. Obviously, they were able to build up networks through internationalization and not inversely, like many researchers claim [for example Oviatt et al. (1995)]. Only the company C profited to a great extent from the close cooperation with a big partner that significantly influenced its drive to internationalize quickly and comprehensively. The other firms, however, either adopted a reactive or a proactive approach to internationalization without disposing of noteworthy contacts or networks beforehand.

Environmental Factors

The geographical expansion of the seven case firms is generally very extensive. Interestingly, all of them are active in Europe and Asia. Eastern Europe is more important a market than North America: 86 percent of the interviewed companies export to the former destinations while only 71 percent are active in the latter one.

Strategic Factors

The companies handle most of their international operations either themselves or, particularly sales, with a foreign partner. Due to the lack of resources in Switzerland, all the companies are compelled to establish reliable raw materials procurement in foreign markets. Only company G has set up an international R&D department; five companies, however, have so far set up part of their firm infrastructure, for example general management, planning management, legal, finance, accounting quality management etc., in international markets. Therefore they are not deterred from giving up part of the responsibility in Switzerland but continue doing research in their home country mainly because of the know-how that has been built up there over years. Interestingly, none of the companies is prepared to outsource its human resource management, which is uniquely controlled from the headquarters in Switzerland.

As for primary activities, all the firms have built up a vast distribution network abroad with the help of which they sell their products. The four companies that dispose of production facilities abroad obviously handle their inbound logistics, operations and outbound logistics in the respective markets as well. International after-sales service is delivered by four companies; the others organize this activity from their headquarters in Switzerland.

With the exception of F and D, all the companies have hired at least one employee in foreign operations, with G exhibiting the highest percentage of 50 percent. Case D used to have a subsidiary in Germany as well but closed it only three years after establishment. On average, 16.9 percent of all staff was on the payroll outside Switzerland in 2005.

All the interviewed companies have shown a remarkable development since the first step into foreign markets by adapting their business practices or models, for instance. They managed to acquire great knowledge and built up the ability to internalize, create and transfer know-how into new markets, which is the crucial component in sustaining competitive advantage (Pinch, Henry et al. 2003). In most cases, the firms can be said to have developed new sets of skills or competences as well as constructing new goals, values or even systems.

Competitive Advantage

There is no doubt that all companies have profited from their international activities so far, both in terms of financial and particularly non-financial outcomes. Therefore, all the firms reported a positive relationship between international entrepreneurship and profits. Obviously, their export ratio and turnover increased tremendously through internationalization. Yet margins have not risen considerably due to internationalization.

Table 4
Increase in Turnover since Internationalization

Company	Turnover before Internationalisation in Mio.	Turnover in 2005 in Mio.	Increase in Turnover since Internationalisation ¹	Increase in Turnover per Year ²
A	10	160	1500.00 percent	7.81 percent
B	5	15	200.00 percent	12.25 percent
C	6	21	250.00 percent	6.30 percent
D	9	26	188.89 percent	2.28 percent
E	29	50	72.41 percent	3.95 percent
F	2.5	25	900.00 percent	4.49 percent
G	25	120	380.00 percent	21.01 percent

Environmental Factors

When investigating the context variables influencing the internationalization pattern of the case companies, the limited growth of the domestic market together with increasing competition clearly was a crucial factor to most of the companies. Consequently, owners saw internationalization as a viable or the only way for sustainable development of the family business. Surprisingly, only three companies have taken advice from the Osec, the Swiss export promotion agency, whereas a larger number, that is five firms, approached external business consultants or ambassadors.

It does not come as a surprise that every company pursued a differentiation strategy on the corporate level, therefore seeking to be unique in its industry without completely ignoring its cost position, obviously. In all the cases, the focus before internationalization was very much on the quality of the products and on efficient production processes, hence the high significance of research and development. Some companies stated that they undoubtedly had a certain market blindness or myopia of learning before venturing abroad.

As already mentioned, networks and alliances initially did not play a prominent role because the companies rather searched for opportunities themselves and without external support.

As far the integration of foreign operations is concerned it is reported that more than 70 percent now have set up subsidiaries abroad. All the companies except for F are very flexible in terms of entry modes and choose a strategy according to their goals and the market share they want to gain in the respective country. As for export, most companies have commissioned agents to represent them in foreign markets, which seems to be an ideal solution to all of them except for company G.

¹ Turnover 2005/ Turnover Before -1

² $(\text{Increase in Turnover})^{1/n} - 1$
n = internationally active for n years

INTERNATIONALIZATION THEORIES REVISITED

The Suitability of the Process Theory of Internationalization

The case companies clearly satisfy the first criteria of the Uppsala model stating that internationalizing firms do not have any regular export activities initially. Indeed, the firms were all uniquely active on the Swiss market for at least 25 years before venturing abroad. However, the assertion that four distinctive stages are passed afterwards does not hold true for all of them, especially not for the companies that started internationalizing later than the others in the sample, that is G, B and C. They established production facilities or overseas representative offices within less than 5 years after their strategic change and saw very fast growth of their export ratios.

However, the internationalization patterns of the other case companies cannot be referred to as a stepwise and reactive process either, as the process model suggests. Except for E, all the companies were in active search of opportunities in foreign markets from the very beginning and did not merely respond to customer enquiries. What is more, none of the companies avoided markets with great psychic distance, on the contrary: Even the corporations that launched the internationalization process a long time ago entered very distant markets within a short period of time, that is within four years since the strategic change.

Evidently, the internationalization behavior of the studied case companies cannot be fully explained and described by the process theory on account of their rather rapid and committed internationalization. Neither did the firms accumulate a great amount of knowledge before venturing into countries with a considerate psychic distance nor did they only enter a very small number of new markets in the first five years. The only company whose behavior is quite process-oriented is F because it has never had any other market entry strategy than export, but it ventured into markets with immense cultural distance from the very beginning and is now active in 51 countries around the globe.

The Suitability of the Hybrid Theory: Born-again Global Firms

As proposed by Bell et al. (2001), born-again global firms can be regarded as a combination of the process theory and the INV theory, incorporating elements from both approaches. Hence, this approach will be used to investigate its suitability for interpreting the findings from the empirical research.

As the firm-specific variables of the case companies show, these firms are at least 31 years old, the youngest and also the last to go international being B. All of them have been active on the Swiss market for a minimum of 25 years before venturing abroad. The reasons for this step differ from the critical incidents indicated by Bell et al. (2001), which might be related to market-specific factors: Bell conducted his research in either bigger (UK regions and Australia) or more isolated (New Zealand) markets that present different challenges to Switzerland with its small, but exposed (that is in the centre of Europe) home market. Obviously, one of the main reasons for the case companies to internationalize was the small domestic market along with a changing demographical environment and increasing competition. Initially, everybody was aware that the company's survival and long-term profitability would be difficult to guarantee in these circumstances. However, the expansion did not only

take place due to the impact of these push-factors, which can be considered as “hard facts” that stem from the external environment. Almost all the companies had other motives or “soft factors” that exerted considerable influence, such as a certain proclivity to take risks, entrepreneurial thinking, professional experience and also curiosity that pulled them into remote international markets. It is certainly not a coincidence that in five cases the internationalization process was launched shortly after a generational change. The new owner arrived with international experience, new ideas for developing innovative products or services and probably also a broader mind. Rather than merely adopting an opportunistic approach towards internationalization and regarding it as the only means for sustainable development, they also had personal ambitions and were prepared to seize opportunities rather than being afraid of taking risks.

As Bell et al. stated the case companies proved that internationalization is on no account a linear and stepwise process. Despite their already well-implemented and established structures, strategies and cultures, they were able to tackle internationalization in a similar way than born globals with regard to their flexibility and aptitude to operate wherever they see fit. Furthermore, by analyzing the case companies, it became evident that traditional corporations are more people-driven compared to the knowledge-intensive born globals indeed, as Bell et al. (2001, p. 186) suggested. As explained before, the entrepreneurs and their motivation to conquer international markets played a more important role than the ambition to spread pre-emptive technologies and to be first to sell a unique product or service abroad. They found other ways to build up comparative advantages and to succeed on the global market which will be discussed in more detail below.

Table 5 (see appendix) synthesizes the main factors regarding internationalization for 1. traditional firms expanding in stages 2. born globals, and 3. born-again global firms.

Entrepreneurship in this context corresponds to “a company’s formal and informal activities aimed at increasing innovation and venturing. [...] Venturing defines a company’s strategic territory (business scope), whereas innovation makes the pursuit of opportunities within given markets possible and profitable” (Zahra, Hayton et al. 2001, p. 4 & 6). Most international companies have the capability of leveraging these innovations across borders by adjusting their products to local cultures and market conditions. The case companies, too, developed a unique ability to combine their product know-how and experience with fundamentally new knowledge, which allowed them to exploit new opportunities arising from internationalization. March (1991) makes a clear distinction between the so-called exploitative (learning new things by using existing knowledge) and exploratory learning (gaining radically new know-how), which is particularly important to the development of sustainable entrepreneurship (Guth and Ginsberg 1990). By integrating their knowledge, the case companies were able to build new skills that again paved the way to enter new potential markets outside their business scope.

This ongoing cycle can be illustrated by the development of C. Before venturing abroad, this firm produced and sold wire ropes in quite a narrow market with their main clients being mountain railways, agriculture and forestry. In the late 1980s, the company started to enter a new industry when it discovered the need of architects for wire ropes. Due to the launch of the internationalization process in 1991, new skills could be acquired mainly through project management and the cooperation with other companies (mainly Carl Stahl), which introduced C into new techniques and wire applications, that is the so-called “webnet”. Nowadays the firm is a valuable and highly regarded partner in big projects such as the construction of the airport in Bangkok. With every new assignment C has to adapt

to different conditions, therefore learns and enlarges its expertise that helps develop more sophisticated products for their current as well as for new markets.

This example shows what tremendous impact internationalization has on the ability to build core competences. Obviously, each of the case companies has its own distinct way of gaining knowledge and being innovative, but the above described cycle remains the very same one for all of them. Another common feature is the shift from the product view to a more holistic approach to satisfying the customers' need, that is by project management and tailor-made services. It is also important to emphasize the fact that although the companies come from diverse backgrounds and internationalized in different decades, their behavior regarding the development of core competences was surprisingly similar.

CONCLUSION AND CONTRIBUTIONS

To date IE has focused on the activities of small and newly-established organizations, largely neglecting the behavior of bigger and established firms in traditional sectors (Dimitratos and Jones 2005). This study has shown that established companies can exhibit the same "innovative, proactive and risk-seeking behavior" (McDougall and Oviatt 2000) across borders as new ventures. Despite their very well-rooted structures, strategies and cultures, they can flexibly adapt to their new environment. They are prepared to explore areas outside their current business in order to find new sources of external competence and innovation. All survey companies have found ways of learning from their customers, suppliers, competitors, new employees or other market players and of developing important skills as capabilities. Furthermore, they have integrated several aspects of different internationalization strategies, mainly the process theory and the born global concept, to form their own unique approach to internationalization. Thus, this study shows that research into IE should not merely focus on born globals but rather take into account also the international activities of well-established firms regardless of age, size or industrial sectors. Only by doing this a comprehensive view on this research area can be gained.

Two main reasons why the case companies turned into born-again global firms after many years of activities in Switzerland were identified: Firstly, the external environment, especially the small home market, pushed them into international markets and secondly, a committed entrepreneur who was in active search of new opportunities was a pull factor. As theoretically hypothesized by Jones and Coviello (2005) and their dynamic process of innovation in internationalization behavior, these engaged entrepreneurs particularly took advantage of unexpected occurrences and changes in customers' expectations. Their internationalization path was never exactly planned and the whole process was not a clear strategic procedure but a rather ad-hoc and opportunistic and trial and error approach. Therefore, markets as well as entry modes have not been chosen after extensive market research but rather following an intuition or sometimes even based on coincidences.

Regarding profitability and survival, it is essential to know that internationalization did not necessarily bring about an increase in margins. Rather did the growth in turnover and cash flow allow the companies to make new investments that would not have been possible otherwise. Most companies are convinced that they would not have a promising outlook in the increasingly globalized and competitive markets without internationalization. Yet all in all, the results of this study have provided evidence that there is a close link between IE and innovation. The focus on the outside-in process of in-

novation (Gassmann and Enkel 2006), that is the enrichment of a company's knowledge base via the integration of new (international) partners, clearly fostered the firms' innovativeness. As a result, one important implication for practitioners is that the future for a company seeking to be highly innovative lies in markets outside Switzerland. Several examples, also among the case companies, show that internationalization is manageable for small and medium companies, too, despite their limited resources.

For a born-again global firm to be sustainable, it has to be prepared and willing to undergo essential changes and find a new fit between corporate structure, strategy and mainly culture. The more informal and flexible the structure of the company was before internationalization, the more rapid and dedicated the process seemed to be. Some companies like C and B did not even dispose of an organization chart and meetings, for instance, did not take place on a regular base. Internationalization forced them to become more process-oriented and to shift away from their very pronounced product view. Before initiating the internationalization process, the companies regarded their products rather as a physical entity with a precise specification, but now they offer their clients a far broader and, if necessary, tailor-made concept with a comprehensive support service.

As far as networks are concerned, however, they do not play such a predominant role as with born globals: They do not necessarily have to exist already before internationalization but are rather built up during the expansion when they become crucial. Obviously, contacts have to be established and partners also need to be found before venturing abroad, but they are loose connections rather than networks. The main challenge is that companies have to adapt quite quickly in line with the international expansion and that the ability to learn faster than competitors is a crucial factor in an international environment. It is important for employees to be involved in this process from the very beginning and especially to be informed and integrated in order to avoid tensions. Many of the case companies, for instance, soon started to offer their staff language courses and to invite their main international business partners so that their employees make their acquaintance, too. Therefore it is recommendable for a company starting to internationalize that employees be in direct contact with foreign customers in order to increase both their knowledge and appreciation of the new situation. Initially, the fluctuation rate of the case companies tended to go up: On the one hand because certain employees were neither prepared nor able to work in the new, certainly more challenging environment and on the other hand due to the fact that an internationally-active company is inclined to attract new high-skilled and specialized workforce. As for structures, most companies had a rather informal and functional structure before venturing abroad.

As a conclusion, the openness to learn from other markets and the flexibility to modify the products according to the needs of the client ensures the competitiveness of born-again global firms. They are innovative in adapting to changes, which makes it easier to launch their products in new markets. The driving force for a born-again global firm seems to be the personality of the owner who initiated the major change and who is never afraid of trying something different.

LIMITATIONS AND FUTURE RESEARCH DIRECTIONS

It is important to note several limitations to this study. First, the sample was drawn across a variety of industries, which indicates that industry-specific conditions could not be taken into account. Future research might provide further insight whether industry-specific characteristics have a strong impact on internationalization behavior of established companies. Second, researchers building theory from

cases might on the one hand run the risk of generalizing too much due to the complexity of the topic and overlook or neglect certain specific characteristic of companies. On the other hand, the wealth of information obtained from the interviews as well as other sources is tremendous and entices investigators into being overly detailed and complex when synthesizing the research data. Finding the balance between these two extremes is a difficult problem to tackle in the process of case study research.

Some possible directions for further research have emerged. Most importantly, a quantitative study needs to be conducted. It is recommendable that the sample be drawn from as large a database as possible covering a wide range of different industries in various regions of Switzerland (Schueffel, Baldegger et al. 2007). Another possible direction is the comparison between rapidly internationalizing established companies and purely domestic firms that have no intention of taking up export activities. The aim would be to examine whether their approach to innovation, their structures, strategies and cultures differ to a great extent from internationally-active companies. For upcoming research it would be worthwhile to carefully examine a potential relationship between internationalization behavior and the innovativeness of a firm. It could also be of interest to know whether the behavior of born-again global firms in Switzerland differ from other countries.

Figure 1

An Integrated Model of International Entrepreneurship (Zahra and George, 2002, 50)

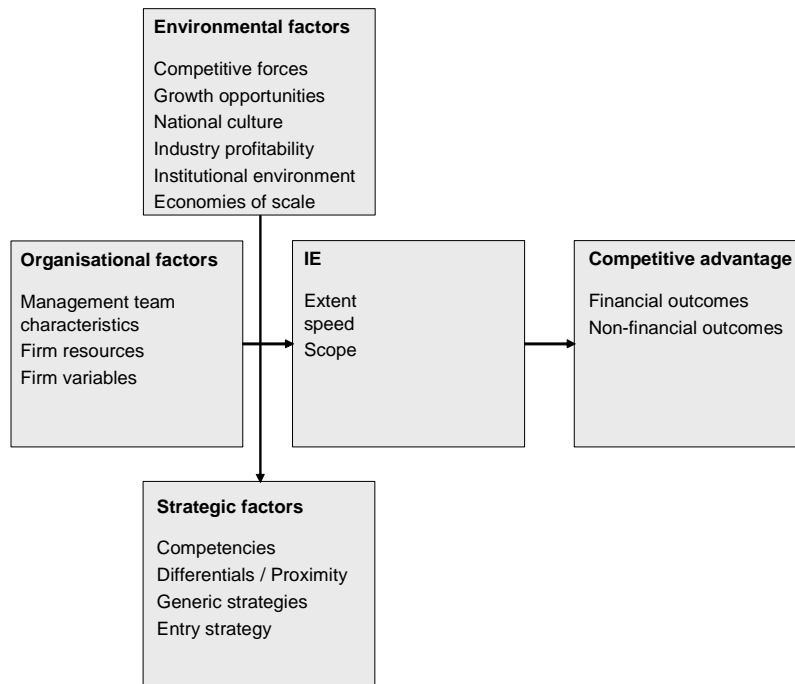


Table 3

Extent, Scope and Speed of Internationalization of the Case Companies

Company	Export Ratio	Internationally-active for n Years	Average Growth per Year (Export Ratio) ³	Number of Export Markets	Speed ⁴
A	80 percent	32	1.65 percent	44	1.22
B	20 percent	6	3.09 percent	7	1.17
C	50 percent	15	2.74 percent	45	3.00
D	70 percent	28	1.91 percent	21	0.75
E	25 percent	14	1.61 percent	20	1.43
F	64 percent	50	0.99 percent	51	1.02
G	50 percent	7	5.96 percent	16	2.29

³ $(\text{Export Ratio})^{1/n} - 1$
n = internationally-active for n years

⁴ Number of countries/n
n = internationally-active for n years

Table 5
Internationalization Profiles traditional firms, Born Globals and Born-again Global Firms [Bell et al. (2001) and Interviews]

	Traditional Firms	Born Globals	Born-again Global Firms
Motivation to internationalize	Reactive Adverse home market conditions Reluctant management "Force" export initiation	Proactive Global niche markets Committed management Active search	Mainly proactive Adverse home market conditions (size of market) Committed management Mainly active search
International objectives	Firm's survival Increasing sales volume	Competitive advantage First mover advantage	Competitive advantage Firm's survival
International expansion patterns	Incremental Domestic expansion first Less sophisticated markets targeted Limited evidence of networks	Concurrent Simultaneous domestic and export expansion Focus on lead markets Strong evidence of networks	Two distinct phases (domestic/international) Domestic expansion first Focus on opportunities, regardless the markets (Moderate) Evidence of networks
Pace	Gradual Slow internationalization Single market at a time	Rapid penetration of global niches Speedy internationalization Many markets at once	Rapid penetration of global markets Rather speedy internationalization Several markets at once
Method of distribution/entry modes	Conventional Use of agents/distributors	Flexible Integration with client's channels Use of licensing, joint ventures	Flexible Use of various entry strategies
International strategies	Ad-hoc and opportunistic Reactive behavior to export opportunities	Structured Planned approach to international expansion	Mix of ad-hoc (initially) and structured (now) Trial and error approach to international expansion

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