Rise of a Global Start-up
A Study of the Internationalization Process of a Born Global Firm

Bachelor Thesis within Business Administration (JBTC17)

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Abstract

Purpose
This study explores the internationalization pathway of the Born Global, The Company, when entering the Mexican market.

Background
Companies have recently started realizing the importance of “being green” for their customers. Market demand shifts towards more natural and renewable materials that can prevent damage and enhance the well-being of individuals and societies. Therefore, the market for biodegradable materials is growing and is full of possibilities. Today, many additives suppliers operate globally. Born Global firms stand out with their approach to the internationalization process. It is interesting to find out the uniqueness of the Born Global firm’s internationalization pathway, their motivation and behavior.

Method
Qualitative data was collected through two in-depth semi-structured interviews with two top management team members of The Company behind the case study. Before the two main interviews, 4 pre-interviews took place, which helped the authors to become familiar with the environment and operations of the company. This data was complemented with secondary data obtained though literature reviews.

Conclusion
The authors were able to find several gaps in the Integrative Model of Small Firms Internationalization, by Bell et al. (2003). Firstly, they found that not all Born Global firms have a Home market to return to. Secondly, it was clear that the model was too rigid in its segmentation of types of Born Global firms. According to the research done by the authors, a firm can act as both an innovator and adopter, as a “Knowledge-intensive” and “Knowledge-based” firm, and can target both a niche and a mass market simultaneously.
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1 Introduction

This part of the thesis provides the reader with the background, problem area, purpose, and research question that the authors decided to concentrate on. Moreover, the perspective is clarified, the delimitations of the study are explained, and definitions are introduced.

1.1 Background

Being part of the world as it looks today with global warming, natural disasters, starvation, and pollution forces each individual to make decisions, from way of transportation to grocery shopping. Globalization and the resulting increased competition represent tremendous challenges to companies (Meixell & Gargeya, 2005; Taylor, 1997). This result in business environments becoming more volatile at the same time as customers become increasingly demanding (Soriano & Dobon, 2008). Furthermore, industrial development has had an impact on the creation of sensitive civil societies’ attempt to launch cleaner industries and the establishment of environmental efficiency (Bates, 2006).

Hence, customers’ increasing demand for more sustainable and cheaper products opens up a window of opportunities for companies that are willing to present themselves on the market as “a company in harmony with the environment”. However, green solutions to the world’s dirty problems will only work if they are integrated parts of thoughtfully devised systems (Agassi, cited in Morse, 2011). Environmental responsibility is steadily increasing in importance for both consumers and industry, which creates a key advantage for producers of biodegradable plastic materials (Kolybaba, Tabil, Panigrahi, Crerar, Powell, & Wang, 2003).

To confirm these words, in recent times, there has been an increased interest in biodegradable additives for different kinds of market use, in particular, usage of additives in the plastic industry (Pritchard, 2005). According to Kolybaba et al. (2003), the key reason for the raised attention for eco-friendly materials is the belief that biodegradable polymer materials will reduce the need for synthetic polymer production, thus, reducing pollution at a low cost, thereby producing positive effect both environmentally and economically.

Today, the key driver for additives sales growth is considered to be the ongoing industrialization and raising prosperity of heavily populated developing countries, in particular China, India, Mexico and countries in South America (Pritchard, 2005). Additives suppliers make it possible to sell more of the material by convincing customers that it minimizes process costs, develops end-product quality or reaches better compliance with legislations. The plastic additives business is one, where technical excellence and quality creates new markets (Pritchard, 2005). Suppliers of plastic additives extend their role as chemicals’ providers; they also offer useful solutions, such as technical maintenance and general marketing expertise, going beyond the additives technology (Pritchard, 2005).

At the present, a large number of additives suppliers operate worldwide. Pritchard (2005) points out that they vary from each other a lot and can belong to one of these businesses: oil firms, mining and mineral conglomerates, global chemical corporations, medium sized suppliers specializing in plastic additives, fine chemicals companies, and small firms selling to niche markets. They indeed differ from each other a lot, depending on the internationalization motivation and behavior, and can belong to “Traditional”, “Born Global” or “Born-again Global” firms (Bell, McNaughton, Young and Crick, 2003). Since, there is such an extreme diversification, this study concentrates on the Born Global firms, which adopt an international approach for their operations starting from their birth or in a short period of time afterward (Madsen & Servais, 1997). Knight (2001) highlights that Born Global firms’ organizational culture, characterized by an entrepreneurial orientation with
emphasis on innovation, is likely to create the development and activation of key strategies needed to give rise to a superior performance within foreign markets. Among these strategies the strategic competence is what will provide the primary means when the firm interacts with the external environment (culture, political systems, economics, etc.) and is, hence, the most important one. Oftentimes, the characteristics of the international entrepreneur help the small, resource strained firm to achieve high performance results (Knight, 2001).

What is important to know when investigating these firms, is that there are various varieties of Born Global firms, either a firm adopts an innovation or is an innovator. Furthermore, the importance of technology differs among firms, where sometimes a firm cannot survive without its particular technology (Bell et al., 2003).

By looking at the internationalization process of a Born Global firm, in this study, The Company, it facilitates obtaining the whole picture of the possible process and strategies, a good understanding of timing and the action plan for making decisions.

1.2 Problem Area

The dramatically increasing number of Born Global firms can be elucidated by revolutionizing market conditions, which the majority of industries have been exposed to during the past 10 years. Furthermore, a larger number of companies produce very specific goods and components that they have to sell in the global market. The firms do so, as they are not satisfied with the domestic demand. Moreover, innovative products can appear in every country’s market around the globe in a short period of time, since the customers’ needs and desires have become more homogeneous. Consequently, new market conditions make the firms enter new markets very fast. Additionally, the increased ability of human resources to make the most of the technological modifications’ possibilities on the worldwide markets had an impact on the rise of Born Global firms. The explanation for this trend can be found by looking at the increasing number of people, who have obtained an extensive international experience during the last several decades (Madsen & Servais, 1997).

1.3 Purpose

This study explores the internationalization pathway of the Born Global, The Company, when entering the Mexican market.

1.3.1 Research Question

To understand the internationalization process of Born Global firms, this study investigates and analyzes an Integrative Model of Small Firm Internationalization and by comparing theory and practice gives suggestions for its improvements. This is done with the help of the following research question:

- **Research Question:** What type of strategies can a Born Global firm use during the internationalization process when entering a mature market?

1.4 Perspective

This thesis is dedicated to the internationalization pathway employed by a firm, and strives to achieve a better insight by collecting and analyzing empirical data. In this study the authors look closer at The Company, a young, international firm, with its head quarter in North America, specializing in eco-sustainable plastics materials. This thesis is conducted from the company’s sales and marketing director, technical director and business developer’s points of view, where the authors look at the process of entering a new market, in particular the
Mexican plastic additives market. The study also includes previously introduced theories and models, which are used to answer the research question that provide the authors with an opportunity to look into an existing strategic entry model in practice and compare to existing theory.

1.5 Delimitations

The study was conducted in Jönköping, Sweden. The in-depth interviews were performed in person both in Sweden. A long-distance interview was held over Skype. By comparing theory and practice, the authors could obtain a realistic estimate on how real Born Global firms function. The reason to have The Company chosen is because it has gone through all stages of the internationalization process while penetrating the Mexican market and other markets worldwide, in order to become a competitive player in the plastic additives industry.

1.6 Definitions

In order to help the reader to get a better understanding of the thesis, the authors included this section where a number of terms are explained, which play a substantial role in the study.

Greenwashing: “the form of corporate misrepresentation where a company will present a green public image and publicize green initiatives that are false or misleading” (Ecomii, 2011).

Plastic additives: “without additives, plastics would not work, but with them they can be made safer, cleaner, tougher and more colorful” (Plastipedia, 2011).

Carbon footprint: “is a measure of the exclusive total amount of carbon dioxide emission that is directly caused by an activity, or is accumulated over the life stages of a product. This definition includes activities of individuals, populations, governments, companies, organizations, processes, industry sectors etc. The term product implies goods and services” (Wiedmann & Minx, 2008).
2 Frame of Reference

This chapter of the thesis introduces the chosen theories, starting with general theories on Entry Strategies, moving on to an overview of a model of Small Firm Internationalization, followed by a thorough description of Born Global firms, concluding with the Product Life Cycle. Each theory starts with an explanation of why the authors chose it, and how it is connected to this study.

The Frame of Reference is designed with the purpose of providing the reader with a general idea of the internationalization process from a strategic point of view. Additionally, it will give a framework for the analysis. Firstly, a general idea of various strategic approaches to enter new foreign markets is presented. Secondly, the reader has an opportunity to look into the internationalization process, step-by-step with the help of “An Integrative Model of Small Firm Internationalization”, which was developed by Bell et al. (2003). The authors decided to focus on a Born Global firm due to an interest in subject, the growing importance of these types of firms in the global business environment, and the restrictions faced while conducting a case study, based on a single company. Thus, theoretical framework on Born Global Firms is presented. Lastly, a final model relevant while conducting the analysis, the Product Life Cycle, is presented.

2.1 Internationalization

Internationalization can be considered: a process, end result, and/or a way of thinking. A company becomes more internationalized, as it becomes more engaged in, and dedicated to the markets of its operations, which are outside of the home country. This can either be a thoroughly planned and well organized process, or the result arising from new opportunities and threat recognition (Alabaum & Duerr, 2008).

2.1.1 Entry Strategies

To fulfill the study’s purpose and properly analyze the market penetration of The Company a thorough overview of the theoretical framework of general entering strategies is introduced.

To begin with, a definition of the term strategy is introduced: “strategy is the basic goals and objectives of the organization, the major programs of action chosen to reach these goals and objectives, and the major pattern of resource allocation used to relate the organization to its environment” (Schendel & Hatten, 1972, p.100).

When a company first starts considering entering a new market, it must be certain that chosen strategies comply with its strategic objectives. It is highly recommended for the company to see each product as unique, thus, creating individual plans for each product introduced (Albaum & Duerr, 2008). Albaum and Duerr (2008) highlight one of the main points of a strategic plan, the choice of entry mode used to penetrate the market. There are several different types of entry modes, one of the most important questions to ask before deciding on which one to use is: should the product(s) be produced domestically or in a foreign market. Furthermore, the company must take a stand on the level of control they would like to maintain, as well as the level of commitment, involvement, and risk (Albaum & Duerr, 2008).

2.1.1.1 Alternative Entry Modes

An international market entry mode is an institutional arrangement, which is essential for the entry of a firm’s products, technology, and human and financial capital into a foreign market (Alabaum & Duerr, 2008). The authors discuss in brief each of the major entry modes.
**Exporting:** gives a simple way to reach foreign markets, while offering minimal effect on the regular operations of the company (Albaum & Duerr, 2008).

**Licensing:** allows the company to permit a foreign business to manufacture, process, trademark, patent, give technical assistance or marketing knowledge and learn trade secrets (Albaum & Duerr, 2008).

**Contract manufacturing:** involves the assembling of products by a manufacturer in a foreign market, or contracting for the manufacturer (Albaum & Duerr, 2008).

**Management contracting:** an investor from a local market supplies the capital for a company, making it a low risk way to enter a market (Albaum & Duerr, 2008).

**Manufacturing:** having the production facilities abroad (Albaum & Duerr, 2008).

**Assembly operations:** evolves interconnection between exporting and foreign manufacturing (Albaum & Duerr, 2008).

**Joint venture:** imposes ownership and control that are shared between two companies, usually a foreign and a local company (Albaum & Duerr, 2008).

### 2.1.1.2 Joint Venture

To start with, it is necessary to know that joint ventures always form a new company through two or more companies from different countries, where one usually is local (Gilroy, 1993, p.156).

Joint ventures can be very efficient when a company would like to enter a market abroad, since risk is minimized by the partnership with a local associate. The local associate can provide the company with its networks. Furthermore, it also has a better understanding of the local market, and its customs (Albaum & Duerr, 2008).

As there are advantages to joint ventures, there are also limitations. Profit could be lower, because of the need for it to be shared among two companies. Disagreements might occur, as well as disputes, between the partners (Albaum & Duerr, 2008).

Concluding, the most important activity when establishing a joint venture is the selection of an appropriate local partner (Albaum & Duerr, 2008).

### 2.1.2 Integrative Model of Small Firm Internationalization

An **Integrative Model of Small Firm Internationalization** by Bell et al. (2003) is presented to obtain a comprehensive overview of the possible internationalization “pathways” perused by companies that are keen to enter a new market. This section is used as a foundation for the conducted research to reach the aim of exploring and analyzing the presented model by conducting a case study.

The internationalization process of firms has, for decades, been regarded as an escalating process, wherein, firms are gravitating towards a “physiologically close” market. While doing so a greater amount of resources is devoted to overseas markets. Moreover, targeted markets are becoming increasingly “psychically” distant. Research done on the subject has found that firms need to become well established in the domestic market before venturing abroad.
However, due to the recent phenomena of the Born Global firms and Born-again Global firms, the process of internationalization has become quite rapid (Bell et al., 2003). The model presented below demonstrates a general overview of the internationalization process pursued by different companies and identifies the type of company according to their chosen pathway.

Figure 1: An Integrative Model of Small Firm Internationalization, Bell et al., 2003
In this study, the parts of the model presented in blue, in Figure 1, will be explored and analyzed, in order to fulfill the purpose of the work. While the red colored areas are presented in order to comprehend the overall complexity of the small firm’s internationalization, but are excluded from this study.

This model is based on already existing internationalization literature, and integrated empirical findings on the internationalization process (McKinsey and Co., 1993; Knight & Cavusgil, 1996).

A number a relevant observations should be noted regarding the presented model:

1. Three main trajectories of internationalization are shown; the model presents the stereotypical internationalization pattern rather than rigid “pathways”. In practice a pathway taken by a specific firm will be highly individualistic, situation specific, and unique (Bell et al., 2003).

2. The source of competitive advantage of a firm is based on knowledge; therefore, it influences the pattern and pace of the internationalization process. Thus, firms with a more sophisticated knowledge tend to internationalize more rapidly (Bell et al., 2003).

3. The model recognizes that the process of internationalization is neither linear nor unidirectional (Turnbull, 1987; Bell, 1995).

4. Firms might experience an epoch of rapid internationalization, followed by de-internationalization (Oesterle, 1997).

5. A specific event might force a firm to put more focus on the domestic market, as well as to push a company into a foreign market (Bell et al., 2003).

6. The focus of the model is concentrated on strategic rather than operational issues (Bell et al., 2003).

With the intention of providing a comprehensive understanding of An Integrative Model of Small Firm Internationalization by Bell et al. (2003) for the reader, the authors conducted an extensive literature review. Thus, every stage of the internationalization process presented in the model is shortly explained with references to other researchers, who are experts within each particular area.

2.1.3 Inward Technology Transfer, Managers’ Prior International Experience

Inward technology transfer in general implies “reassign technological intellectual property, developed and generated in one enterprise or location, to another with a help of legal means such as technology licensing or franchising” (Trott, Cordey-Hayes & Seaton, 1995). In previous studies external acquisition of technology was seen as one of the main ways of technology transfer, especially in the case of technology-based companies (Trott et al., 1995).

However, studies by Rothwell (1991) emphasize the importance of external networks in facilitating the innovation process. Thus, lack of internal technological know-how may slow down external knowledge accumulation. Although, it appears that not all small firms have enough resources to establish effective external linkages in order to exchange know-how. Rothwell and Beeslay (1989) speculate that the major factor that defines a company’s ability to access external technology is internal to the firm, such as the employment of qualified scientists and engineers, and the outward-lookingness of managers. In most cases, a company’s ability to acquire knowledge is built up through experience and learning-by-doing. Thus, the notion of prior knowledge and recruitment of high-qualified staff by an
organization enhance the development of the organization’s “receptivity” to externally developed technology (Trott, 1995).

2.1.4 Managers’ Characteristics

Many researchers, such as Angelmara and Pras (1984); Brooks and Rosson (1982); Ganier (1982); Karafakioglu (1986); Mayer and Flynn (1973), argue for the great influence of the top manager’s international experience on a firm’s international behavior.

There are a number of characteristics proposed by Meisenbock (1988) and Reid (1981) that predict success of the internationalization by taking into consideration the top management team’s experience. These are:

- The extent to which the manager had engaged in foreign travel;
- Whether the top decision maker was born abroad, lived abroad or worked abroad.

Hambrick and Manson (1992) argue that these criteria can be extended in two ways:

- By considering the experience of the top management team as a whole, rather than exclusively the experience of the highest ranking decision maker in the organization,
- By specifying the way in which management experience is related to the forms of internationalization.

Moreover, the external and internal environment, as well as the inward technological transfer has such a significant influence over the characteristics of the manager, which would have an impact over the internationalization process, especially in the case of Born Global firms.

According to research on the internationalization process, international expansion is highly influenced by managerial learning (Coviello & Martin, 1999). Moreover, the internationalization is revealed from the contradictions in the attitudinal and behavioral managers’ commitment (Johanson & Vahlne, 1977). With time passed by and more experience gained, companies amplify their overseas market commitment and enlarge to more far-away markets, and the other way around (Coviello & Martin, 1999).

2.1.5 Decision to Internationalize

What will be further mentioned in the Born Global firms section, not only will favorable market conditions set the internationalization process in motion; there is also usually an event that pushed the company into the decision (Bell et al., 2003). Moreover, companies look for favorable market conditions when before entering a market.

2.1.6 Firms Classification

In this model firms are classified into three categories:

- **Traditional firms**

  Traditional firms mostly adopt a reactive and opportunity-searching approach. In most of the cases it is an escalating process over a long period of time, with a focus on geographically “close” markets, technologically less sophisticated. Therefore, firms are forced to enter international markets due to unfavorable domestic market conditions, unsolicited enquires, or of a need to generate extra revenue. The main goal of internationalization is to survive by acquiring greater sales volume, greater market share or extending the product life cycle (Bell et al., 2003).
- **Born Global firms**

As will be discussed in the Born Global section, these types of enterprises tend to be focused globally from the outset (McKinsey and Co., 1993). Moreover, their source of competitive advantage is commonly related to sophisticated knowledge (Bell et al., 2003).

- **Born-again Global firms**

These firms internationalize rapidly after a long period of mostly focusing on the domestic market. The process of internationalization is triggered by an infusion of new human and/or financial resources, access to new networks in overseas markets, acquisition of new products/market knowledge (Bell et al., 2003). The main objective of internationalization for “Born-again Global” firms is to exploit new networks and resources gained as a result of a critical event that pushed them into internationalization (Bell et al., 2003).

### 2.1.7 Knowledge-intensive vs. Knowledge-based Firms

“Knowledge-based” firms emerge due to the creation of a new technology such as biotechnology; they might develop this knowledge themselves or acquire it. The main point is that they cannot exist without this knowledge. This kind of firm tends to internationalize more rapidly than “Knowledge-intensive” firms, defined below (Bell et al., 2003).

On the other hand, “Knowledge-intensive” firms use existing knowledge in order to develop new offerings, enhance productivity, improve service delivery; however, they are not inherently knowledge-based. Nevertheless, knowledge is recognized as a core competence and a source of competitive advantage within both types of companies (Audio, Sapienza, & Almieda, 2000; McNaughton, 2001).

### 2.1.8 Innovators vs. Adopters

New technologies and scientific developments push the entrepreneurial innovation of a firm. The economic opportunities encountered, when the two former occur, are seized by the small firm, which turns them into innovations. In a mature market or industry, it is necessary for a firm to differentiate its products, in order to survive the fight against the larger firms, since price is the first and foremost important strategic tool in this type of environment (Freeman, Clark, & Soete, 1982). Often times, the innovative ideas are coming from sensitivity towards the environment (Aguilar, 1967). Thus, it is probable that the more market, and environment information a firm gathers, the easier it is for it to become innovative, showing the way of new technologies and developments in the market (Khan & Manopichetwattana, 1989).

As a contrast to the innovative firms, the authors use this definition of the concept of “adopters” in this paper: A firm that uses already existing innovations in order to create a successful product (Marketing Director, 2011).

The pace of internationalization is influenced by the fact of being either innovator or adopter of technology. The innovators tend to internationalize at a much greater rate than the adopters (Bell et al., 2003).

### 2.1.9 Home Market vs. Foreign Market and Lead Market

A definition of Home, Foreign, and Lead markets are provided in order to develop an understanding of the Integrative Model of Small Firm Internationalization by Bell et al., 2003.

In general terms the market is recognized as “a product or service and a geographic area in which it is sold” (Schefmann & Spiller, 1987). Therefore, the market is seen as a setting
within which the product or technology is sold. A Home Market is defined as the region of product distribution in the country of the company’s origin. On the other hand, the foreign market is seen as a setting within which the process of product distribution is taking place, across the national borders of the country of the enterprise’s origin. Moreover, a Lead Market is a place with the most attractive conditions for the selling process of a particular product. A few characteristics of Lead Markets are identified by Albach and Horst (1993):

- Wherein customers are most open to new products;
- Customers willing to adopt early.

2.2 Born Global Firms

*Since this study is focused on a Born Global firm, the type of organization is defined as well as possible techniques applied when entering a new market.*

McKinsey and Co. (1993) and Holstein (1992) identified the majority of Born Global firms as companies where the world is viewed as their marketplace right from the beginning by management. Born Global firms can further be characterized in terms of its knowledge capabilities, meaning “having a high added value of scientific knowledge embedded in both product and process” (Coviello, 1994). In terms of the knowledge embed; Born Global firms follow either a “Knowledge-intensive” or “Knowledge-based” firm pathway, as explained in the previous section.

McKinsey and Co. (1993) found that Born Global firms typically produce cutting edge technology products within a significant international niche market. Rennie (1993) found Born Global firms to compete on value and quality created through their innovative technology, as well as their product design. Furthermore, his study shows that Born Global firms work close to their customer base, and are able adapt their products to customer needs if needed. Additionally, Born Global firms use a proactive and structured approach to the internationalization process.

When looking at the literature on the subject, there are three interrelated, important factors to the birth of the concept Born Global firms:

- New market conditions such as increased specialization leading to more niche markets;
- Technological developments within the production area;
- More elaborate capabilities of people.

In certain cases, the pattern of strategic behaviors is largely influenced by a critical event, which allows them to acquire additional human or financial resources (Bell et al., 2003). Moreover, many industries have networks across borders, as well as global sourcing activities, which make it easier for the innovative product to spread. Lastly, people are more mobile than before, and increased cultural and language capabilities makes the potential employees more homogeneous (Madsen & Servais, 1997).

In a study by McDougall, Shane and Oviatt (1994), it is shown, how Born Global firms do not always choose the low cost style of operating. Furthermore, Born Global firms rely on strategic alliances, when in international competition. What is more, they also rely on the international entrepreneur’s social network and on the entrepreneur itself. Moreover, they argue that international entrepreneurs avoid the domestic path dependence by using the competences they have acquired from earlier activities. They incorporate these routines from the beginning, when managing a multicultural workforce, coordinating resources located in
different nations, as well as, when targeting customers simultaneously in different geographic places. Madsen and Servais (1997) describe the same phenomenon this way: as the background of an entrepreneur is important, so is the background of the founders of a Born Global firm. Important factors are experience living abroad and experience from other internationally oriented jobs. These make the Born Global founder see the possibilities of the international markets, instead of seeing the obstacles of national borders. Moreover, in the case of Born Global firms, recruitment of key members of the management team is a requirement. Hence, the presence of a spectrum of skills is necessary from the outset and is important to ensure the success of the strategy (Elkjaer, 2000; Ranft & Lord, 2000).

According to Coviello (1994), embedded knowledge is also required in sales and marketing functions, since a high level of pre- and after-sales services are required to support the offerings. Thus, an extra knowledge and cost is associated with required skills needed to provide an outstanding service. Moreover, maintenance of the presence within a number of markets simultaneously requires good relationships with partners and the ability to spot the right customers. In addition, attendance of trade fairs may facilitate networking with overseas firms and provide necessary knowledge for technology transfer.

In difference to many other types of firms, Born Global firms do not perceive uncertainty regarding international markets in the same way as other firms. They typically view uncertainty lower, since the founders, and other employees, usually have some type of prior international experience (Johanson & Vahlne, 1977).

In general, Born Global firms are known for being adaptable to customer needs, and the needs of individual markets (Sharma & Blomstermo, 2003).

2.3 Product Life Cycle Model

The Product Life Cycle model is presented with the purpose of giving the reader an understanding of the stages that a product undergoes while evolving in the market. This model is further used in the analysis part to describe certain motives that pushed the taken company, The Company, into the new market, in this case Mexico. Moreover, in this section possible methods of Product Life Cycle extension are presented.

When analyzing the market, a company should take the product life cycle into consideration, since it gives a good indication on the primary demand trends, in addition to the competitive patterns, i.e. the market goes from having a single firm in the beginning to fierce competition in the end. Furthermore, a company needs to analyze its position in the market, from a market share point of view (Catry & Chevalier, 1974).
At the initial stage of the industry, the rate of entry is the highest. Moreover, the range of product versions is the highest, as well as the rate of innovation. Despite continued market growth, the entry rate diminishes, as well as the number of producers of the same product. Therefore, more resources are devoted to the improvement of the production process. Additionally, market share among leading producers stabilizes. This process is known as the Product Life Cycle (PLC) (Johnson, Scholes, & Whittington, 2009).

Tilton (1971) describes PLC as being driven by the way new technologies evolve. At the point, when the product is just introduced, there is an uncertainty over the user’s preferences, and which exact means should be employed in order to satisfy them. Thus, most of the firms entering a new market offer different variations of the same product. Moreover, competition is mostly focused on innovation in this stage. As users experience the possible variation of the product, producers learn what suits the market best. Therefore, a product standard emerges, and the market reaches the maturity stage. Producers, who are lacking production efficiency, exit the market. Moreover, the rate of innovation goes down due to the domination of a standard design. Eventually, the rate of change of the market shares of the largest firms decline and the leadership of the industry stabilizes (Mansfield, 1962; Klein, 1977). Utterback and Abernathy (1975) suggest three patterns in product and process innovation for industries within which the opportunities for both product and process R&D exist. These three are:

- The diversity of competing versions of the same product and the number of major product innovations tend to reach a peak during the growth in the number of producers and then fall over time.
- Over time, producers devote increasing effort to the process relating to product innovation.
- During the period of growth of number of producers, the most recent entrants account for a disproportionate share of product innovations.

However, the innovation process does not only create new markets, but also brings mature markets to new states, extend their life cycle, and reshape the competitive landscape (Kim & Pennings, 2009).

“Firms that implement strategic renewal along these lines can sway the market away from an old and toward a new product architecture, and these forms are more likely to forge a tipping point or a technological evolution, setting off a process commonly known as institutionalization. In other words, through their strategic renewal efforts, some firms emerge as agents of a market’s transformation and push that market toward a new era” (Kim & Pennings, 2009).

Moreover, being aware of the PLC dimensions, companies should be able to keep their product on the market for a more prolonged amount of time. A number of strategies can be employed in order to achieve this goal, they are proposed by Albaum and Duerr (2008):

- Promote more frequent use among current users;
- Develop more varied use among current users;
- Create new users;
- Find new users for the product;
- Make changes in a product;
- Introduce a product that is designed to be short-lived.
3 Method

This section of the thesis presents and explains the chosen methods of data collection analysis. Each particular step of the process is discussed and analyzed. The authors present the methods used to collect raw data, as well as the interview process, and the approach used to analyze the obtained data. Furthermore, the credibility, transferability, dependability and confirmability of the obtained results are discussed.

3.1 Research Approach

There are two ways of scientific reasoning that are widely used by researchers. These are the inductive and deductive approaches. The deductive reasoning infers frequencies from probabilities. On the other hand, the inductive reasoning infers probabilities from frequencies (Johnson, 1932). Thus, the inductive approach implies moving from a single observation to a general conclusion, thereby, identifying a pattern of phenomenon, while, the deductive approach implies taking a general idea and test it on a particular example.

Creswell (1998) argues that if the subject under research has not been previously studied, or little knowledge within this field is presented, the inductive method should be applied. It allows a detailed investigation, which is essential for the establishment of a basic understanding of the research problem.

In order to fulfill the purpose of the study, a deductive approach was used, since the aim of the approach is to explore grounded theories on a single case study (Hair, Bush, & Ortinau, 2006). It is a method of drowning conclusions based upon logic and facts. To do so, it requires an establishment of the theoretical framework, within which the particular research will take place, which will be further developed after a thorough investigation.

The primary data collection is recognized as one of the most important aspects of the research process. In order to fulfill the purpose of this study, the qualitative method was chosen as a tool of data generation.

McGrath, Martin, and Kukla (1982, p.70) describe the quantitative research as an external approach, comparable with a picture from a bird’s eye view. Findings obtained through quantitative research present a more general view of the problem. Its aim is to capture the general perceptions. On the contrary, the qualitative method falls into the category of research, whose interest is the comprehension of the meaning of actions. This comprehension can be done through interpretation of cases using qualitative data. The advantage of qualitative data is that one can preserve a chronological flow of events. Another feature of qualitative data is their richness and holism, with a strong potential for revealing complexity (Miles & Huberman, 1994).

Thereby, qualitative research produces rich amounts of data, which needs to be systematically analyzed in a logical fashion (Miles & Huberman, 1994). Qualitative data was collected through numbers of semi-structured interviews with members of the top management team of The Company.

Information gathered through numbers of semi-structured interviews is seen as a raw data under investigation. The research objectives are established by conducting a literature overview and presenting a summary of the relevant existent theories, thereby a research question was created.


3.2 Research Strategy

The aim of this study is to explore an already established model on the internationalization process of a Born Global firm by applying it on a practical case and present ideas for further development of the taken model.

Therefore, a number of research methods are applied in order to generate valid results, which fulfill the purpose of the study. To be able to do so, the authors formulated a particular theoretical framework. Then, in the Analysis section, the authors aimed at making a contribution by providing a richer and more in-depth understanding of the variables of the selected model, which is presented in a Frame of Reference section, and searching for gaps in the theory.

This is done by analyzing the strategic approach used by an existing company – The Company that has undergone the process of entering the plastic additives market in Mexico. In order to obtain qualitative data, explain and analyze steps taken by The Company, a number of semi-structured interviews were conducted with the top management team of the company. Due to the global allocation of the operational units of The Company, and the importance of the Mexican market for the plastic additives industry, great attention is paid to the Mexican market, where The Company has established a Joint Venture to penetrate the market.

3.2.1 Case Study

This research is carried out through a case study methodological approach. A case study is recognized as an ideal methodological approach when a holistic, in-depth investigation is needed and excels at bringing the researcher to an understanding of a complex issue (Feagin, Orum, & Sjoberg, 1991).

Yin (2003) defines the case study research method as an empirical inquiry that investigates a contemporary phenomenon within its real-life context; and multiple sources of evidence are used. Merriam (1998) gives a definition of case studies as intensive descriptions and analysis of a single unit or bounded system, such as an individual, program, event, group, intervention or community. In this paper Yin’s (2003) definition of a case study will be used.

The research presented focuses on one case study. The criteria for choosing only one case study are based on the design proposed by Yin (2003) for a single case study, which should be under one or a number of the following five circumstances, when the case:

1. Represents a critical case that has a strategic importance for testing a well formulated theory (Flyberrg, 2006). The theory has specified a clear set of propositions, as well as the circumstances within which the propositions are believed to be true. To confirm, challenge, or extend the theory, a single case may meet all of the conditions for testing the theory.

2. Represents an extreme case or a unique case.

3. Is representative or typical. Here, the objective is to capture the circumstances and conditions of an everyday or ordinary situation. The case study may represent a typical “project” among many different projects.

4. Is revelatory. This situation exists when an investigator has the opportunity to observe and analyze a phenomenon previously inaccessible to scientific investigation.

5. Is of a longitudinal nature, it studies the same single case at two or more different points in time.
Theory on internationalization strategies has been investigated for decades within the field of strategic management. Thus, it enables us to present, within the Frame of Reference section, clear sets of propositions, within which certain existent theory is believed to reveal reality. The knowledge collected though the literature review is summarized with the help of “An Integrated Model of Small Firm Internationalization” proposed by Bell et al. (2003).

The company behind the case study, The Company was chosen due to a number of factors that fit with the propositions provided by the existent theory:

1. The Company characterizes itself, as well as reveals most of the characteristics described in the theory, as a Born Global firm.
2. The Firm has undergone the process of entering foreign markets several times. Therefore, its extensive previous knowledge and understanding of the industry, has, to a great extent had an impact on the employed entering strategy.
3. Since the company behind the case study fits the propositions provided by current theory of Born Global firms, as well as shows previous experience within the subject. It is a perfect case to explore grounded theory on.

Furthermore, since environmental issues are in vogue right now, having found a company so dedicated to it was phenomenal (Bell et al., 2003).

3.2.2 Semi-Structured Interview

Primary data collection is one of the most important aspects of the research process. The application of proper techniques guarantees credibility of collected qualitative data, in the sense of its consistency and scientific value. By improving the data collection techniques one ensures accuracy and credibility of the research findings. Thus, the authors achieve the goal of carrying out a high-quality research with credible findings.

Interviews are discussions, usually one-on-one between an interviewer and an individual, meant to gather information on a specific set of topics (Harrell & Bradley, 2009). An interview is viewed as a useful technique when it comes to the understanding of an event. It is based on the participant’s experience, due to the fact that the interviewer can pursue in-depth information around the topic. Thus, an interview is a form of self-report. The researcher is forced to assume that the information given by the respondent is accurate (Bums & Grove, 1987).

There is a number of criteria proposed by Gillham (2005) that define interview:

1. Asked questions or raised topics are “open” for the respondent to determine their own answers.
2. Since the relation between interviewer and respondent is interactive it allows a certain degree of “adjustment”: Tell me more about that, or I do not think I quite understand.
3. The interviewer is navigated by his/her purpose and predetermined structure.

Because an interview is a real-life research, the likelihood of getting the true picture and understand how things work is greater.

A semi-structured interview was chosen as a research method over a structured questionnaire, due to its flexibility and absence of limitation given by statistical analysis. In the authors’ point of view, semi-structured interviews allow the respondent to explain their thoughts thoroughly and highlight areas of particular interest, and experience they had, as well as enable given responses to be questioned more in depth.
3.3 Method of Data Collection

The purpose of the conducted research is to describe and analyze the internationalization process of a Born Global firm. Thus, in order to fulfill the purpose, several semi-structured interviews were conducted, in order to gain an in-depth understanding of the investigated subject, as well as to obtain information for analysis. The usage of semi-structured interviews gives a possibility to analyze data in a qualitative manner, and is appropriate, when conducting a case study research (Saunders et al., 2007). Key executives of the chosen company were selected as respondents. These people were selected due to comprehensive insights in the company’s operations and broad experience in the matter of new market entry decisions. Moreover, the selected people have a great influence over the internationalization mode pursued by The Company. The names of the respondents were kept confidential upon their own requests.

In total the authors held six interviews. Four out of which were pre-interviews that were conducted with the intention of providing the authors with an in-depth understanding of the matter under research, and getting familiar with the operations held by the company. Four out of six held interviews were done in person, while the other two were Skype and phone interviews, due to the physical distance. One respondent was located in North America while the other one was in Europe.

While designing an interview, it is crucial to clearly articulate the main problem that needs to be addressed (Saunders et al., 2007). Thus, the interviewers kept clear focus when asking each question on the internationalization process pursued by the company. The conducted interviews were semi-structured, which implies that a list of questions intentioned to be asked was sent to the responders in advance to the actual meeting. However, additional questions were asked during the meeting in order to gain a deeper understanding of the topics under discussion.

3.4 Designing Interview

The authors see the establishment of a trustful relationship with the interviewed person as key for obtaining credible raw data. Even though, conclusions can only be drawn after full and extensive analysis, the willingness of the respondents to provide reliable information has a great influence on the validity of the obtained data (Barriball & While, 1994). Therefore, we insured that all the obtained data was forwarded back to the respondents for the assurance of the accuracy.

Asked questions were mostly based on the theories presented in the Frame of Reference section, since the authors’ aim was to explore existent theories by looking for correlations, as well as differences with the investigated company. The first questions were open-ended and related to the background and managerial experience of the respondents. It was extremely important to clarify this matter, since all of the respondents occupy different positions in the company, and their previous experience has an influence over the strategy formulation. Personal profiles of each participant are presented in the Case Study Report section.

The next set of questions was related to the strategy pursued while entering the new market; the authors were interested in both previous experience and the currently employed strategic approach. Also the motives for choosing that market in specific was crucial in order to identify the reasons that stimulated The Company to enter a particular market, in this case, Mexico.
Moreover, the authors had the intention to get an insight of the management, and their operations in general. Thus, questions related to the description of the company, as well as its strategic vision towards the penetrated markets were asked.

Even though, all of the questions asked were influenced by the findings obtained from the existent theories presented in the Frame of Reference section, all of them were based on the knowledge gained from the market analysis and overview of the company in general. Moreover, the four start-up interviews were used to gain an understanding of The Company in general, as well as to obtain knowledge of its operational environment. This is the reason why the analysis is so closely related to the external environment that has influence over the company’s strategy formulation.

### 3.5 Conducting Interview

Three personal interviews took place on different dates, in different places due to the spread of operational units of The Company. Before conducting the actual interviews, of which transcriptions will be sent on request, the authors attended four start-up meetings with three of the key executives of The Company. These meetings gave an opportunity to gain an understanding of the company, as well as the strategy it pursues in order to enable the authors to establish the focus of the conducted study. Outlines of the two main interviews are presented in the previous section.

The interview with the Business Developer was 45 minutes long. The interview with the Marketing Director was 82 minutes long. The pre-interview with the Technical Director who works at the head office was held over Skype, while, one of the first pre-interviews with the Marketing Director was held over the phone. All of the interviews were recorded and transcribed, which was permitted by the respondents. A transcription of each interview is presented in the Appendix section, and re-written in the Case Study Report.

The transcriptions of the interviews gave a possibility to re-listen to the raw data; to obtain precise and unbiased record; to have the possibility to quote the respondents while conducting the analysis; and the interviewer can remain focused throughout the whole interview. However, there are also some disadvantages according to Saunders et al. (2007), the reliability of the given answers could be questioned, since the respondent might answer differently due to the presence of a recording machine, which also, possibly, could have an effect on the conversation flow. Furthermore, there is a risk of the emergence of potential technical problems; and the time-consuming effort of transcription.

All of the authors were present during the interviews, which made it possible of each of them to view and analyze the raw data obtained individually, since every member was assigned a different role, as recommended by Eisenhardt (1989). Since the interview was conducted by a three person team, with one researcher asking the interview questions, another one taking notes, and the last one taking care of the recording. Therefore, the interviewer has a perspective of personal interaction with the respondent, while the other two observe the whole process from a more distant perspective (Eisenhardt & Bourgeois, 1988).

Due to the physical distance, and limited study time frame, one interview was held over Skype. The interview was designed and conducted in the same way as the previous two, in order to obtain reliability of the findings. Moreover, according to Zikmund (2000) telephone interviews (Skype interviews) can be compared to a personal interview, in terms of the quality of collected data. There are also advantages and disadvantages with conducting a telephone interview. The advantages that are the most significant are: no traveling involved, which saves time for the researchers. Moreover, since there is no physical meeting with the
respondent, the interviewer’s characteristics or appearance does not affect the interview. However, as a disadvantage, the interviewer has no possibility to observe the respondents behaviors (Bryman & Bell, 2007). Thus, it might be harder to build trust between the interviewer and respondent. In order to overcome the possible disadvantages presented above, the interview is kept structured and well-planned to ensure collection of valuable raw data.

3.6 Analysis of Data

The data obtained through the interviews was analyzed according to the strategies underlying the use of the deductive approach. Thus, the most important aspect of the analysis is to show the authors’ ability to think critically, present findings as well as be able to give reflections on a number of alternative explanations.

In this study authors explored an already established model of the internationalization process presented in the Frame of Reference section. Thereby, the purpose of the study was fulfilled and the research question was answered. Since the study is mostly based on one single model, the analysis was guided by the structure of the chosen model with the elimination of the irrelevant aspects for this study.

The analysis is based on a number of readings and the interpretations of the raw data collected through the semi-structured interviews. However, even though the findings are predisposed by the evaluation objectives determined by the researchers, the findings arise directly from the analysis of the primary data, not from pre-expectations.

In order to fulfill the purpose of the research, and tie the raw data to the analysis, the most relevant parts of the raw data are presented in the Case Study report of The Company. Then it was explored based on the existent model from the Frame of Reference.

The analytical process embarks on the delimitation of the research area, which was done by the creation of a new model which is presented in Figure 6.

The next step was to go through every stage presented in Figure 6, by combining studied theory with replies obtained thought the interviews. This allowed the authors to get a versatile insight into the matter and structure their findings in an accessible manner.

After having conducting the interviews the authors were searching for the key themes that were to be reflected in analysis part. Thus, the analysis was based on a comparison of the chosen model with the reality that was revealed in the interview materials. Created interview questions were constructed under different categories, this aspect was already established in the Designing Interview Section. An establishment of these categories allowed the authors to place relevant answers derived from the interviews under each step described in the model. Moreover, the authors introduced their critical reflections, which combine information provided in the interviews with theory derived from the literature.

3.7 Quality of Methods - Establishing Trustworthiness

Every research project consists of several phases. It begins with the topic selection, and finishes off with the dissemination of the obtained findings (Barriball & While, 1994). Each step within the described research process might potentially influence the output of the research. Therefore, it is important “to avoid as much errors as possible during all phases of the research, in order to increase the credibility of the results” (Brink, 1989).

In order to attain research credibility, the research process must be valid, as well as reliable (Brink, 1989). According to Brink (1989), it is a major challenge, when a research is based on
a semi-structured interview. A number of authors highlighted the fact that qualitative research methods often are criticized for failing to clearly address issues of validity and reliability in their studies (Le Compte & Goetz, 1982; Brink, 1989). The concept of quality in qualitative studies is seen as an ability to establish a “general understanding”, while in quantitative research it is the “purpose of explaining” (Stenbacka, 2001, p. 551). Due to the differences in evaluation of the quality in qualitative and quantitative research the concept of reliability cannot be applied similarly to both types of research. According to Stenbacka (2001, p. 552), “the concept of reliability is even misleading in qualitative research, if a qualitative study is discussed with reliability as a criterion the consequence is rather that the study is no good.”

### 3.7.1 Optimization of Trustworthiness

The following section explains the credibility, transferability, dependability and confirmability of the study, and how the authors have carried out the qualitative research to receive consistent and valid data. As well as applied techniques to increase the trustworthiness of the conducted research proposed by Guba and Linkoln (1985).

#### 3.7.1.1 Credibility

The credibility criteria are established in order to verify the results of qualitative research, as credible or believable, by taking into consideration the perspective of the participant. Since the purpose of qualitative research is to describe, or bring an understanding to the phenomena of interest from a participant’s eyes, participants or readers are the only ones who can legitimately judge the credibility of the results.

There are two ways to achieve credibility of qualitative research according to Guba and Linkoln (1985). First, to “carry out a research in such a way that the probability that the findings will be found to be credible is enhanced, and second, to demonstrate the credibility of the findings by having them approved by the construction of the multiple realities being studied” (Guba & Linkoln, 1985, p. 296).

The main one is a prolonged engagement. This technique implies the investment of sufficient time to achieve certain purposes, such as learning the “culture” and testing the misinformation that might be given. One should be aware that it is not possible to understand any phenomenon without referring to the context in which it was embedded (Guba & Linkoln, 1985). Therefore, it is essential to spend enough time to become oriented to the situation.

By learning the environment through the lens of the industry within which the studied company operates, as well as getting to know the competitive landscape by conducting a Five Forces analysis and learn the reasons to enter the market, the authors ensured an understanding of the settings within which the phenomenon of entering the Mexican plastic additives industry has taken place. Therefore, the authors strongly believe that prolonged engagement gives an opportunity to identify those characteristics and elements in the situation that are the most relevant to the issues and investigate them more in detail (Guba & Linkoln, 1985).

When designing the interview questions, the authors were aware of the current situation on the market, and could reasonably analyze the raw data. Moreover, in order to obtain credible findings, and to avoid any possible misleading information given by the respondents, the authors put a lot of effort into building trust by keeping the company behind the study informed about the research and making sure that used information was not confidential. In order to do so, the authors confirmed to the respondents that their confidences will not be
used against them by demonstrating the transcriptions of the interviews and showing the manuscript of the study along the way.

Another implied technique is member check. According to Guba and Linkoln (1985), the member check is, whereby data, interpretations, and made conclusions are tested with members of the stake holding group, from who the data was originally collected. It is one of the most valid techniques for establishing research credibility. In the case an investigator manages to produce reconstructions that are recognizable to the audience members.

In order to improve the credibility of the authors’ research, all the summaries of the conducted interviews are shown to the person interviewed, in order to avoid any possible misinterpretations, and exclude any possibility of using misleading information while drawing conclusions. Moreover, the analysis section has been proven by a member check, when these final conclusions are made, and all the reflections and suggestion were taken into consideration in order to improve the overall quality of the research and insure scientific value provided by obtained results.

3.7.1.2 Transferability

According to Guba and Linkoln (1985) transferability of qualitative research depends on the degree of similarity between sending and receiving contexts. Thus, transferability refers to the extent to which the findings of qualitative research can be generalized or transferred into different contexts or settings.

The establishment of transferability in qualitative research is quite different from the establishment of validity in quantitative research.

Therefore, the main responsibility of a researcher conducting qualitative research, according to Guba and Linkoln (1985), is to provide the data base that makes transferability judgment possible on the part of potential appliers, instead of providing an index of transferability.

Thus, every step of the applied method is carefully explained, as well as providing the reasons for using certain methods. Moreover, great attention is devoted to the process of constructing interview questions, since this part is the most important method of data collection (Guba & Linkoln, 1985). An explanation of the process of interview designing can be found above.

3.7.1.3 Dependability

Dependability is concerned with the repeatability of the constructed research. Therefore, for a research to be dependable, one should be able to observe the same thing, and obtain the same results in case the same research methods are applied. However, according to the definition provided by Guba and Linkoln (1985) the same thing cannot be measured twice and if it is measured twice it is a different thing. Thus, the idea of dependability focuses on the idea of an ever-changing context, within which research occurs. In order to reflect on the dependability of the applied research methods one must describe the changes that occur in the setting, and how these changes can possibly affect the way the study is conducted.

Since, credibility cannot be established without dependability. Guba and Linkoln (1985) argue that it is sufficient to demonstrate that the former is adequate in order to establish the latter. Therefore, it is not necessary to demonstrate dependability separately in case the study has a good quality of credibility.
3.7.1.4 Confirmability

Confirmability plays the role of objectivity in qualitative research. Objectivity exists in 3 cases, when:

- The data of the study presents reality;
- An appropriate methodology is employed;
- Obtained conclusions are not influenced by the values of the inquirer.

Guba and Linkoln (1985) define confirmability as a degree to which the researcher can demonstrate the neutrality of the research interpretations. Therefore, the reader should be informed about possible bias or distortions faced during the conduction of the research. However, in case the produced results explain, predict and solve problems for the group for which it was produced, then it may be of less importance to prove the confirmability of the research (Cutcliffe & McKenna, 2004).
4 Case Study Report - The Company

The case study report is divided into two parts, the External Environment and the Internal Environment. This is done, in order to provide the reader with a comprehensive overview of the company in general, and the environment within which its operations are taking place. Moreover, it gives an opportunity to follow the structure of “An Integrative Model of Small Firm Internationalization” by Bell et al. (2003), presented in the Frame of Reference section.

The Internal Environment section focuses on the general structure of the company - The Company, followed by the profiles of the key employees, who were interviewed. In addition, the product portfolio is presented in general terms to see the market arrangement. The section is finalized with a presentation of the SWOT analysis, which identifies external and internal factors important to the strategic planning of the company.

The External Environment section looks at the favourable and unfavourable market conditions, along with the industry trends. In order to obtain a complete view of the market, a Five Forces analysis was conducted in order for the authors to obtain a better picture of the industry. This is followed by a section thoroughly describing the market conditions on the Mexican market. Additionally, an identification of the key competitors is presented. Moreover, the reasons for entering the Mexican market are presented, as well as the strategy perused while entering it.

4.1 Internal Environment

4.1.1 The Company - General Overview

In order to understand and analyze the actions, and strategies of any company, within any industry, a general knowledge about its operations is necessary. Thus, below the authors present The Company from a general point of view, as to provide the basic knowledge needed about the company.

The Company is based in North America, focusing on eco-sustainable plastics products, working within the bulk packaging industry (The Company, 2011).

Its product portfolio consists of a number of cutting edge technologies. These help companies reduce their carbon footprint, as well as the impact on the economy for its customers. Noticeable, all The Company technologies fulfill the requirements for Eco-Sustainable Plastics Packaging (The Company, 2011). In order to differentiate itself, The Company decided not to focus solely on one technology (Business Developer, 2011). The Company strived to create a portfolio of more comprehensive and interactive products, in order to be able to use the window of opportunity present on the market. The concept of The Company is to be a “one-stop shop”, to tailor specific solutions for each individual customer’s needs by not putting any of the technologies offered in favor of the others. For customers, “one-stop shops” create tangible advantages: they benefit from the extensive know-how that includes all relevant product classes. Thus, it translates into less complexity, faster time-to-market and, lowers costs (Marketing Director, 2011).

Lastly, The Company’s concept consists of approaching the customers as consultants rather than retailers. This is done by following them from the beginning of the process until the end. Allowing The Company to make sure that no tests are done without the right knowhow, that the application of the product is done correctly, and that no false statements about its products are published (Business Developer, 2011).
As it has been already mention, The Company is based in North America, although several important members of the company are operating in different countries. The initial plan was to start operations in North America, then moving over to Asia. This was changed, when a new employee was hired, who had connections in Mexico. Thus, a Latin American Company was formed, in order to penetrate the Latin American market, starting with Mexico (Marketing Director, 2011).

What is important to point out is that The Company headquarters does not take responsibility for its branches, including the Latin American Company. This was decided since each market has particular conditions; hence each branch operates independently according to these. Therefore, The Company is considered to have no Home market, as such.

4.1.2 Key Employees

The authors included The Company representatives’ profiles to provide the reader with a more comprehensive picture of the company’s profile, and shortly introduce the reader to the interviewed persons. The information is gathered directly from the respondents.

4.1.2.1 Marketing Director

One of The Company’s founders, who currently holds the position of marketing director, is an international business man, with extensive experience in the eco-sustainable plastics packaging industry and has worked in all stages of the value chain, covering the converter/producer, the end-user/customer, the retailer and the brand owner (Marketing Director, 2011).

4.1.2.2 Technical Director

The Technical Director a co-founder of The Company also having the function as the company’s CEO. The Technical Director has a comprehensive knowledge in plastics and has been working worldwide in the market of eco-sustainable plastics packaging (Technical Director, 2011).

4.1.2.3 Business Developer

The Business Developer joined The Company with knowledge of the Mexican market along with the understanding of the Latin American Business climate and language (Business Developer, 2011).

4.1.3 The Company – Latin American Company

The authors added this section to the case study report, in order to quickly inform the readers about the international branch opened in Mexico by the Born Global The Company. The authors wanted to give a short overview of the company that was created in order to penetrate the Mexican market, which is the main subject of this thesis.

The Latin American Company is a limited liability company founded in the autumn of 2010 when they started approaching the market. The real approach of entering the Mexican market started early 2011, when sample material was sent. This positioned The Company as the last entrant on the Mexican plastic additives market. Currently, the Latin American branch employs five people: one within logistics, three on commissioning, and a business developer (Business Developer, 2011).

After four months of operations in Mexico, the company has approached some of the largest companies within disposable packaging. Moreover, it has one distributor working for Mexico City and Guadalajara. Additionally, the company is working closely with the distributor of
The Company operating in Chile, Colombia, Costa Rica, Panama and Guatemala (Business Developer, 2011).

4.1.4 Product Portfolio

When analyzing the market penetration of a company, in this case The Company, it is crucial to understand its product portfolio, as well as for which customers the products are intended. Therefore, the authors included this section in the case study report.

The Company is approaching the market with a number of products that are developed by using different technologies, as opposed to its competitors’ strategies, who are focusing on one type of technology exclusively.

Figure 4: Product Portfolio of The Company, Marketing Director, 2011

Figure 4 presents how The Company’s technologies are differentiated according to its price/performance ratio. Therefore, price is determined by the performance function carried by the technology. Moreover, the technology’s function determines the type of market the technology should be sold on, either a niche market or mass market.

For instance, The Company created a product for landfills, technology 1, which is categorized as niche products, since there are not many landfills in general; the main countries using this type of recycling are England, the U.S., Mexico, and Canada. Therefore, because of the lack of demand, the price is much higher (Marketing Director, 2011).

The Company’s strategy is to differentiate its technologies according to their performance and, thereby, identify the market they belong to (niche or mass). Moreover, the product life cycle, the application, and the climate all affect the effectiveness and efficiency of the technologies (Marketing Director, 2011).

According to the definition in Rangkuti (2007), a niche market is: “a … market also known as a target market, is a focused, tangible portion (subset) of a market sector. By definition, then, a business that focuses on a niche market is addressing a need for a product or service that is not being addressed by mainstream’s providers. A niche market may be thought of as a narrowly defined group of potential customers”. However, firms focusing on the mass market tend to sell to all potential customers, satisfying their needs with one particular product (Rangkuti, 2007). The mass market implies low production costs and a desire to form a market monopolistic alliance (Rangkuti, 2007).
Mass market prices are much lower than prices within niche markets. However, even though the margins are lower, the revenue comes from volumes. It is the other way around for niche markets, where most of the revenues come from the margins (Marketing Director, 2011). Therefore, when The Company decides on the type of market to work on, it finds it extremely important to see, how adoptable the product is, and if it is capable of serving a number of functions at the same time. Furthermore, it takes into consideration the entire value chain from the initial stage until the moment of end-of-life. In order for The Company to conceptualize the idea of the “one stop shop”, they had to find as many complementary technologies as possible, as to fulfill the existing requirements in the sustainable packaging industry (Marketing Director, 2011).

4.1.5 SWOT Analysis of The Company

As is common when making, or analyzing, any strategic decision it is important to have an understanding of the external and internal factors important to the strategic planning of the company.

The SWOT analysis is used to provide a better understanding of internal and external factors that affect the strategic planning of a firm’s resources. The analysis presented below is a SWOT analysis of The Company which is constructed based on the secondary data obtained from the company’s webpage, information provided by the top management during the interviews and a comparison of the general performance on the Mexican market in relation to its main competitors.

- **Strengths**

  **Business concept to reach the end customer and decision maker:**

  In order to differentiate themselves from competitors and gain a competitive advantage, The Company created an interactive product portfolio. Their business concept is to act as a consultant, finding the most appropriate solution for the customer. This is done, by taking into consideration the customer’s specific needs, such as carbon footprint and cost (The Company, 2011).

  **Comprehensive experienced and skilled management:**

  Having management with such extensive experience within the plastic industry, as well as broad understanding of the product flow diminishes risk and gives possibility to take advantage of arising opportunities.

  **Well developed sales and marketing platform in the packaging market:**

  Due to extensive experience in sales and marketing, as well as knowledge of the technical aspects of the production obtained by the top management of The Company in combination with existing networks within foreign markets, the company managed to quickly establish a marketing platform, which gives a possibility to reach potential customers at a minimal cost.

  **Well established partnership as to toll compounding and raw material suppliers:**

  Due to previous experience within the plastic industry worldwide, management takes advantage of established partnerships with producers of additives, as well as raw material.

- **Weaknesses**

  **Presence on the market:**

  The Company has not yet gained much presence on the market. They were the last entrant and will need to fight in order to gain market share.
Further development of distributors’ networks:
There is still a need for The Company to enlarge its network in Mexico in order to improve its position on the market.

Sales people to be engaged:
As for now, there are five people employed in Mexico working in sales, logistics and business development, which needs to be expanded in order to enhance The Company’s competitiveness.

- **Opportunities**

Business concept has much more potential than any other competitor:
Acting as consultants, The Company advises customers to the best option, gaining a competitive advantage over other market players who do not have as extensive product portfolios, usually only containing one single technology.

Complementary technologies give potential synergism and new IP (intellectual property) possibilities:
As new technologies are added to the product portfolio, The Company gains an opportunity to enhance its technology performance and obtain new patents.

Increased interest and awareness from all stakeholders in the society concerning sustainability, environmental and climate issues:
There is a growing concern about the environment worldwide, not only among politicians but also among the general public. This works as an advantage for any company working with green products, including The Company.

Low carbon footprint impact at a low cost:
The Company’s technologies provide a possibility to decrease the carbon footprint of packaging materials. Moreover, they are also relatively cheaper than competitors.

Several existing technologies are reaching maturity level:
While other actors on the Mexican market need to struggle with price wars, because of the maturity level of the technologies, The Company has an advantage through its product portfolio, which does not contain these technologies.

- **Threats**

Potential legislation may impact:
In Mexico, it is not the politicians that are the driving force of this type of legislation, but retailers, brand owners, and private labels. These companies will not have the best intention in mind for the market as a whole, but for themselves. This could create legislation in favor of a different technology than the ones offered by The Company.

Greenwashing:
Greenwashing is becoming a dangerous problem within this industry, undermining the trustworthiness of the technologies. As of now, the only option for The Company to overcome threat is to allow each potential customer to test their products, either a general test, which takes longer, or a customized one, which is accelerated.
Economical dependency on the US:
Many suppliers and producers of US companies are situated in Mexico, making them sensitive to movements in the American economy.

Mexican plastic additives producers:
In recent years a few multinational companies have started producing their own additives on the Mexican market, if this is spread, it can make it difficult to maintain market position.

4.2 External Environment
Eco-sustainable plastics are a recent necessity. Plastics have a large impact on each particular activity in the modern world. Moreover, the majority of activities depend on plastic products (Plastipedia, 2011). All plastic products contain additives, since they add a particular value to it, such as color and a shorter or longer life cycle. Indeed, additives are not cheap, but by reducing production costs and increasing the product life cycle, they help to save money and raw material reserves worldwide.

In the case, where there would be no such thing as additives, which turn basic polymers into valuable plastics, the world would be considerably less safe and much more expensive (Plastipedia, 2011). The Company belongs to the plastic additives industry. However, after having had six interviews with the company’s top management, the authors can state that its operations are also closely connected to the plastic packaging industry. This conclusion can be made due to the close correlation between the plastic additives industry and the plastic packaging industry, since these two are complimentary goods.

A complimentary good is a good with a negative cross elasticity of demand (Sullivan & Sheffrin, 2003). Meaning, if the price for plastic packaging rises, demand for plastic additives decreases, and vice versa. Below, the authors start the External Environment section with a Five Forces Analysis that provides an insight into the plastic additives industry, followed by a section on the Mexican market.

4.2.1 Five Forces Analysis
The Five Forces model was used in order for the authors to obtain a better understanding of the plastic additives industry that The Company operates in. The section starts with a short definition of the Five Forces model, followed by that the description of rivalry within the industry, the power of buyers, the power of suppliers, the threat of entrants, and the threat of substitutes.

Porter’s Five Forces model describes factors outside the studied industry that yet affect the nature of competition within it, as well as forces that are within the micro-environment of an industry, and influence core competences of a firm. It is important to recognize the dynamics of an industry and market, in order to become competitive (Porter, 1990). Porter’s model is used as a strategic tool to identify the potential of a new product or service.

The plastic additives industry is analyzed by taking companies who supply plastic additives as players. Plastic packaging companies and companies in need of packaging as a protection for their products, as key buyers, and companies, who provide raw materials are seen as key suppliers for the players.

Rivalry can be characterized as strong within the plastic additives industry (Bureau van Dijk, 2010). The competition is highly influenced by globalization. Despite high market fragmentation and the presence of large dominant players, increased consolidation of suppliers can be seen. Moreover, a greater number of suppliers enter the industry (Babinsky,
2005). When speaking specifically about the Mexican plastic additives industry, the market is already cluttered only making it possible for companies with diversified product portfolios to successfully enter and operate in it (Marketing Director, 2011).

In terms of buyers, companies who are in demand for plastic additives are seeking new materials to cope with the demands of final customers. The main trend within the industry is the usage of biodegradable, reusable and environmentally friendly materials, its importance is increasing due to raising awareness of environmental hazards and governmental regulations. Thereby, the diversification of the industry has been taking place through the availability of eco-friendly substitutes (Bureau van Dijk, 2010). Besides, megabuyers try to commoditize the industry. Additionally, regional issues turn into global problems, e.g. single pricing, exchange, logistics, speculations (Babinsky, 2005). On the other hand, in most of the cases plastic additives are tailored to meet specific needs of a buyer by using adapted designs or materials. This kind of services is undertaken under fixed term contracts, in most cases. Thereby, the switching cost is increasing for consumers, which reduce the buyer power. Overall, the power of buyers is moderate (Bureau van Dijk, 2010).

A large number of suppliers are present within the plastic additives market, since the market is differentiated. Although, the size of the suppliers is determined by the raw materials they sell. Increasingly, suppliers are trying to meet changing customer demands for eco friendly materials using plastic additives. Some industry players are integrating backwards by producing their own inputs, such as additives, which weaken the power of suppliers. Successful players may use economy of scale and product differentiation through R&D and obtaining intellectual property rights. In the case of Mexico, the amount of plastic additives suppliers present, on the market at the moment, is very high. Furthermore, certain multinationals in Mexico are starting to produce their own additives. R&D is increasingly important for companies that want to survive on the market (Business Developer, 2011). However, the switching cost, especially in the case of plastic additives suppliers, is quite high. Since, in order to sell a product to a particular customer, an extensive test must take place to prove the reliability of the selling good. In general, the supplier power is moderate (Bureau van Dijk, 2010).

The plastic additives market is highly competitive due to its fragmentation. Market fragmentation became more visible recently due to increased demand for eco-friendly products, which offers more opportunities for new entrants. Existing companies have diversified their product range to meet recent buyers’ needs by providing new eco-friendly materials and innovative sustainable designs, since competition is high (Bureau van Dijk, 2010). There is a high competition in the plastic additives market in particular, due to price and technological advantages. Each company, using the same technology, only has slightly differentiated products, while companies using different technologies might have completely different attributes to their products (Marketing Director, 2011). Overall, there is a high threat of new entrants (Babinsky, 2010).

As for substitutes, between the alternative segments of the plastic additives market, these are possible. Moreover, retailers and consumers are becoming more waste-conscious and, thus, are searching for less waste materials. Recyclable and biodegradable materials are in favor, however, among these materials there are a number of possible substitutes. Taken as a whole, there is a moderate threat of substitutes (Bureau van Dijk, 2010).
4.2.2 Competitors

*Highly important when considering penetrating a market is the competition present on it. Below, the two main competitors of The Company, who have influenced the Mexican market, are introduced, in order for the authors to obtain a better overall picture of the situation.*

4.2.2.1 Competitor A

This company was established in the mid 1990’s, and started out as a plastic bags provider. Since the start the company has changed its product line, and is today mainly focuses on degradable plastics, controlled-life plastic technology. It has been considered one of the world leaders for a few years, and has invested heavily in the latest technology during the past years. The company operates via distributors in many countries around the world and is well established in Mexico. (Marketing Director, 2011).

4.2.2.2 Competitor B

This company was established in the early 1990’s as one of the first of its kind within the plastic additives industry, and is presently being represented worldwide. It was also the first company to enter the Mexican market. The applications are more than 150 containing from consumer market products to waste management products. (Marketing Director, 2011).

4.2.3 Mexican Market

*In this section the authors investigated the Mexican market conditions, which The Company considered, when penetrating the market. The section covers the social, environmental, political, economic, and the legal conditions, and finally the companies within this industry that had an impact on The Company’s entry.*

Mexico is one of the poorest countries in Latin America, when it comes to recycling. The waste recycling is very low. Additionally, by being a 110 million population country, it produces a lot of garbage, which either ends up in landfills or in nature. The country is facing severe environmental problems as a result of the expansion of the manufacturing industry. For decades ecological regulations were neglected by manufacturing industries as well as by the civil society; this resulted in an emergency level of pollution in the main industrial cities such as Mexico City (Nolan, 2002). Nowadays, the Mexican government is taking serious actions to restore the country’s environment; however the success of these steps remains to be seen (Bates, 2006).

There has also been a change in the mentality of the population regarding environmental problems. A more confident, wealthier, and knowledgeable consumer base forms the future of Mexico’s marketing landscape. Permanent search for health and well-being is becoming one of the most important consumption trends; consumers becoming more concerned with the effect and potential benefits that their consumed products will have on their bodies and environment (Euromonitor International, 2011).

A significant increase of Mexican consumers’ concerns for the environment can be noted; one of the main aspects is the ecological impact of consumption. Therefore, consumers, producers, the government, and civil organizations have participated in a process of prevention of the damaging effect of economic activities through the reduction of the amount of waste produced by the population of the major cities in Mexico. As a response to the growing ecological awareness among society, in regards to the reduction of solid waste, producers started introducing new packaging types that can simply be recycled or degraded, which in terms has a huge positive impact on the plastic additives industry’s growth, since demand for the material increases (Euromonitor International, 2011).
The industrial development had an impact on the creation of a sensitive civil society; an attempt to launch cleaner industries and the establishment of environmental efficiency (Bates, 2006). Mexico’s elite and middle class supported environmental legislations imposed by the government, as proved by the increasing number of environmental laws and regulations.

The increase of the environmental awareness in recent decades has touched upon household waste, as well as more serious manufacturing pollution. Even though, household waste is not the most urgent of the faced problems, it is the most immediately accessible (Ackerman, 1997). In a city, materials flows in both directions, coming in and going out, in most of the cases greatly exceeding the capacity of the local ecosystem (Ackerman, 2005). Therefore, the “ecological footprint” of a city is much greater than the size of the city in itself.

Thus, a low level of recycling makes the Mexican market very attractive for technologies that start breaking down plastic and that have a positive impact on the environment, thereby, increasing the demand for plastic additives (Technical Director, 2011).

Additionally, Mexico boarders the US, and houses several of the suppliers of US businesses. The geographical location enables companies based in Mexico to easily reach the highly potential American market, and get the recognition from both suppliers and customers (Marketing Director, 2011). However, because of the country’s high export dependence on the US, Mexico was badly hit by the down turn of the US economy (Euromonitor International, 2011). As the economy of the country went down, disposable income of its population decreased, resulting in a demand for cheaper packaging, and therefore, in a significantly increased demand for plastic additives (Euromonitor International, 2011). As a consequence to the growing economy, employment, as well as foreign, and domestic demand has increased (Stanley, 2011). According to the Federal Register (2010), Mexico is categorized among the countries with an immediate prospect within the upcoming 12 months and beyond. Furthermore, modern industrial manufacturers are rapidly developing in the Mexican economy (Federal Register, 2010). Global recession has a great impact over the economy development in Mexico in general; however, customers are still willing to pay more for the right product, such as products with a lower environmental impact and lower prices (Euromonitor International, 2011).

In recent years, Mexico has initiated a market-oriented restructuring, simplifying laws and regulations, making business practices more aligned with international standards, which in turn makes doing business in Mexico easier (Unger & Frankel, 2002). What is more important, in the Mexican capital, Mexico City, a new legislation has been introduced, which enforces eco-sustainable plastic bags on every retailer. Thus, all retailers, in Mexico City, using plastic bags are forced to make sure that plastic additives are used in the production of their bags, in order to withhold the new standards. This legislation was pushed by competitors giving them an obvious competitive advantage on the market (Business Developer, 2011). Since 2009, supermarkets are prohibited to hand out plastic bags not made from biodegradable materials in Mexico City. More regulations are to be expected in the future, starting with Mexico City, which the rest of the country usually follows (Euromonitor International, 2011). This legislation puts eco-sustainable technologies in favor, and opens up a highly potential market for newcomers.

As was previously mentioned, eco-sustainable plastics are changing the packaging industry and opens up a window of opportunity for companies concerned with the sustainability of their production (Fisher & Bighan, 2011).
4.3 Entering Mexican Market

As a conclusion to the Case Study Report this section on how The Company entered the Mexican market is included. It provides the reader with a comprehensive picture of the process, and the strategy chosen.

At the initial stage of penetration into the Mexican market, The Company assessed its competition, by learning about the features, advantages, limitations, price of their technologies, whether or not they had failed some industry tests, or if they had been in any lawsuits (Business Developer, 2011). In order to differentiate itself from the other players active on the market, The Company created a diversified product portfolio (Marketing Director, 2011). In order to smoothly enter the market, The Company entered a Joint Venture with a Mexican businessman (Business Developer, 2011).

Another aspect of The Company’s entering strategy was to concentrate on small and medium sized companies. The companies that were focused on were mainly retailers (Business Developer, 2011). Not only because The Company had previous experience working with them, but also in order to identify the producers of these. In this way, The Company could talk to the retailer and the producer at the same time. This strategy is undertaken due to the fact that retailers do not have a direct influence on whether or not the plastic packaging should be biodegradable. However, retailers usually push the producer into using additives for their products’ packaging. Furthermore, they usually want to be informed about such change, since there will be a change in cost of the plastic packaging (Business Developer, 2011).

As previously mentioned, The Company decided to focus on the mass market, when entering Mexico, while they still have products for niche markets, those will not be pushed to the same extent as certain others (Business Developer, 2011).

As is normally done, when penetrating a market, The Company set up a sales platform in Mexico, analyzing prospect customers, filtering out who were possible customers and who was not (Sales & Marketing Director, 2011). Additionally, when it became necessary it started using sales agents, representatives, and set up a sales distribution. One difference is that The Company has neither done any type of marketing campaign, nor promotions. The little advertising done is either in industry magazines or narrow online advertising. The company is focusing on direct sales. Furthermore, it frequently visits plastic fairs around the world, either showing its technology, or in order to approach potential customers (Business Developer, 2011).

Additionally, being aware that its technologies depend on patents, it has used patents as a strategy, making sure that other companies can not apply for them (Sales & Marketing Director, 2011).
5 Results and Analysis

This part of the thesis introduces the results of the interview. The authors clarify the empirical data obtained during the two main interviews and four pre-interviews, and analyze it with the help of the theory chosen for the study.

5.1 Entry Strategies

Firms constantly try to find new profitable markets, not only domestically but also internationally. There are a number of factors that need to be taken into consideration when looking to internationalize. One of the most important factors that need to be thoroughly and strategically planned is the entry into the new market. A common concern is how to deal with entering a market with several different products. Just as theory on entry strategies suggests, The Company sees each of its technologies as unique (Albaum & Duerr, 2008).

“It is really about recognizing the window of opportunities, to be there, to bring as many possibilities as possible. So what we do we don’t put any of the technologies we have in favor of the other technologies basically… We do consultancy and then we will recommend what would be the best depending on the performance and price.”

(Marketing Director, personal communication, 2011, April 26)

It created appropriate entry and operation plans for each of them, while making sure not to put one in favor of another. By doing this the company did not risk to fail its entry into the Mexican market.

Moreover, another common strategy, when entering a market, is to form a strategic alliance with a local company or investor, which facilitates and smooths the entry. This was taken into consideration by The Company, who created the Latin American Company by forming a joint venture with a Mexican business man, a local actor on the market.

“Everything depends on how you want to enter the market. We decreased the risk by having a joint venture. Why? Because the guys that belong to the Mexican joint venture, you know the Mexicans, they took on a lot of risk. So, instead of having to hire consultants, train them, send them there, they reduced all that.”

(Business Developer, personal communication, 2011, April 17)

As a result, the risk of entry was lowered, and it opened up possibilities in the market through the networks and knowledge gained through the connections of the Mexican business man, as is to be expected according to the theory. In Mexico, the market is ruled by 26 different families, which could be a big concern for a company entering the market without the right contact.

“There is awareness; the Mexican country is controlled by 26 major families. You need to understand the hierarchy of the Mexican administration.”

(technical Director, personal communication, 2011, May 5)

Additionally, since brand owners, retailers, and private labels are the driving forces of legislation passed on bio-plastics, partnering up with a businessman could be favorable for The Company in the future, seeing as he might have the right connections.
“It is not “do it yourself” business. The retailers here, brand owners, private labels have a lot of influence and they are the driving forces in this market. They are more driving forces than politicians.”

(Marketing Director, personal communication, 2011, April 26)

Concluding, The Company did its best in trying to secure the entry into the Mexican market, by creating individual plans for each product, as well as forming a joint venture with a local partner. Although, The Company needs to be aware of disputes and disagreements that could damage the partnership, and even rupture the joint venture.

5.2 Model Modifications

After making the analysis of the empirical findings, the initial Integrative Model of Small Firm Internationalization introduced by Bell et al. (2003) was modified. The first version of the model was introduced, with the mind set to be appropriate for most types of companies, who plan to enter a new market and are considering potential internationalization “pathways”. Given that, the empirical data is valid for “Traditional”, “Born-again” and “Born Global” firms; the decision was made, by looking at The Company’s internationalization process, to limit the Integrative Model of Small Firm Internationalization by Bell et al. (2003) and only relate it to Born Global firms. The modified Integrative Model of Small Firm Internationalization integrates the findings of this study and reinforces the suitable implementation of the internationalization process.

Figure 5: A Modified Model of Small Firm Internationalization
In this study, the parts of the model presented in blue, in Figure 6, are established by Bell et al. (2003). The green colored areas, the authors added according to the findings obtained through the conducted research. It implies that either/or of the presented options can be pursued by Born Global firms, just as well both of the options simultaneously. The external and internal environments Born Global firms face are integrated into the analysis. Thus, no separated sections are devoted to these parts. Moreover, the SWOT analysis, that represents internal and external factors that are important to the strategic decisions of the company, is integrated in the text as well.

5.2.1 Inward Technology Transfer, Managers’ Prior International Experience

In the case of The Company, inward technology transfer was caused by legal enforcement of a previously acquired patent over a key technology by the marketing director.

“Having patented technology is very important. Either you have something you call “secret technology”. This business is a lot of “secret technology… because then you know that nobody will touch my recipe.”

(Marketing Director, personal communication, 2011, April 26)

Thus, an external technology was obtained internally through a member of the top management team (TMT). Top management’s extensive international experience, along with the patent obtained on their technology, led to the innate decision to internationalize from the beginning. Moreover, everyone in The Company’s TMT is highly qualified. They all have an extensive experience in the technological side of the industry, plastic additives, and the complementary industry, plastic packaging, as well as a comprehensive business vision.

As Coviello (1994) points out, the competitive advantage of Born Global companies is rooted in its knowledge capabilities, which is reflected in a high added value of scientific knowledge embedded in the offering. In the case of The Company, a number of technologies are offered to the customer, which can be mixed together if an application demands such a mix. Not every competitor is in power of mixing different technologies, which will result in a requested application. The Company obtained this competitive advantage through an inward technological transfer, which resulted in extensive knowledge and understanding of offered technology and appropriate application.

“The knowledge is very important for us as it enables us to interpret technology versus application, to understand an application and technology. We have several technologies. As I said there are no perfect technologies for all applications, for all environments, for all requirements. You need to have numbers of them.”

(Marketing Director, personal communication, 2011, April 26)

Moreover, pre- and after sales services are required when it comes to a product such as plastic additives, which demands extra knowledge from the producer, The Company is aware of this matter.

“Then you also need to create some support for your customers - sales support. You are delivering your product to your customer. However, this is not like delivering a commodity. This is a more complicated product. You need to have technical support for users, while they are using it.”

(Marketing Director, personal communication, 2011, April 26)

Thus, The Company can be characterized as an organization driven by entrepreneurial behavior imposed by the top management of the company. It implies a readiness to take risks
and to be pro-active. Such attitude towards market realities allows a rapid response to market, and industry, demands and changes. Due to the fact that The Company is a young business, “the company was registered in the autumn of 2009” (Technical Director, 2011), individuals within the organizations are more likely to engage in activities that enhance technology transfer and encourage flexibility, such as market scanning and networking. These internal activities are necessary in order to develop new products or advance the product portfolio and find new potential markets.

5.2.2 Managers’ Characteristics

As was mentioned in the literature (Madsen & Servais, 1997), human resources are the most important internal assets of Born Global firms, especially when it comes to the TMT. Moreover, the TMT should be seen as a whole instead of concentrating on the highest ranking decision maker. Thus, the characteristics of the three key managers within the organization will be explained and analyzed.

By looking at the profiles, presented in the Case Study report, one can see that all of them show an extensive experience, when it comes to the knowledge within the subject, as well as international operations. Moreover, all of them have a different country of origin, which brings an international spirit into the organization right from the outset.

The marketing director has extensive experience within the eco-sustainable plastics packaging industry. Moreover, he has experience working with companies based in different countries.

“Previously, while working for other companies we have been operating in many different territories, e.g. North America, Latin America, US, Asia, Oceania – Australia and New Zealand, Europe and partly Africa. We have early been in these territories by having our distributors, and supplying products, so we did know very well how to enter these markets”.

(Marketing Director, personal communication, 2011, April 26)

The technical director is a co-founder of The Company and also the CEO and has in addition to international business experience also been working with plastics, which are complimentary goods to the plastic additives produced by The Company. Thus, this extensive knowledge of the technical aspect of the industry is an essential asset, vital for the company’s development and creation of competitive advantage.

“My background and understanding in plastics helps choosing a viable product base. I was a general manager of a very large and diversified plastics manufacturer in South Africa for many years. So my background in plastics is very extensive.”

(Technical Director, personal communication, 2011, May 5)

The business developer is in charge of the Latin American market and has a background concerning business activities and entrepreneurship also within the plastics industry. Moreover, the networks in Mexico facilitate the development of its business there.

According to literature on Born Global firms, the founder of the company, in the case of The Company have two founders – pilots the strategy and navigates the development of the company by mostly relying on previous knowledge and international networks. This provides the founder with a possibility to spot potential markets and further develop the offerings. Since both of the founders have been previously working with the plastic additives industry, this not only provided them with an inward technology transfer, but also insured continuation of external contact with international competition.
“If you know that you can beat your competitors, and you know where they are, you know there customers, it is ideal to visit that customers, introduce your technology, try to have them test it, if they like the performance, that you are better, then you know you have a fairly big chance to take them from your competitors.”

(Marketing Director, personal communication, 2011, April 26)

After analyzing the characteristics of the top management team of The Company one can clearly see that the company was intended to be created as an international enterprise by the founders. Moreover, their personal characteristics, such as background and education provide the company with valuable internal assets that cannot be obtained externally, such as better ability to attract and engage partners and customers.

“Every customer takes a lot of resources so you have to identify that and notice. And you have to be able to identify, which are the ones, which are waste. And we believe we have a good knowledge, when we meet them or talk to them about which are the one, which would actually go for something.”

(Marketing Director, personal communication, 2011, April 26)

Furthermore, The Company has big prospects in Latin America, since it has language and cultural skills enabling it to be mobile, in agreement with Madsen and Servais’s (1997) research.

Thus, one can conclude that the managerial characteristics presented in The Company’s TMT had a great impact on the decision to spread its operation all over the globe from the outset, as well as it provided the company with a competitive advantage, which mostly depends on the internal knowledge and experience.

5.2.3 Decision to Internationalize

Many factors were considered before The Company took the step to penetrate the Mexican market. According to the model presented by Bell et al (2003), many companies experience an event to have pushed them into the internationalization process in a particular territory. In the case of The Company, there were two major events that had this effect:

- In 2009, Competitor B pushed the legislative body of Mexico City to pass a law on eco-sustainable biodegradable plastic bags. The law enforces each retailer in the capital to only offer plastic bags that comply with this law. Not only does this imply that the use of plastic additives in the area will rise. Moreover, being the capital, smaller cities is Mexico uses it as a benchmark on how to “act”, it can be expected for these to follow the steps of Mexico City in the near future. The Business Developer (2011), on the reasons to why The Company entered the Mexican market: “We have the legislation in our favor, we have introduced ... alone in the capital, where retailers must offer eco-sustainable plastics bags.”

- One of the largest retailers in Mexico adopting the eco-sustainable biodegradable technology on all their packaging. In 2008, one competitor started to provide technology to the retailers. Because of the size and importance of the company, they are used as a benchmark by other large producers in the region. Moreover, they did not only educate the plastic producers, manufacturers and retailers, they also educated the public through commercials campaigns,

“One really interesting case in Mexico, that is beneficial for us, is that one of the largest companies in the country were the pioneers in adopting eco-sustainable packaging in the whole Latin America ... They made a really big campaign in favor
of this material. So that is one of the reasons, why everyone in Mexico, even a lot of non-industry people, like customers or just ordinary people know it. ... Many companies are now following their lead.”

(Business Developer, personal communication, 2011, April 17)

The events mentioned above pushed The Company into the Mexican market. But there were other reasons to enter it except for these:

- As the economy went down with the crisis in 2008 a demand for cheaper packaging appeared (Euromonitor International, 2011). Furthermore, foreign and domestic demand is expected to grow along with the recovery of the economy (Stanley, 2011), and it is for the same reason that the Federal Register (2010) sees Mexico as an immediate prospect in the coming years, and that manufacturing industries are rapidly developing (Federal Register, 2010).

As can be concluded from these economic factors, it will become more profitable to penetrate and operate the Mexican market in the coming years. As is even better for The Company there will be a rise in demand for cheaper packaging, which is good since its cost performance is lower than the competitors.

- Mexico is a highly populated country with 110 million habitants. Because of this, and the negligence of both society and industries, the country is facing severe problems with the environment. Several of its main industrial cities have reached an emergency level of pollution. Packaging is a huge cause of the pollution of the physical environment of Mexico, representing 1/3 of all waste. Although, its increase is not going to stop as long as Mexico is a developing country, and US brands continues to spread within the country (Ackerman, 1997). The main problems Mexico faces with its environmental issues are: the population growth, its consumption habits, economic activities, and urban concentrations.

“First of all, if we look at how the waste treatment works in Mexico, it is a low rate of recycling. Which means that a lot of their garbage, or packaging waste, end up being in landfills or ends up being garbage basically in the street and so on, which means that there is a market for technology that starts breaking down the plastic. And... the size of the country, being 110 million people” (Business Developer, personal communication, 2011, April 17) “I have travelled to 38 countries. In Mexico there is no eco-consciousness. Plastic is seen everywhere.”

(Technical Director, personal communication, 2011, May 5)

A country with such high levels of pollution of the environment is ideal for a company dealing with bio-plastics. Clearly, The Company was aware of the environmental issues Mexico is facing, and took this factor into consideration when deciding on entering the market.

- For any business working with environmentally friendly products, the Mexican market is a good prospect. Mexicans are becoming more concerned with the effects of their consumed products on the environment. Producers, consumers, civil organizations and the government all work against the bad effects of economic activities (Euromonitor International, 2011). In recent years, the sensitiveness of the population, as well as the industries, has increased the environmental awareness. The
elite and middle class support the government’s tries to impose environmental legislations.

Because of this increase in environmental awareness, more companies are starting to use the plastic additives to make their plastic eco-sustainable, creating a profitable market for these types of technology companies, such as The Company.

- Another complicated aspect of internationalizing is the laws and regulations of a country. Mexico started a reconstruction of these in the early 2000’s, aligning business practices in Mexico with international standards, which will make it easier to do business in Mexico (Unger & Frankel, 2002). For companies to have difficulties with bureaucracy is very common in Latin America. Thus, a reconstruction of the Mexican system is of a huge help for these firms, such as The Company that wants to start operating in Mexico.

- Additionally, The Company’s TMT looked at the advantage of entering the Mexican market. The main reason to enter was to obtain a presence in the rest of Latin America, since the rest of the countries within that region tend to follow the lead of Mexico, Brazil being an exception due to the language barrier.

- Lastly, many of the suppliers and producers of US businesses are located in Mexico; many of these businesses produce or work with plastics, and are thus potential customers for The Company.

To sum up, The Company considered beneficial political changes, which indeed had a positive impact on the plastic additives industry. Furthermore, the geographic position benefits the economic environment and gave opportunities to future growth. Consumers are undeniably concerned about the environment. Overall, the social aspect was promising and plausible for The Company. When speaking about the technological side, the Mexican companies were good adopters of the technology, making it easier to distinguish potential customers (Marketing Director, 2011). A competitive advantage for The Company has been linked to its technologies. Where certain other technologies fall short, The Company’s technologies complement (Technical Director, 2011). Moreover, in regards to the environment, increased ecological concerns and the undeveloped level of recycling together opened a window for technologies that decrease the presence of plastic in the products and instead increase the use of plastic additives. The company also took advantage of the legislation system, which introduced a law beneficial for the company. Lastly, The Company benefits of the work their competitors had done; they had brought the trend of the technology, explained the advantages and disadvantages of the bio-plastics technology, which lowered costs of entering the market for The Company.

There are always threats and difficulties to entering and operating a market, these are called unfavorable market conditions. In the five forces analysis found in the Case Study Report, it can be concluded that the plastic additives industry in Mexico is rough. Rivalry is high, but can be dealt with by a diversified product portfolio, which is exactly what The Company did. Buyer power is moderate, thus, customers only have some influence on the quality of the offerings and might have an impact on the decision of lowering the price by the supplier. This makes the plastic additives market more attractive for companies, provides opportunities for generating extra revenue and influence the purchasing decision of the potential customer. Moreover, supplier power is moderate. Thus, companies producing plastic additives are not highly dependent on the supplier of the raw material used when plastic additives are
generated. This opens up for opportunities for The Company, to cut on cost and generate extra revenues. There is also a high threat of new entrants on the market, of which a company can only try to stay focused by being one step ahead. The Company makes sure to be one step ahead by always focusing on R&D, aiming for always having the next product ready. As for the threat of substitutes, it is moderate, an environmentally conscious customer could always chose glass or paper over plastics, but there are still many products that rely on plastic, either as a packaging or for the product itself.

Moreover, there are other difficulties that any company entering the Mexican market should be aware of. Although, housing many of the US suppliers and producers is positive for the Mexican industries, it can also have negative impacts on the industry. This phenomenon was recently experienced when the US economy dropped due to the financial crisis in 2008. This caused US companies to lower production, which in turn meant lower productivity at the Mexican factories, thus a lower demand of plastic additives. The Company did not enter the market until after the worst period of the crises was over, and could then avoid the phase of the lowest productivity levels. Another concern on the Mexican plastic additives market is the arrival of multinational firms producing their own additives. The only way for The Company to overcome this threat is to always have superior products in its product portfolio.

“We actually have Mexican technology firms that are starting to produce their own additives, which mean that there has been some type of spillover effect you know. By having so many international companies there working closely with their distributors, some of them have actually managed to learn. And we have two or three additives that are Mexican, and we don’t have that in other countries.”

(Business Developer, personal communication, 2011, April 17)

Another threat on the Mexican plastic additives market is greenwashing. This is best explained by the Business Developer:

“Greenwashing means that they sell you a story but do not provide even half of it. They say, this product is green, it is good for the environment. But they do not have the, let’s say paperwork behind that proves that it actually is you know. This is made from corn you know, people think “oh yeah, corn is really good”. They are not using fossil fuels, but they don’t tell you all the energy and resources behind producing that corn you know, which then, so yeah that’s what we call green wash. And consumers, they do not bother so they will never find out, but like us, we are in this, we have to find out.”

(Business Developer, personal communication, 2011, April 17)

This greenwashing makes the trustworthiness of the technology lower. Thus, any company who wants to enter the Mexican market with a plastic additive needs to prove to their customers that their product works. The Company performs industry tests for all interested companies, in order to prove that its products work.

These unfavorable market conditions are serious, and needs to be taken into consideration before entering the Mexican market. Since The Company had performed such extensive market research before entering the market, it did not have any major issues with the penetration process, and could successfully enter the market.
5.2.4 Born Global Firms

There are many different types of global firms. One that is growing in importance is the Born Global firm. The authors could identify The Company fits perfectly into the definition of a Born Global firm. Most importantly, it had spread its operations abroad before launching its actual sales activity, entering the Canadian and US markets simultaneously, and the Mexican market within a year, which is one of the main criteria to qualify as a Born Global (Holstein, 1992).

“... We founded The Company in North America, go into US and Asia. ... We said ok; let’s generate something in Mexico as a base for penetration of the rest of Latin American market.”

(Marketing Director, personal communication, 2011, April 26)

In addition, The Company fits into McKinsey and Co. (1993), description of a Born Global by having a product portfolio consisting of cutting edge technologies that it sells on the plastic additives market, which can be viewed as a niche market in comparison to the (mass) plastic packaging market. Thus, The Company competes on the value and quality that its technologies create (Rennie, 1993). Furthermore, the same researcher found that Born Global firms tend to work close to their customer base, adapting products to their needs.

“But one of the strategies that we are differentiating, is they come to sell you one technology, we come more as consultants. Why? Because we are not limited to one technology. In a sense, when it comes to our competitors, they tell the clients, “you are going to use this”, in our case, the clients get the chance to chose, based on the application you know, the product life cycle, then they get to chose which technology they want from us … Sometimes, we even have to tailor specific solutions for our customers.”

(Business Developer, personal communication, 2011, April 17)

In accordance with McDougall, Shane and Oviatt’s (1994) theory on Born Global firms, The Company has not chosen the lowest cost style. Its product portfolio contains more technologies than any other company’s present on the market, which of course entails higher costs than only dealing with one single technology, both from an acquiring point of view, as well as a sales point of view.

In line with additional research done by McDougall, Shane and Oviatt’s (1994), The Company relied on the joint venture entered with the Mexican businessman “Everything depends on how you want to enter the market. The Company decreased the risk by having a joint venture” (Business Developer, 2011), as well as the networks, having all extensive experience within the plastics industry, and the international market as such.

“Both the Marketing and Technical Directors have penetrated different markets like Malaysia, Israel, the United States.”

(Business Developer, personal communication, 2011, April 17)

“My personal background is from international sales and also building distribution networks in different kind of businesses. I have been working all around, not only in Mexico, but selling internationally in this market.”

(Marketing Director, personal communication, 2011, April 26)
The effect of the international experience of the TMT is that the Born Global firms do not perceive uncertainty regarding foreign market entry in the same way as “normal” firms, meaning that The Company is more likely to continue internationalization in the future.

Through these connections, The Company has gotten the upper hand in the market, with its wide-ranging product portfolio and the management’s deep knowledge of how the plastic market works, that could not have been obtained without years of experience.

Concluding, by fitting in to the majority of the Born Global characteristics, The Company can easily be identified as such a firm.

5.2.5 Knowledge-intensive vs. Knowledge-based Firms

By going down the model, Born Global firms are classified either “Knowledge-intensive” or “Knowledge-based” firms, which is exactly the same as in the Bell et al. model (2003). The former can be present in a market for the reason of new technologies appearance, however, the latter use knowledge to develop existing technology, but are not intrinsically knowledge-based (Bell et al., 2003).

After conducting the interviews with The Company’s top management, the authors came to the conclusion that the company follows both of the paths: the “Knowledge-intensive” and “Knowledge-based” path. The Company is a “Knowledge-based” firm for the reason it would not be able to exist without biotechnology being introduced. The company focuses a lot of time on improving its already existing products, or it uses different types of already existing additives available on the market to create a new product by incorporating the gained knowledge.

“My idea was to start the company that is not particularly specializing on one technology. We decided to go for more comprehensive packaging products instead of having just one product. For some time we were creating a number of products and establishing networks and relationship with future partners and customers as well as evaluating products. We brought technology into a new company. That’s how we started The Company with a mission of being “one-stop-shop”, providing eco-sustainable plastics solutions to the market.”

(Marketing Director, personal communication, 2011, April 26)

To justify this conclusion, that The Company is a “Knowledge-intensive” since for the survival of the company it is crucial to try to invent new, interacting products for its portfolio. Thus, it is always set as a priority for the company, although, The Company already had acquired existing knowledge of a proprietary technology. Though, the company decided not to only concentrate on this particular one, but also, having this technology as the basis, extend the product portfolio.

“That’s why we are bringing into this company a number of technologies already, which we have from our previous activities, and even propriety information or propriety technology. So, we are bringing this in, we are taking the chosen number of technologies. We see that is interactive and then we bring them together and we see what we can do about that. And then we have seen that these technologies might be interesting in another concept. So, if you are making the matrix of some products and say ok, we could put them together, or do they match or do we find any other. That’s the way we do it.

(Marketing Director, personal communication, 2011, April 26)
As a final claim, Born Global firms can follow both of the pathways, “Knowledge-intensive” and “Knowledge-based”. A company can either develop already existing knowledge or introduce new products to diversify its product portfolio in order to stay ahead of the competitor, or do both as in the case of The Company it takes the advantage of developing existing technology and bringing a new one into the market in order to gain competitive advantage and enhance its consultancy services. Therefore, the authors reflected all of these possible paths in the modified model.

5.2.6 Innovators vs. Adopters

According to research done on the subject, there is a big difference between the two concepts adopters and innovators. They are typically explained in a sense that firms either are innovators, or adopters. As the name innovator infers, firms within this definition are based on innovations that originate from its own firm (Freeman, Clark, & Soete, 1982). Within the plastic additives industry most innovations, in its usual context, come from researchers at laboratories. A firm then acquires it and improves its applications and effectiveness by making a mix with other technologies, creating a “new” additive, which it will patent. “In this industry here, typically it is an inventor from a university who has an idea. Then, that individual finds financiers/investors” (Marketing Director, 2011). Another important aspect of the innovative firm is the source of innovation. Typically, innovative firms are sensitive towards their external environment, gathering a lot of information about it, which is used for the new technology (Khan & Manopichetwattana, 1989).

“We know the market very well. We know the players. We know everything about it. We know the competitors. We know how to produce. We know where to get raw materials. We know a lot. We know enough to be able to have confidence in what we are doing.”

(Marketing Director, personal communication, 2011, April 26)

The Company’s R&D has two different aspects firstly; it works with innovation as it was explained in the previous paragraph. The Company has several patents, and is planning on applying for more within the near future. “Yes, our technology is depending on a patent... We apply for patent. We will probably apply for more patents in a nearest future” (Marketing Director, 2011). This, of course, makes it an innovative firm.

“The technology comes from us. It comes from us. You know, we have technologies now, between the technologies we have there are compatibilities, so we can take one component from one good technology we like and use it with another one and start creating technologies. We are not the guys who are going assemble the technology, we are just the ones who say “this goes with this” and then the people in the labs will do it.”

(Business Developer, personal communication, 2011, April 17)

An adopter is a company that relies solely on other firm’s inventions. The Company’s second R&D aspect is that it also functions as an adopter. This is further explained by the Marketing Director:

“You know it is stupid to always trying to be an innovator... which means that, it’s like if you are making a tune or creating something for Lady Gaga. You know how to do it, but you create something new, and you are using something that will sell ... Because of the nature of the market, you do not find one single technology suitable
for everything. You have a niche market and a mass market, for the niche market we are better off to be adopters, and will be innovators in the mass market.”

(Marketing Director, personal communication, 2011, April 26)

Concluding, it is obvious that there is a gap in the current research on the topic. Modern firms can function as both innovators and adopters, depending on which market they are targeting. “We are adopting, of course we are adopting other technologies, and maybe using it in another way, or add something to it, and then we would be innovators” (Marketing Director, 2011). A suggestion is to start consider the division to be product-based, and not company based, which is how The Company functions.

5.2.7 Product Life Cycle - Niche and Mass Incorporated

The first step of trying to gain market share, in addition to understanding the lifecycle of the product, is to have the market analyzed (Catry & Chevalier, 1974). The Company did a thorough assessment of the competition before entering the Mexican market. By learning the advantages, limitations, price, as well as whether or not any company had been sued, or failed industry tests The Company could create a thought through entry strategy that facilitated the gain of market share, which is in agreement with Catry and Chevalier (1974).

“But one of the strategies that we are differentiating, is they come to sell you one technology, we come more as consultants. Why? Because we are not limited to one technology.”

(Business Developer, personal communication, 2011, April 17)

When analyzing the market, it is obvious that the current technologies are reaching the maturity stage of the product life cycle. Looking at the problem from an innovative point of view, it is important to bring the market to a new state, which according to Kim and Pennings, (2009), can be done by changing the product. Currently, the strategies of each company present on the market consist of lowering their prices. In difference, The Company has developed the second and third generation of bio renewable material, and has made it its goal to always try to have the next innovative technology at hand, when the past one hits maturity level.
“The technologies that are there right now are maturing, but the market is… expected to grow. Why? Because people want to stop using less petro-chemicals. And they are going for the whole renewable, so it’s going to grow, and it’s going to continue to grow. We have a technology. Let’s say we have one technology now, we are already prepared to be the better version of that. Of course, we will not introduce it at the moment, but when it is needed, we will. And we will have to continue to be like this all the time.”

(Business Developer, personal communication, 2011, April 17)

Moreover, “always go for improvements; let’s say improvements of your product.”

(Marketing Director, personal communication, 2011, April 26)

In the past most small companies focused on either the mass or niche markets. They were so focused on the life cycle stage of their products that less capital was spared for improving marketing strategies. What is noticeable with The Company is that, not only is it very aware of the life cycle stages of its different technologies, but it also greatly focuses on which market the different products belong to. By doing so, market share increases.

“I think it is because some people haven’t done their “homework” and looked at the market, and see what the market looks like, and they think that because they have this technology, nobody else has got it. It’s not like that. So the target we have, is definitely the mass market, I mean highly competitive market “

(Marketing Director, personal communication, 2011, April 26)

“We have a technology for niche markets”

(Business Developer, personal communication, 2011, April 17)

Thus, instead of focusing on one particular market such as a niche or mass market, as theory suggests, The Company offers an extensive portfolio of products that belong to different types of markets.

“When going in there, you need to have an aggressive strategy, knowing what kind of improvements and advantages you can bring to the customer. That’s the way we are thinking.”

(Sales & Marketing Director, personal communication, 2011, April 26)

This gives an opportunity to gain a greater market share and reach a great number of potential customers. This proves the theory wrong on its strict differentiation between niche and mass markets. In the case that a company has a well developed knowledge base and is able to spot lucrative possibilities on the market it operates in, it can obtain presence within both niche and mass markets. For that reason the authors made a correction to the existing model by showing the possibility of occupying both of the markets simultaneously as well as choosing one of the possible options.

“We concentrate on both (niche and mass market), because when we meet a retailer (our customer) we have solution for everything. You might be unlucky to meet a retailer that’s only looking for one particular solution but in case if you have the other product, then you lose. Then you won’t get into that business or you lose your opportunity because next week I might be interested in your product and then you are not there. And nobody cares if it is you or somebody else selling this product.”

(Marketing Director, personal communication, 2011, April 26)
The next step, when trying to gain market share is to think about the method of sales that is the most appropriate considering the market conditions. According to The Company’s TMT, the only way to reach the right customers is to combine the concept of direct sales with attending plastic fairs, further explained in the following section.

To conclude, the technologies currently present on the Mexican market have all reached maturity level on the product life cycle scale. In order to move past this, The Company prioritizes R&D, as to always have the next innovation ready for the market.

“There are technologies today, which are on the peak or are going down according to product life cycle. Everybody there is selling on price, which is you know, when you are on the peak of the Product Life Cycle the only way to compete is on a price. We would not work only with that, we would go with something else: a new patent, a new application.”

(Marketing Director, personal communication, 2011, April 27)

5.2.8 Lead Market

In the literature, as already mentioned in the Frame of Reference section, a Lead market is described as a place with the most attractive conditions for the selling process of a particular product (Albach & Horst, 1993).

As stated in the definition, the “leadness” of the market is determined by the willingness of the customers to adopt a new product and a general understanding of the product’s potential applications by customer (Albach & Horst, 1993). The TMT of The Company understands this concept quite well, and sets Lead markets as a target. Moreover, they understand that the only way to enter the market and maintain a leading position is to satisfy customers needs by providing “a right application with a right function” (Marketing Director, 2011). This can be seen in the example of the Mexican market, as well as in the general approach applied by the company towards prospect markets.

“In this market (plastic additives), customers are not so 100 per cent loyal, they do not marry you, it is more like a one night stand. It could be for a half a year, or a year, and then you have to constantly be there and keep them happy. It is really a long distance relationship.”

(Marketing Director, personal communication, 2011, April 26)

In the case of the Mexican market, customers are showing a great interest in the consumption of the products that The Company is offering. Since, the market has already been educated by the competitors and other producers that use plastic as their packaging; this is explained more in depth in the Decision to Internationalize section.

“The Mexican companies have received the concept, our competitors did the job, they explained the advantages, they brought the trend, so the only thing we have to do is to capture the momentum, and make them switch from their technology to ours.”

(Business Developer, personal communication, 2011, April 17)

“There has been a move towards preserving the environment. They have an interest to clean up in a way.”

(technical Director, personal communication, 2011, May 5)

As any other market with a high demand, the plastic additives market in Mexico is highly competitive. As was already discovered “rivalry can be characterized as strong within the plastic additives industry” (Bureau van Dijk, 2010).
“Latin America is a fairly small market. It is not a big market, but it is an expanding market. Size-wise it is fairly small. But it is interesting since it is at its initial stage (of the adoption of plastic additives) and people are interested. It is highly competitive but interesting for moving in.”

(Marketing Director, personal communication, 2011, April 26)

Thus, after “doing the homework” (Sales & Marketing Director, 2011), The Company realized that the only way to obtain a leading position within a Lead market was to find a way to offer a product that has an added value compared to what the rest of the market has to offer.

“So the target we have … a highly competitive market, with added value and no cost. And then, that’s what made us come in to this (Mexican market). Why you go into the Lead market is because it will suit you. The driving forces, those are the retailers and brand owners. If you get the retailers and brand owners you are in, if you get something they accept, they could even certify, then you are in.”

(Marketing Director, personal communication, 2011, April 26)

To sum up, the case of The Company proves the proposition anticipated by Bell et al. (2003), which describes the Lead markets as the main target for Born Global firms, since the Mexican market reveals all of the described features in the literature of these types of markets. However, due to the high level of competition within these types of markets, firms should be able to cope with rivalry. In this case previous knowledge and internal capabilities play a vital role when it comes to operations on this type of market.

5.2.8.1 Process of Lead Market Penetration

Entering a new market demands extensive research and consumes time and resources from the company. Moreover, it requires an extensive knowledge and comprehensive planning skills. As was mentioned before, one can recognize the TMT of The Company as experienced professionals, who have a broad experience in market entry. Thus, the process of penetrating the Mexican market was thoroughly planned, and well organized. The Company took possible risks into consideration, what is more it took advantage of possible opportunities.

As a first step, to enter the Mexican market The Company created a joint venture with a Mexican businessman, who provided them with local networks and extra resources. By doing so, The Company managed to gain knowledge of the market demands and to understand local customers. In order to make sure that the joint venture would last, and work well, The Company did a thorough search for a suitable local partner, as is recommended by Albaum and Duerr (2008).

In order to enter the market and lower the risk as much as possible The Company started with direct sales, which did not require the establishment of the sales platform and devotion of a great amount of resources. Moreover, The Company only focused on direct selling since it needs to talk with the key person within the company that it is trying to win as a customer.

“We have only done direct selling, which I think is the most appropriate for us, because we really have to talk to that key person within the organization. In this plastic packaging, you have to have a combination of direct sales; another important marketing tool to promote your product is plastic fairs.”

(Business Developer, personal communication, 2011, April 17)

The next step in market penetration was the identification of the main competitors operating on the target market.
“We have been identifying competitors – when you bring new product into the market, there will always be actors-retailers or producers in the market of the same product. And they are like you.”

(Marketing Director, personal communication, 2011, April 26)

By obtaining an understanding of the offers that were already on the market, The Company focused on the creation of an extensive product portfolio that could successfully compete with existing offers. Taking into consideration the maturity of the market, the best strategic move for The Company was to attract existing customer by offering extra features unavailable from competitors. These features are diversified technologies at a better price.

(Marketing Director, 2011).

“That’s why we are bringing into this company a number of technologies already, which we have from our previous companies, and even propriety information or propriety technology. So, we are bringing this in, we are taking the chosen number of technologies. We see that is interactive and then we bring them together and we see what we can do about that. And then we have seen that these technologies might be interesting in another concept. So, if you are making the matrix of some products and say ok, we could put them together, or do they match or do we find any other. That’s the way we do it.”

(Marketing Director, personal communication, 2011, April 26)

Moreover, in order to sell its products, which main characteristic is the reduction of the life cycle of the end product, the concept must be proven by showing positive outcomes of a laboratory test. “You must show that it works” (Marketing Director, 2011).

The next stage was to create a distribution network (Marketing Director, 2011). Thereby, the maintenance of the market presence was insured. Later on, the plan was to integrate companies horizontally by adding production facilities to the branch, which would lead to a lower cost of the product, giving the company an even greater competitive advantage (Marketing Director, 2011).

“Because the cost depends on where you are, volumes could be important for the amount of your loss. The cost should be a competitive issue – that you are closer and if you do not have this cost you can also supply quicker.”

(Marketing Director, personal communication, 2011, April 26)

In the beginning, the target companies for The Company were SMEs. This strategy was undertaken in order to test the environmental conditions that could affect the product in Mexico; climate, machines, and type of raw material. In this way, if a mistake was done the impact of it was not as big as if it would have been a multinational company. Moreover, it gave The Company the chance to test its product in Mexico, making the adjustments needed in order to successfully gain market share.

“And another strategy that we went for was to go for small and medium sized. To test how our material mix with Mexican type of the machines, the temperature of Mexico, moisture and so on. By doing that we learnt a lot from our mistakes, we do not screw our chances with the important ones. So instead of going directly for the massive ones, we started going for small medium enterprises. And then we learnt a lot of the product, so now we can go for the big Mexican companies.”

(Business Developer, personal communication, 2011, April 17)
Furthermore, The Company’s strategy was to focus mainly on retailers. Not only because The Company had previous experience working with them, but also in order to identify the producers of these. In this way, The Company could talk to the retailer and the producer at the same time. This strategy is undertaken due to the fact that retailers do not have a direct influence on whether or not the plastic packaging should be biodegradable, although, retailers can push the producer into using additives for their products. Furthermore, they usually want to be informed about such change, since there will be a change in cost of the plastic packaging (Business Developer, 2011).

The Company gradually developing process of internationalization was designed and implemented by the TMT with the main purpose of increasing the chance of taking advantage over raising opportunities and minimizing risk as much as possible. Even when the market was entered, the management of the company was quite careful with the strategic approach. Previous knowledge had a great impact over the chosen strategy. Moreover, the Product Life Cycle entirely helped the identification of appropriate market segments.

5.2.9 Home Market

Since the internationalization process of each particular firm is specific and exclusive, the authors identify several conventional “pathways” that companies can follow. As can be seen from the modified model the final internationalization stage of “Born Global” firms could be a return to the Home market.

In the modified model the last section corresponds to “Yes/No Home” Market for Born Global firms. In the interview the Marketing Director highlighted that there is no Home Market for The Company.

“I think Home market; of course, you think Home market where you are. I don’t think we will see a typical Home market. We could have our technology in some island if necessary, and then we just have operation companies working in different territories.”

(Marketing Director, personal communication, 2011, April 26)

Undoubtedly, The Company went worldwide and claimed itself to be a Born Global firm. The company’s units are spread all over the globe, and carries different functions, which are dependent on the particular market environment. Moreover, The Company has not initiated its operations at one location such as the Home Market, even though the company is in North America, this territory is not seen as the Home Market and it does not affect the internationalization activities of the branches worldwide. In addition, one more reason why The Company does not have the Home Market is because many of the retailers do not work in one particular country or a territory, they are international, or global (Marketing Director, 2011).

The authors claim that there may be two possibilities; either there is, or there is no Home market for Born Global firms. The authors see this uncertainty as a recommendation for interested parties, who are interested in the case of Born Global firms’ internationalization strategies.
6 Conclusion

This section of the thesis discusses and gives the answer for the research question. In addition, the results of the work will be finalized in order to answer the purpose.

After having analyzed and studied the internationalization pathway of the Integrative Model of Small Firm Internationalization by Bell et al. (2003), a truly Born Global firm within the plastic additives industry, the authors obtained important insights, reflected in the Modified Integrative Model of Small Firm Internationalization, regarding the formulated purpose and research question. It is, although, vital to highlight that these insights are specific to the plastic additives industry in general, and in particular the Mexican market. Moreover, it is important for the readers to understand that each firm’s internationalization pathway is unique and specific, and that the authors are suggesting an extended version of the pathway followed by a Born Global firm.

Noticeable results of this thesis are the absence of Home markets for certain Born Global firms, that Born Global firms can be both innovators and adopters, focus on both mass a niche markets, as well as the possibility of being both a “Knowledge-intensive” and “Knowledge-based” firm. The authors would like to emphasize that each Born Global firm customizes its internationalization pathway, in accordance to its needs and limitations. As has been recognized by the authors, choosing the internationalization pathway is not only influenced by the conditions of the market being penetrated, or the resources of the firm, but also by the characteristics and previous experience of the top management team, as well as the knowledge intensity, objectives and motivation of these.

• **Research Question:** What type of strategies can a Born Global firm use during the internationalization process when entering a mature market?

When the market for a specific product has reached the maturity stage of the Product Life Cycle, there are three main options for a firm, who wants to enter it: lower the price of the product, come with a new, improved version of it, or both. The former is commonly used, when the main goal is to keep market share on a mature market, whereas the middle is used, when trying to bring the market into a new stage. In order to manage to enter with both options the firm needs to have a large diversified product portfolio, which should be focused on having a low economical impact on customers, as well as on R&D.

However, firstly when entering a mature market, a firm needs to properly and deeply investigate and asses its competitors. By doing this the firm can create a strategy focusing on its competitors weaknesses. When this is completed, it is best to apply an aggressive market entry, which, in this sense, means to try to steal the competitions’ customers.

• **Home Market**

After finalizing the results’ analysis, the authors found that Born Global firms do not necessarily have a Home market to which they can return if the internationalization project failed. The authors see this ambiguity as a suggestion for more thorough research for concerned parties, who feel the interest for the Born Global firms’ internationalization pathway.

• **Knowledge-intensive vs. Knowledge-based Firms**

According to theory, companies can choose to either be “Knowledge-intensive” or “Knowledge-based” firms. The authors arrived to the conclusion that the classification into two categories was too stiff. Born Global firms can fall into both categories, since they can
develop existing knowledge and introduce completely new products to keep up with changing market’s environment.

- **Innovators vs. Adopters**

Through the research conducted for this paper, the authors could draw the conclusion that the divisions earlier used when identifying innovation within the Born Global firms were too rigid. Born Global firms can function both as innovators and adopters, since each product is considered unique the concept of innovator and adopter should be considered product-based, not company-based.

- **Niche and Mass market**

While researchers usually divide small firms into ones that either target a mass or niche market, the authors’ findings show that the small firm can focus on both, with different products. While focusing on the mass market with a mainstream, low-cost product, the firm can, at the same time, focus on a niche market with a more specialized product, which usually has a higher cost.
7 Discussion

This chapter of the thesis provides the additional findings, which can be used by interested parties as recommendations. Furthermore, the critique of the work and suggestions for future research are introduced.

7.1 Recommendations for Interested Parties

The authors modified the Integrative Model of Small Firm Internationalization brought up by Bell et al. (2003). The new model was designed as an initial point for future research on Born Global firms’ internationalization pathway. The authors explored Born Global firms’ pathway and adjusted the initial model by introducing a comprehensive illustration that demonstrates an absolute combination of the chosen literature and empirical findings. Each step of the modified model can be a subject fit for further investigation by devoting more attention to each particular step of Born Global firms’ internationalization process, which in itself presents an attention-grabbing subject for interested parties.

7.2 Critique of the Study

Even though this research was carefully carried out by the authors, certain limitations can be spotted. The most noteworthy one is that the chosen research strategy is based on a single case study. The small size of the sample did not give the authors the possibility to generalize based on the obtained results. The authors were aware of this limitation from the initial stage of the conducted research. However, the respondents involved in the interviews have an extensive experience in working for other companies within the same industry, yet located in different countries. Thus, findings obtained during the research were generalized with respect to a single industry, within which the company is operating – the plastic additives industry. However, the findings presented in this research can be of interest for other parties concerned with the internationalization process of Born Global firms.

Moreover, collected raw data is qualitative, thus, the interpretations of the data are mostly based on the authors’ critical skills. However, since the research was conducted by a group of three students, with different backgrounds, the findings analyzed were perceived from three points of view, which were integrated in the presented analysis. Most of the possible interpretations were taken into consideration, when the analysis was conducted. The authors are aware of alternative approaches; interpretations that can be applicable, especially when it comes to the analysis of the qualitative data.

The research area is quite complex in itself and every decision to internationalize is driven by a number of external, as well as internal factors that might vary according to the circumstances. Thus, these factors should be taken into consideration, when a new market is being entered.

7.3 Suggestions for Further Research

The key restriction with this study is the single company chosen. All firms within the plastic additives industry have to choose a pathway, the Born Global, Born-Again Global or Traditional pathway. Consequently, in future research it could be interesting to investigate other companies, and test the Integrative Model of Small Firm Internationalization, by using the larger sample, using the quantitative method instead. Furthermore, it would be interesting to test each model’s division separately to get the full picture of every particular step of the Born Global firm’s internationalization pathway. Moreover, it would be appealing to see how
the suppliers could use the exploratory analysis that was introduced. Additionally, on a larger scale, it could be interesting to examine Born Global firms from other industries, and see how their internationalization pathway differs depending on the industry they belong to.

As can be seen from the results, the chosen company follows both of the pathways: “Knowledge-intensive” and “Knowledge-based”. It would be interesting to see, which of the pathways are chosen by Born Global firms representing different industries, and which pathways that is more commonly followed. Moreover, as it was mentioned in the Analysis section, there is a gap in the research on the internationalization process topic, which is related to Innovators and Adopters. Therefore, it would be valuable to examine a bigger sample of Born Global firms and see, whether, depending on the market companies are targeting, they pursue an innovators or adopters strategy. After doing the analysis of the results, there is no strict differentiation between niche and mass markets. As a result, it could be interesting to examine Born Global firms in relation to the market they are operating in, in regards to the industry they belong to. Lastly, there is no Home market in the case of the chosen company. Therefore, it would be appealing to find out if other Born Global firms have a Home market, and how the Home market presence depends on each particular industry.
8 References


Appendix A - Integrative Model of Small Firm Internationalization

Figure 1: An Integrative Model of Small Firm Internationalization, Bell et al., 2003
Appendix B - Modified Integrative Model of Small Firm Internationalization

Figure 5: A Modified Model of Small Firm Internationalization
Appendix C - Letter of Approval

Confidential information
Appendix D - Interview Guide

1. About the decision-maker:
- For how long have you been active within this company? Function(s)?
- For how long have you been active within this industry?
- Educational background and age?
- Personal international experience? (For example through work, studies, significant travels)
- Considering your previous experience in entering new markets, have you used any of this knowledge when entering the Mexican market, if you did, please name them.

2. About the internationalization process of the company:
- In general, have you as a company been driving this process or has demand led you to new foreign markets?

3. About the importance of a scientific knowledge:
- What role does a scientific knowledge play in your company?
- How would you describe the importance of your patented technology on the survival and development of your company?

4. About the decision to enter the Mexican market:
- What made you enter a number of areas instead of focusing on one region?
- What is your target niche or mass market?
- What made you enter the Mexican market? Events, persons, firms, and/or organizations that played a role in this decision?

6. About how the different types of network relationships influenced the choice to enter Mexico:
   - **Competitors:**
     - At the time when you were considering entering the Mexican market, did any of your competitors influence your decision? How?
   - **Governmental Organizations:**
     - At the time when you were considering entering the Mexican market, were you influenced by any governmental organization(s) in this decision? How?
     - How did this/these organization(s) influence your choice of entry mode used for this market?
   - **Supplier Partners:**
     - At the time when you were considering entering the Mexican market, were you working in any partnership together with a supplier(s)? How did this/these partnership(s) influence your decision to enter this market? (if it in anyway did, continue and ask question a-d for each individual contact which had an influence)
   - **Customers:**

- At the time when you were considering entering the Mexican market, were you influenced by any of your customer(s) in the decision to enter this market?
  How?

7. About the product:
- How would you describe the Life Cycle stage for your particular technology at moment in Mexico?
- How do you organize your strategies around this particular stage in a technology Life Cycle?
- Would you consider yourself adopter or innovator of the technology that you are currently selling?