

# The Role of Strategic Partnerships in the Internationalisation of Small Born Global Firms

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## ABSTRACT

**Objective:** The article discusses motives driving the internationalisation of small born global firms and explores the role strategic partnerships play in the process. It argues that born globals are forced into international markets soon after their foundation due to limited domestic market capacity. Furthermore, they attempt to prevent competition on international markets and secure first mover advantages.

**Research Design & Methods:** Based on primary data gathered in the course of interviews with founders and senior managers of British born globals operating in different industry sectors, the article offers new insights into the role of partnerships during early stages of internationalisation.

**Findings:** The article reveals that beside serendipitous opportunities, the motivation and opportunity recognition of the founder/manager play a vital role in firms' early internationalisation. Strategic partnerships appear to help born globals in overcoming resource constraints and their liability of newness and smallness. Also other factors, such as increasing brand recognition and the enhancement of the firm's credibility motivate born globals to engage in strategic partnerships from an early stage.

**Implications & Recommendations:** The research results lead to a conclusion that strategic partnerships are suitable only for a particular period of time, which begins shortly after the firm's inception and ends when the born global firm becomes more established.

**Contribution & Value Added:** The article provides novel understanding of the role of strategic partnerships play in the early internationalisation of born globals. Furthermore, it adds new insights into the evolution of such partnerships.

**Article type:** research paper

**Keywords:** born global firms; strategic partnership; internationalisation

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## INTRODUCTION

Traditionally, international operations and business activities were perceived to be the domain of large and well established multinational enterprises (MNEs) (Cavusgil & Knight, 2009; Coviello & Munro, 1995; McDougall & Oviatt, 1996). However, due to the globalisation of markets, the reduction of trading barriers and the enhancement of advanced information and communication technologies (Hashai & Almor, 2004; Kudina, Yip & Barkema, 2008), the international business environment has changed and enabled small and medium sized enterprises (SMEs) to become present on international markets.

How economically significant smaller firms are becomes apparent when looking at their national share of business and employment. At the beginning of 2016, the UK economy consisted of around 5.5 million private sector businesses and employed an estimated number of 26.2 million people. Over 99% of these businesses employed fewer than 50 employees, accounting for over 47% of the private sector employment, and 33% of its turnover (BIS, 2016). Such numbers demonstrate the importance of small firms to the economic wellbeing of the UK. Thus, as small firms play a vital role in today's business and wider economy, and as a larger firm size is no longer a prerequisite for engagement in businesses activities across borders, the focus of this article is on the internationalisation of such smaller enterprises.

In recent years, scholars have begun to explore the internationalisation process of well-established SMEs (Gabrielsson, Kirpalani, Dimitratos, Solberg & Zucchella, 2008; Olejnik & Swoboda, 2012). However, within the process of researching the internationalisation of established firms, several authors came across a new breed of small companies which they introduced as "*Born Globals*" (Knight & Cavusgil, 1996; Luostarinen & Gabrielsson, 2006; Oviatt & McDougall, 1994). These firms are described as companies which engage in international activities at or shortly after their inception and despite their limited resources they soon attain considerable international sales (Cavusgil & Knight, 2009). Such born global firms reveal that internationalisation is no longer a privilege solely attributed to larger-sized firms, and also that age by which a firm ventures into new international markets becomes less relevant (Gabrielsson *et al.*, 2008).

The research behind this article was driven by persistent gaps in knowledge and its rationale rests on three inter-related issues requiring further study. Firstly, while academic literature explained the internationalisation process of MNEs and established SMEs by such theories as the Uppsala Model (Johanson & Vahlne 2009; Forsgren, 2016) or the Innovation Model (Cavusgil, 1980), the internationalisation process and the motives for which a born global firm opts for early internationalisation so soon after its foundation cannot be explained with these existing internationalisation theories (Freeman, Edwards & Schroder, 2006). Several authors (e.g. Sharma & Blomstermo, 2003; Mort & Weerawardena, 2006; Weerawardena, Mort, Liesch & Knight, 2007) tried to explain the internationalisation motivations for this particular type of companies in various ways, yet there still remains a consensus that the topic continues to be under-researched and requires further investigations (Cavusgil & Knight, 2009; Gabrielsson *et al.*, 2008; Knight & Liesch, 2016; Nummela, Loane & Bell, 2006). Secondly, earlier studies (e.g. Freeman *et al.*, 2006; Preece, Miles & Baetz, 1999) established that a born global firm employs different strategies to internationalise its business and strategic partnerships are believed to increasingly foster a successful entry to

new international markets. However, as research has been focused on the partnership formation behaviour of established small firms, only little is known about the factors that enable a born global firm to engage in international strategic partnerships during or shortly after their foundation (Freeman *et al.*, 2006; Gannon & Rahman, 2011). Thirdly, it has been outlined that the founder and the top management of these particular firms are one major reason why a born global firm pursues early internationalisation (Chetty & Campbell-Hunt, 2004). While a recent study (Franco & Haase, 2016) sheds further light on the matter, the founder's prior international experience and network ties have not yet been linked to the partnership formation process (Gannon & Rahman, 2011). To address these gaps, this article provides further insights into born global firms by exploring their motivations for early internationalisation and the role strategic partnerships play in the process.

Additionally, along its theoretical rationale, the article also considers managerial implications. Founders and managers of small born global firms could gain insights as to why strategic partnerships may foster their firm's internationalisation and when it is most suitable for them to initiate such partnerships.

It is within such a context that the article addresses two key research questions: Why do small born global firms internationalise rapidly and soon after their foundation? What role do strategic partnerships play in this process?

In order to provide meaningful answers to these questions, the article presents an analysis of original primary data collected in the course of semi-structured interviews with the founders and top managers of small born global firms in the UK. The firms taking part in the study were selected based on 'born global' criteria identified as relevant to the research questions. The data were analysed using the cross-case thematic analysis technique. While the geographical focus and the interpretivist approach guiding this study limits the generalisability of its findings, it provides new insights into born globals' strategic partnerships and charts future research directions.

The rest of the discussion is structured in the following way. The next section sets the theoretical context and offers an in-depth review of the literature exploring the emergence of the born global firm, the origins of the concept and related terminology. It elaborates early internationalisation motives and reveals the risks and benefits of strategic partnerships in the process. The subsequent section explains the methodology underpinning the study. Next, the results of the research are presented and discussed, followed by conclusions.

## LITERATURE REVIEW

### Born Global Firms and Strategic Partnerships

Over the recent decades the term 'born global' has become widespread within business environment as well as in academic literature (Chetty & Campbell-Hunt, 2004; Gabrielsson *et al.*, 2008; Knight & Liesch, 2016; Madsen & Servais, 1997; Moen, 2002), thus it is apt to explore its meaning and define it.

Historically, the international business domain has been dominated by MNEs (McDougall & Oviatt, 2000), but in recent times became increasingly important to small firms (Cavusgil & Knight, 2009). Within the on-going academic discussion, different terms have evolved which refer to the very same phenomenon of early internationalisation of small firms (McDougall, Oviatt & Shrader, 2003; Moen, 2002). Oviatt and McDougall

(1994), for example, refer to ‘*International New Ventures*’, whereas other authors name them ‘*Instant Internationals*’ (Dana, 2001; Preece *et al.*, 1999), ‘*Global Start-ups*’ (Jolly, Alahuhta & Jeannet, 1992), or just ‘*International Ventures*’ (Kuemmerle, 2002).

However, the term ‘*born global*’ itself was initially introduced by Rennie (1993), principal of McKinsey Sydney. In his work, Rennie (1993, p. 45) highlighted the existence of a “*new breed of Australian firm [that] shows that it is possible to succeed in world markets without an established domestic base*”. His investigation focused on more than 300 young Australian SMEs which successfully competed against large and already well-established global enterprises by internationalising their business at or shortly after their inception rather than following a gradual internationalisation approach over a longer period of time. Rennie’s (1993) research discovered that Australian born global firms generate approximately 75% of their total profits from international sales when they started to export their products or services after an average of only two years after establishment. However, this early internationalisation has not just been observed in Australia. As Hedlund and Kverneland (1985) examined a change towards early internationalisation of Swedish firms when entering the Japanese market, Ganitsky (1989) identified Israeli small firms which expressly served foreign markets after their inception, which he called ‘*Innate Exporters*’.

In spite of diverse terminology but in unison with the majority of academic literature, in this study the term ‘*born global*’ is adopted to refer to all small firms which have early and accelerated internationalisation (Dib, Rocha & Silva, 2010). Internationalisation within this context is understood as a firm’s activity to adopt and deploy strategies, structures and resources across national borders (Calof & Beamish, 1995; Wright & Ricks, 1994).

Oviatt and McDougall (1994) identified the lack of academic attention to smaller firms which seek internationalisation soon after their inception, and thus provided the first fundamental explanation approach on the born global phenomenon in academic literature (Cavusgil & Knight, 2009; Moen, 2002). According to Oviatt and McDougall (1994, p. 49), a born global firm is “*a business organisation that, from inception, seeks to drive significant competitive advantage from the use of resources and the sale of outputs in multiple countries*”. Despite the popularity of this definition across academic literature (e.g. Cavusgil & Knight, 2009; Gabrielsson & Kirpalani, 2004; Jantunen, Nummela, Puumalainen & Saarenketo, 2008; Madsen & Servais, 1997; Rialp, Rialp & Knight, 2005), there is no clear consensus on a congruent set of criteria that a born global firm has to meet (Freeman *et al.*, 2006; Gabrielsson & Kirpalani, 2004; Knight & Liesch, 2016).

One of the most disputed criterion is related to time between firm inception and its internationalisation (Dib *et al.*, 2010; Franco & Haase, 2016). While Moen and Servais (2002) argue that early internationalisation needs to take place within the first two years, others postulate a broader time interval of three years (Knight & Cavusgil, 1996; Mort & Weerawardena, 2006; Rasmussen, Madsen & Evangelista, 2001), or up to 8 years (McDougall *et al.*, 1994). Further, Gabrielsson *et al.* (2008) argue that exporting, in particular for start-ups with limited international experience, is neither consistent nor straightforward. It therefore seems difficult to mark out born global firms by a strict numerical internationalisation requirement and instead they should be allowed a more flexible time period of their internationalisation process (Gabrielsson *et al.*, 2008). Bridging these perspectives, this study adopts the idea of McDougall, Shane & Oviatt (1994) as it allows more flexibility when a firm should seek early internationalisation, at the same time offering a clear time limit of 8 years.

Another contested criterion is the share of the firm's revenues generated by international activities (Dib *et al.*, 2010). For example, Rennie (1993) identifies Australian firms as born global when approximately 75% of their revenues come from export activities. In contrast, Knight and Cavusgil (1996) specified that born global firms need to have 25% of foreign sales. Luostarinen and Gabrielsson (2004) propose a middle-way export contribution, but add a geographic restriction – over 50% of the firm's sales need to be from outside the continent from which the firm formerly originated. According to Gabrielsson *et al.* (2008), such different views might have evolved due to the diverse geographical focus research on the born global phenomenon. As for US firms, a 25% portion of foreign sales is already relatively high, it seems not to be that challenging to achieve when seen from the European angle (Gabrielsson *et al.*, 2008; Knight, Madsen & Servais, 2004). This is because European firms have multiple neighbouring markets which they can access more easily (Gabrielsson, 2005; Kuivalainen, Sundqvist & Servais, 2007). Due to these circumstances, authors such as Rasmussen *et al.* (2001) and Crick (2009) would rather call these firms 'born Europeans' or 'born Internationals' and reserve the 'born global' term to firms that operate outside their regions (Gabrielsson, Sasi & Darling, 2004). Yet overall, academic literature mostly agrees the term "born global" is suitable for all firms, irrespective of the geographical extent of their operations (Dib *et al.*, 2010). This is the term used also in this article, where a born global is assumed to have at least 25% of its revenues coming from abroad.

It has been documented that a lot of born global firms are operating in knowledge-intensive and high technology industries where entrepreneurial founders possess advanced technological knowledge (Bell, 1995; Franco & Haase, 2016; Rialp *et al.*, 2005; Sharma & Blomstermo, 2003). However, some born global firms have also been known to be successful in other industries, such as the crafts sector (Fillis, 2002; McAuley, 1999), the seafood industry in New Zealand (Knight, Bell & McNaughton, 2001; Evers, 2010), and the manufacturing sector in Italy (Evers, 2011; Zucchella, 2002). Hagedoorn (1993) and Moen, Bakas, Bolstad & Pedersen (2010) observed that since the 1980s the high-tech sector has witnessed a significant increase in international strategic partnership formation, which would suggest focusing the study on this industry. However, as the major focus is to evaluate the significance of strategic partnerships for the small firms' internationalisation and not to classify industries where born global firms exist, and in line with Cavusgil and Knight (2009) who argue that research on born globals should be carried out across all sectors, there was no limitations on the industry within this study.

Since the literature tends to focus on the age of born global firms, their size has not been pointed out as a relevant criterion for a born global firm (Oviatt & McDougall, 1994). According to Cavusgil and Knight (2009), the born global firm is a subtype of SMEs, whereas these firms in the European Union are usually categorised as firms with fewer than 250 employees (OECD, 2000). Though, as in this article the predominant focus is particularly drawn on small firms, which according to the OECD (2000) are defined as enterprises that do not exceed a total of 50 employees, this criterion is also implemented within this research study in order to characterise a born global firm.

Consequently, based on Oviatt and McDougall (1994) and Knight and Cavusgil (1996), Andersson and Wictor (2003, p.54) propose the following definition "a *born global firm is a company with up to 50 employees and that has achieved a foreign sales volume of at least 25% within [eight] years of its inception and that seeks to derive*

*significant competitive advantage from the use of resources and the sales of outputs in multiple countries.*" (Andersson & Wictor, 2003, p. 254). This definition appears inclusive enough to allow the consideration of different firm circumstances and controlling for industry specificity. As such, it was adopted for this study focusing on role of strategic partnerships in early internationalisation, and informed its methodological approach, and particularly identification of the relevant firms.

### **Facilitators of Early Internationalisation of Born Global Firms**

Several scholars have attempted to explain why born globals seek early internationalisation (Bell *et al.*, 2003; Evers, 2011; Moen & Servais, 2002). However, as argued by Cavusgil and Knight (2009), the motives have not yet been investigated sufficiently to meaningfully complement (or indeed substitute) the existing theories.

Bell, McNaughton, Young & Crick (2003) explain how firm internationalisation has long been portrayed as an incremental and evolutionary process, often referred to as the Uppsala Model (Johanson & Vahlne, 1977; Johanson & Vahlne, 2009) or the Innovation Model (Bilkey & Tesar, 1977; Cavusgil, 1980), where firms pursue internationalisation gradually and in stages. These stages commence with initial irregular exports into physical and culturally proximate markets followed by more regular exports via agents, and finally by establishing foreign subsidiaries (Hashai & Almor, 2004; Ulubasoglu, Akdis & Kok, 2009). Such systematic international growth is conditioned by limited access to knowledge and resources. Firms only commit to enter the next stage of internationalisation once they have acquired relevant and sufficient experiences and knowledge through completing extended domestic business period (Luostarinen & Gabrielson, 2006).

Clearly then, this traditional internationalisation model does not account for the born global firm (Bell, 1995; Freeman *et al.*, 2006; Knight & Cavusgil, 1996; Knight & Liesch, 2016; Madsen & Servais, 1997) where firms possess a global vision from inception and often tend to outperform companies which rather follow a linear way of expansion to foreign markets (Moen & Servais, 2002). Kuivalainen, Sundqvist, Saarenketo and McNaughton (2012) emphasise that internationalisation is somewhat more complicated than just describing it as a gradually increasing process, while born global firms frequently employ multiple entry strategies to new markets, such as direct sales or international partnerships (Cavusgil & Knight, 2009, Knight & Liesch, 2016).

Consequently, the key motives behind the internationalisation of born global firms cannot be explained adequately by traditional internationalisation theories. In response, some scholars have tried to explain early internationalisation of born global firms by applying the resource-based view<sup>1</sup> (Cavusgil & Knight, 2009; Rialp & Rialp, 2006; Yeoh, 2000) or the dynamic capabilities view<sup>2</sup> (Weerawardena *et al.*, 2007), and identified human and organisational resources as critical parameters to the early internationalisation of born global firms (Cavusgil & Knight, 2009; Rialp & Rialp, 2006). In contrast, other scholars have used the network-based view to address the early internationalisation of born global firms.

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<sup>1</sup> The resource-based view of a firm regards the organisation as a combination of heterogeneous resources that are flawed and mobile, which consequently makes the firm unable to generate all resources and functions internally in order to grow (Peng 2001).

<sup>2</sup> The dynamic capability view explains that the "*routines through which the firm learns from sources based in the market, the firm's network of relationships, and the learning that is harnessed internal to the firm itself*" (Cavusgil & Knight, 2009, p. 45).

For example, Sharma and Blomstermo (2003) discovered that born global firms possess international market knowledge, which they gained through their network ties before entering their first foreign market. Coviello (2006) also identified the importance of networks in order to gain access to new markets, distribution channels or contacts.

This makes it worthwhile to explore this area in more depth by predominately focusing on a network-based view as this approach appears suitable when trying to explain why born global firms might use strategic partnerships as an instrument for early internationalisation (Freeman *et al.*, 2006; Gannon & Rahman, 2011). This is also supported by Gulati (1998) who highlights that adequate network ties help smaller firms to identify trustworthy partners.

### **Pull Forces in Early Internationalisation**

When exploring the key factors motivating the early internationalisation of born global firms several authors (Etemad, 2004; Evers, 2011; Johnson, 2004) identify three key categories: 1) Pull Forces or External Factors; 2) Push Forces or Internal Factors; 3) and Mediating Forces.

Born global firms decide to internationalise early in response to external incentives which pull them to engage in international activities (Evers, 2011). The nature of the industry could be one of these pull forces as a high degree of internationalisation (Evers, 2010), short product life cycles (Coviello & Munro, 1995; Johnson, 2004), and the global integration (Etemad, 2004; Shrader, Oviatt & McDougall, 2000) may require the firm to participate through early internationalisation (Evers, 2011). Another industry-related pull driver is the shift of customers' requirement towards greater customisation which leads to the creation of global niche markets (Knight & Cavusgil, 1996). Within these markets, smaller firms could outperform larger MNEs due to their flexibility and adaptability (Knight *et al.*, 2001; Moen & Servais, 2002). Hence, the emergence of smaller global niche markets may encourage smaller firms to internationalise early (Evers, 2011; Rialp *et al.*, 2005). Other, more noticeable drivers for early internationalisation are reductions in trade barriers (Etemad, 2004), reactions to a competitor's global initiatives or the exploitation of exclusive technology in order to set global standards and to prevent competition (Etemad, 2004; Johnson, 2004).

Furthermore, the influence of small firms' network partners has been identified as another facilitator for early internationalisation (Johnson, 2004). Small firms are occasionally forced to become international simply because they are forced to follow their clients into new international markets (Evers, 2011). Bell (1995) identified this as '*client followership*' which Freeman *et al.* (2006) also acknowledged as a suitable internationalisation motive because such relationships might develop into strategic partnerships and therefore reduce financial and other resource constraints that born global firms are normally exposed to (Gabrielsson & Kirpalani, 2004). The exploitation of present and new networks is perceived as another key pull factor driving early internationalisation of born global firms, while Bell, *et al.* (2003) pointed out that partnership agreements shape more integrated relationships than just working together with agents or distributors (Freeman *et al.*, 2006).

In contrast to potential opportunities that can be gained by early internationalisation, Evers (2010) claims that particularly in low-technology sectors early internationalisation is more about the survival of the company than building a first mover advantage or exploiting superior knowledge. However, Deeds and Hill (1996) and Hashai and Almor (2004) attribute strategic partnership formations and networks to help overcome resource constraints and to secure firms' survival by profiting from the partner's strengths.

### **Push Forces in Early Internationalisation**

The push drivers, i.e. the forces exerting pressure on small born global firms to internationalise early, emerge from within the firm (Etemad, 2004). Previous research has identified the size and a limited demand in the domestic market as a key facilitator for early internationalisation (Cavusgil & Knight, 2009; Kudina *et al.*, 2008; Madsen & Servais, 1997;). Kudina *et al.* (2008) noticed a weak home market for UK high-technology firms and Bell *et al.* (2003, p.344) argued that born global firms internationalise early due to the urge to supply the 'lead markets' for their product or services.

A further push force highlighted by Evers (2011) is the advancement in information and communication technologies and technical development in production (Hashai & Almor, 2004; Kudina *et al.*, 2008). New production technology enables the firm to produce smaller runs but remain economically profitable (Evers, 2011), which in turn is related to the emergence of global niche markets. However, according to Dana, Etemad and Wright (2004) small born global firms also lack in economies of scales which they attempt to overcome by internationalisation in order to reach a broader customer base. Having a superior product or even a worldwide monopoly position can also facilitate a firm to internationalise early when it is based on the strength of an innovative or high quality product (Cavusgil & Knight, 2009). Another motive for early internationalisation is the challenge of high research and development (R&D) start-up costs within the domestic market, which then push small firms to seek financial support abroad (Evers, 2011; Moen *et al.*, 2010). Crick and Spence (2005) and Luostarinen and Gabrielsson (2006) therefore suggest overcoming these inadequacies and resource constraints by engaging in multiple networks through establishing long-term relationships and strategic partnerships.

### **Mediating Forces for Early Internationalisation**

Chetty and Campbell-Hunt (2004) revealed that motivation of the founder is often identified to be one of the major facilitators for early internationalisation, which was acknowledged by Evers (2011) as a mediating force. The importance of the founder's motivation was also supported by further studies of Oviatt and McDougall (1994), Bell *et al.* (2003) and Cavusgil and Knight (2009), whereas Moen and Servais (2002 p.65) insist that managers of born global firms need to have a strong '*global orientation in terms of vision, proactiveness and responsiveness*' when contrasting them with managers of small domestic-based firms. Particularly, prior international work experience, alertness to opportunities, a borderless worldview and an international mind-set of the entrepreneur and the top management team (TMT) seem to be important determinants for early internationalisation (Evers, 2011). Previous research identifies these entrepreneurs or TMTs as accelerators who use their social or business networks to disclose potential entry possibilities to foreign markets (Cavusgil & Knight, 2009; Zucchella, Palamara & Denicolai, 2007).

### **The Significance of Strategic Partnerships for Early Internationalisation**

Strategic partnership can be defined as "*a bilateral relationship characterized by the commitment of two or more partner firms to reach a common goal, and which entails the pooling of specialized assets and capabilities.*" (Jorde & Teece, 1989, p. 29). And in the particular context of this study this type of partnership can further be defined as "*a cooperative*



*relationship with a partner [...] aimed at the development, distribution and/or production of products in a foreign market.”* (Gemser, Brand & Sorge, 2004, p. 6)

For small firms, strategic partnerships have been found to be an attractive method of entering new and foreign markets as they can provide the missing and necessary resources (Lu & Beamish, 2001; Preece *et al.*, 1999). Further, Gemser, Brand and Sorge (2012) support a collaborative approach of small firms to become international instead of using autonomous strategies, be it direct sales or establishing wholly owned subsidiaries. Varis, Kuivalainen and Saarenketo (2005) argue for the use of strategic partnerships particularly in knowledge-based and information-technology driven industries, which implies that strategic partnerships should be an adequate approach for small born global firms to internationalise early (Sharma & Blomstermo, 2003).

### **Benefits and Risks of International Strategic Partnerships**

According to Van Gils and Zwart (2009) and Gannon and Rahman (2011), small firms pursue international partnerships to benefit from a quicker foreign market entry and to achieve economies of scales. Particularly the advantage of a faster market entry is of importance, as it reduces the risk and distributes it between the partners (Swoboda, Meierer, Foscht & Morschett, 2011). Furthermore, by forming a strategic partnership, small firms can profit from gaining access to social, technical, financial and commercial competitive resources which under normal circumstances would require years of operating experience to acquire (Baum, Calabrese & Silverman, 2000; Varis *et al.*, 2005). Especially this acceleration and flexibility in obtaining access to desired resources seem to be relevant for small born global firms as their main characteristic and specification is to pursue early internationalisation. Thus, strategic partnerships can help small born global firms to overcome their liability of newness and smallness and serve as a promoter of organisational learning and development (Comi & Eppler, 2009). Alongside the partner's assistance in overcoming the born global firm's shortage of capital and tangible assets, they might represent a vital source of host country knowledge on consumers and competitors (Lu & Beamish, 2001). Born global firms can therefore highly profit from these partnerships, as their international experience might be relatively low and the founder or manager might not possess own contacts in the foreign markets (Cavusgil & Knight, 2009, Franco & Haase, 2016). Moreover, small firms can gain knowledge and skills from their strategic partner which enables a smaller firm to increase its corporate strength, visibility and credibility (Kennedy & Kenney, 2009). In general, Moen *et al.* (2010) conclude that small firms tend to use strategic partnerships as an international entry mode because they strive for an entry mode which is described by relatively low resource commitment and direct commercialisation (Comi & Eppler, 2009; Moen *et al.*, 2010).

However, such partnerships are not free from risk to a born global firm (Van Gils & Zwart, 2009). In frequent cases, where strategic partnerships have incomplete contracts, where property and profit rights might be poorly defined, opportunistic behaviour and knowledge exploitation by the partner could arise (Baum *et al.*, 2000; Lu & Beamish, 2001). Particularly, when it is an international strategic partnership, forces such as cultural differences, trust and geographical distance or different perceptions of the cooperation could have negative effects on the internationalisation of the born global firm (Lu & Beamish, 2001). When a competitive intention within the partner's mind exists, the partnership is at risk of abating into a learning race where the partner tries to exploit as

much knowledge from the small firm as possible, while preventing access to its own knowledge and skills (Baum *et al.*, 2000; Tjemkes, Vos & Burgers, 2012).

Furthermore, due to the smallness of the firm, a size imbalance can lead to attempts made by the partner to acquire the small firm in order to gain full control over the operations and merge the firm into its own organisation (Preece *et al.*, 1999). Additionally, a failure of the partnership could amplify the survival risk of the small born global firm as a lack in financial resources slows down the recovery from economic losses and impedes the search for a new partner (Comi & Eppler, 2009). This is why, Preece *et al.* (1999) argue that these potential risks of international strategic partnerships might deter small technology-based firms from using strategic partnerships as a method to internationalise early. This is further supported by findings from Eisenhardt and Schoonhoven (1996) who identified that smaller firms with fewer resources tend to engage in fewer strategic partnership formations which is owed to the fact that they struggle to attract potential partners due to their resource limitations. Hence, according to Eisenhardt and Schoonhoven (1996 p.147), a “*co-operation requires resources to get resources,*” which would subsequently obstruct the engagement of born global firms in international strategic partnerships. However, more recent research studies have revealed the opposite, as for example in the high-technology industry an increase in international strategic partnership formations have been observed since the 1980s (Hagedoorn, 1993; Jorde & Teece, 1989; Moen *et al.*, 2010).

Consequently, the process of selecting a suitable partner for a firm’s strategic partnership is of great importance for the overall partnership success (Moen *et al.*, 2010; Supphellen, Haugland & Korneliussen, 2002). For born globals it is of particular significance to find an adequate partner as an unfavourable one could enhance the firm’s risk of survival because its resources might already be stretched to the limit (Lu & Beamish, 2001).

## MATERIAL AND METHODS

The research underpinning this article has been guided by inductive interpretativism principles. It builds on similar approaches adopted in earlier studies by Gabriellsson and Kirpalani (2004), Hutchinson, Fleck and Lloyd-Reason (2009), Evers (2010) and particularly Franco & Haase (2016) and Cavusgil and Knight (2009 p.98) who claim that the use of an inductive research approach holds “*the ability to provide rich, context-specific description and explanation of born globals*”.

Semi-structured, face-to-face and Skype interviews were used as a data collection technique. The interviews lasted between 20 to 60 minutes and were conducted in March and April 2013 with representatives of eight pre-selected firms matching the earlier established criteria for ‘born globals’ and operating in diverse industry branches including software engineering, luxury lingerie production, manufacturing of cable systems and others. The sample selection was multi-staged and relied on three approaches – database search and analysis, snowballing and personal contacts. Initially, the firms were selected using the FAME<sup>3</sup> databank. For a firm to be considered “born global” and included in the study, the following criteria had to be met:

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<sup>3</sup> FAME is a database containing financial accounts for UK and Irish companies. It includes public and private companies and provides profit and loss, balance sheet, cash flow and ownership data and allows filtering for particular characteristics.

- Time: the foundation date of the firm falls after 01/01/2005 in order to meet the time span of eight years from the foundation to internationalisation (McDougall *et al.*, 1994).
- Size: small companies only were considered (up to 50 employees) (OECD, 2000).
- International sales: the 25% threshold of international sales (Knight & Cavusgil, 1996).
- The firm should be engaged or about to engage in a strategic partnership to internationalise (confirmed with the firms once previous three criteria have been met).

A total of 32 UK based firms were identified that matched the first two criteria which were drawn from the databank. Further matching with the 'sales' criterion led to the elimination of half of the sample. Next, the companies that were spinoffs from larger and well-established firms were excluded, so that 12 remaining firms were contacted in order to receive information whether strategic partnerships are used for early internationalisation and if the founder agrees for an interview on that topic. From those 12 firms one firm responded positively and was willing to take part in the research. Next personal contacts led to the identification of additional five companies matching the born global criteria. The remaining two firms were identified using snowballing technique, i.e. were recommended by interviewees in the course of research. After confirming their suitability, the firms were included in the study.

The individuals who were interviewed are the founders or the top managers of the born global firms who hold expertise and are closely involved in the internationalisation process (for comparison see for example Coviello, 2006, Franco & Haase, 2016). Whenever possible, the founder of the firm was interviewed but when such person was not available, a member of the top management was interviewed who could also provide relevant and meaningful information on the internationalisation process of the firm.

In total, nine semi-structured interviews were conducted. The scope of the interviews, facilitated by a discussion guide, included the company profile, motivation and modes of early internationalisation, geographical scope of international activities, strategic partner selection process, motivation to engage in partnership and its influence on the scope and range of international activities of the firm.

The data were transcribed, and then subjected to a systematic process of data reduction and subsequently display. The subsequent analytical process was aided by coding. The data were coded with the use of pre-defined 3-level coding frame embedding the study in earlier literature and furthering its scope to include new insights derived during the data reduction process. Such procedures made the rich data more accessible, and subsequently informed cross-case thematic analysis (Bazeley, 2013; Miles & Huberman 1994; Saunders, Lewis & Thornhill, 2012).

## RESULTS AND DISCUSSION

### British Born Globals' Motivation to Internationalise – Pull Factors

As introduced by Evers (2010), there are several important factors for early internationalisation related to the nature of the industry. One such factor which pulls small firms into early internationalisation is the global niche market where they can outperform larger MNEs (Franco & Haase, 2016; Knight *et al.*, 2001; Rialp *et al.*, 2005). For example, Company B was strictly aiming at the inkjet market because "*for most of the bigger firms inkjet is just a small part of what they actually do.*" As two founders of Company B are aware that they cannot compete against larger firms within mainly dye-based market, they consequently focused on the global

niche market which is not excessively occupied by large MNEs. Additionally, they tend to manufacture products for small and exclusive customer base, which is reflected by Company E:

*“Every product which we sell is unique. Nothing is standard. We don’t have a catalogue of standardised items. Everything we supply is a specialised design and is specifically manufactured for our customer.”* (Company E)

While Company B also *“work into companies”*, meaning that they would adapt their product portfolio in order to meet the customer’s requirements. As discussed earlier (e.g. Knight & Cavusgil, 1996; Knight *et al.*, 2004), this customisation is highlighted as an additional pull factor for early internationalisation because small firms are more responsive and flexible compared to larger firms (Knight & Cavusgil, 1996). Arguably then, small born global firms might venture abroad in order to secure a broader customer base which demands more customised products than these customers could acquire from larger MNEs.

Another facilitator for early internationalisation identified in earlier studies (e.g. Freeman *et al.*, 2006) and confirmed here is client followership. This means that small born global firms become international just because they have to follow their clients in order to sustain their business links with them (Bell, 1995). For example, after a Portuguese client of Company D, queried: *“Why not setting up a European website? I really enjoy your online experience, why aren’t you doing it here?”* (Company D), the firm studied market potential in Europe through their client, which led to the customisation of their website towards internationalisation in terms of the language and payment types. Also Company E internationalised thanks to one of their clients:

*“A. and myself worked for a motor manufacturer in the UK who was part of an American multinational company. Unfortunately in 2007 they decided that the motor business didn’t really fit within their organisation. They tried to sell the business but weren’t successful so they made a decision to close the manufacturing facility and to actively go out and move away from the motor manufacturing. So that gave A. and myself an opportunity to set a parallel company. There were a number of products which already came out of manufacturing facilities in China. The customers of that time had no experience with dealing with the Far East. So we were approached to see whether we could continue supplying that product for them. So we set up a parallel business and brought in the product in from the Far East, which at that time one of the customers who asked us to do that was based in Finland.”* (Company E)

Freeman *et al.* (2006) suggests that in some cases client followership may develop into strategic partnerships in order to help the born global firm in overcoming resource constraints. This is not the case with any of the companies studied, as the role of the client was merely to unveil international market opportunity, and not provide any further support or guidance.

Another pull factor identified in the course of this research (Figure 1) is the exploitation of a first mover advantage in order to prevent competition.

*“When we first started out, it was the old 80/20 rule. [...] We were ahead of the ball really. We were specialising in milling pigments whereas at that point 80% of the market was dye based. Only a very small percentage of 20% was focusing on inkjet. So we were a little ahead of the market.”* (Company B)

*“Starting to have a look at what the competition was in Europe, we found out that the competition was substandard. Their websites weren’t anywhere near the quality that ours was.” (Company D)*



**Figure 1. Pull factors in early internationalisation**

Source: own study.

Drawing from the gathered evidence, small born global firms seem to be aware of their unique product characteristics and their competitive advantage. As a consequence, this indicates that they become international from an early stage, in order to defend their innovative products globally. Company C highlighted this quite clearly by saying: *“Why would you give the competitors the chance? Just go and try it yourself.”*

Furthermore, as highlighted earlier, in low-technology sectors early internationalisation is more about survival than exploiting a first mover advantage (Evers 2010). Partially, this was observed in Company G, a low-technology firm which manufactures luxurious lingerie for women: *“Overseas is probably more important than ever. I think that’s what sustained me over the last few years.”* However, even high-tech firms, such as Company B, argued *“when we began we had to go overseas to survive.”* Consequently, alongside exploiting a first mover advantage and to prevent competition, there also existed situations in which the firm’s urge to survive pulled them into international markets soon after their foundation, regardless of the sector the firm operates in.

Earlier studies (e.g. Hagedoorn, 1993; Moen *et al.*, 2010) highlighted that strategic partnerships are formed predominately in high-technology sectors. However, as demonstrated here, the formation of strategic partnerships occurs in diverse industries, including labour intensive ones, and consequently it cannot be maintained that a distinctive sector represents a differentiating factor for early internationalisation.

### Push Factors For Early Internationalisation

A range of push factors predominantly related to market capacity and cost-efficiencies (Figure 2) were identified as increasingly relevant during the research. Nearly all of the studied firms claimed that the UK market was either not existing for their products, too small or not growing in the way that they could gain substantial revenues from it:

*“For ourselves the UK market does not have a lot of potential of growth. So what we need to do now is to look outside of the UK [...]”* (Company E)

*“We recognised that if we want to grow the business, there was no growth potential in the UK.”* (Company H)

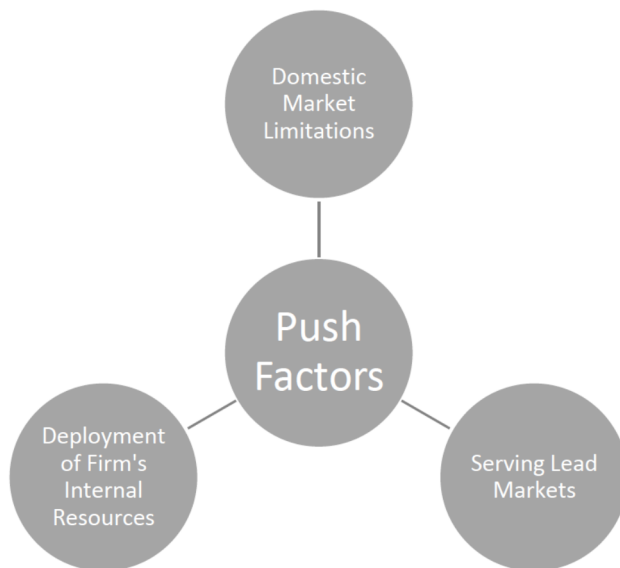
This indicates that born global firms are facing constraints and limitations within their home market. As a consequence, they pursue early and rapid internationalisation in order to either secure their survival or to accelerate their growth. Next to limited demand within the UK market, Bell *et al.* (2003) also indicate that small born global firms venture abroad in order to supply the lead markets of their products. Company A reflects this by saying *“the opportunities that we are addressing with our company in biotechnology are global markets, so it would be crazy of us to ignore those markets.”* Similarly, Company F first targeted the healthcare industry in the UK before realising that most of the demand comes from the security sector in the US.

*“We developed a new product. We took it to market, which was actually the healthcare sector. But we very quickly got demand in the security sector and therefore we focused our efforts there. [...] We found out that the security market in the United States is much more going than here in the United Kingdom.”* (Company F)

Another push force identified by earlier studies (e.g. Evers, 2011; Moen *et al.*, 2010) are R&D and production costs which tend to be too high in the home market of the born global firm, i.e. born globals use internationalisation to secure more cost efficient locations. However, such motivation appears not to be supported by the findings of this research, as nearly all the firms develop and manufacture their products within the UK. Only Company E, a specialist motor manufacturer, assembles outside the UK, which is partially based on costs concerns, but also reflects volume and complexity requirements that the UK market does not supply. Given the firms studied are from both, high and low, technology sectors, and only one of them manufactures abroad, a definitive conclusion about the relationship between production costs and the significance of the industry sector in the formation of strategic partnerships cannot be reached.

Moreover, there also exist less strategic but more resource-based factors that push small born global firms into early internationalisation which, so far, have received only marginal attention in academic research (e.g. Sepulveda & Gabrielsson, 2013). One of the interviewees provides relevant insights into the importance of key decision-makers' knowledge and experience:

*“Previously the reason why I wanted to go to international markets is because the previous companies I have worked for always seemed that their larger sales were coming from overseas.”* (Company G)



**Figure 2. Push factors in early internationalisation**

Source: own study.

Such an experience-motivated decision to enter foreign markets indicates that the founder has an important role in the persuasion of international businesses and therefore requires a more thorough analysis as provided in the latter parts of the article.

### Mediating Factors

Earlier studies (e.g. Chetty & Campbell-Hunt, 2004; Nordman & Melen, 2008) identified the motivation of the founder in terms of retaining a global vision, as a relevant factor of early internationalisation. This has been confirmed by this research, as most of the firms either highlighted their global vision from the firm's inception or have indicated it through their actions in becoming internationally active.

*"To be relevant you have to be global. So that's why we chose to go down that road."* (Company C)

*"I've always wanted the brand to be further in the field than in the UK."* (Company G)

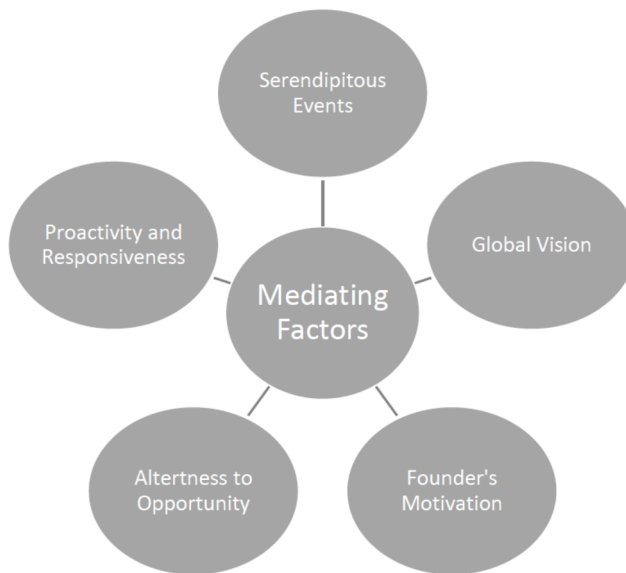
One example especially highlights the increasingly important role of the key personnel's international vision in becoming international. Company D has been established by the interviewee's father of who did not possess any initial ambitions for early internationalisation.

*"The original business was run by my dad [...]. Then when I joined, it was really my vision to go into Europe. If I weren't there, my dad would never have done it. So it was because I was there and I had the time and the enthusiasm for it. So it (internationalisation) wasn't planned from the beginning."* (Company D)

Consequently, without the global vision of the founder's son, Company D would not have become international at all, which is in line with some of the earlier studies (e.g. Moen & Servais, 2002; Evers, 2011).

Beside a global vision, the founder of a born global firm should also display proactive and responsive characteristics (Moen & Servais, 2002). These two features are often best observed during planned and unplanned situations that a born global firm faces. While some firms were growth-oriented and clearly planned to expand to overseas markets, others were influenced by unforeseen factors. Company G has been driven by such *"serendipitous events"* (Crick & Spence, 2005, p. 180). Originally, the firm was planning to become international by a planned, gradual approach. However, as they were approached by a distribution firm in the US which wanted to set up a strategic partnership, the founder responded positively to such an unforeseen circumstance and the firm entered the US only two years after its foundation.

*"I didn't actually seek any distribution company. It was just pure luckiness [...]. I did want to go international. I probably just envisioned securing the UK first and then taking next steps rather than doing steps here and going further in field there. So it was planned to grow outwards [...] but not by being leapfrog."* (Company G)



**Figure 3. Mediating factors in early internationalisation**

Source: own study.

Company A offers a similar example. The firm was purposely planning to become international by *"dominating one market and then move to other markets"*, and then was approached by an MNE to form a strategic partnership, which the founder described as a lucky circumstance.

*"I think the relationship with P. is now clearly a part of our strategy and that was good luck that they found us."* (Company A)



This incident subsequently accelerated their internationalisation process and their initially planned process of growing international more linearly became obsolete. Accordingly, such findings support earlier discussed views that traditional and more gradual internationalisation theories do not account for the born global phenomenon (Bell, 1995; Freeman *et al.*, 2006; Knight & Cavusgil, 1996; Madsen & Servais, 1997). This indicates that even though born global firms have a more gradual internationalisation intention in their mind, they embrace opportunities they recognise and consequently become international quicker and earlier than they have ever expected themselves. Subsequently, the alertness to opportunities (Evers, 2011) also seems to be important for early internationalisation as it is the way in which the founder of the firm exploits the opportunities through planned or unplanned strategies (Crick & Spence, 2005).

*"[...] we identified that there was a good opportunity out there [...]"* (Company C)

*"Having the customer in Finland gave us the opportunity to form our own business."* (Company E)

### **Role of Strategic Partnerships**

Earlier studies have found that strategic partnerships might be established by the founder due to unplanned circumstances and by recognising potential opportunities (Crick & Spence, 2005). The results of the conducted research allow the identification of further motives associated with key benefits and risks of strategic partnerships.

Most of the companies studied engaged in strategic partnerships to access their partner's distribution channels in new foreign markets, as expressed by several interviewees:

*"It was distribution, so it was a company who became our key distributor around the world."* (Company H)

*"So the motives behind a strategic partnership are to basically fill in the gaps we can't fulfil. Like distribution and local knowledge."* (Company D)

Other firms (Company A and E) engaged in international partnerships which were initially based on manufacturing and production relationships. However, they are now developing more towards strategic distribution partnerships as well.

*"The first part of the relationship was manufacturing. Next step is, and this is confidential, a relationship which is more into marketing and distribution. They are manufacturing the products for us, which makes a lot of sense [...] and then to actually ship the product for us through their channels to their markets."* (Company A)

These findings confirm earlier studies where small born globals form strategic partnerships predominantly in order to distribute their products through an already existing distribution network, which is also perceived as being a quicker, easier and more cost efficient market entry approach (Gannon & Rahman, 2011; Van Gils & Zwart, 2009). Furthermore, as the firms venture abroad soon after their foundation, the strategic partnership is regarded as a highly important factor accelerating their internationalisation.

*"It reduces your time to the market [...] and is far more cost effective."* (Company C)

*"The key advantages are the speed of product to market and the lowering in distribution costs."* (Company F)

*"I think it was an easy way to export. So it got us involved initially in overseas markets." (Company H)*

However, small born global firms also ally with international companies in order to receive advice, information, local expertise and knowledge from their partner when they enter new international markets (Baum *et al.*, 2000; Varis *et al.* 2005).

*"They have technical expertise. Very often a strategic alliance can bring you a lot of very useful information that would take you forever to find. [...] It's very resource and cost intensive to get that information." (Company B)*

*"In those kinds of markets we very heavily rely on strategic alliances to say look: You know what we have because you work with us in all these other regions. What do we need to change for being successful in Japan?" (Company C)*

Explaining how these international partnerships emerge, current literature suggests that the founders of the firms access their existing networks and business contacts (Crick & Spence, 2005; Freeman *et al.*, 2006). The results of the conducted research confirm such propositions.

*"It's the network that gets you there. The problem in forming strategic partnerships is the network. You have to be part of the network to get a chance." (Company B)*

*"Obviously it is easier if you are able to have existing ties [...]." (Company F)*

However, while some firms possess the networks which eventually help them find a suitable partner, others did not own any relevant contacts prior to the formation of the strategic partnership. This is because most of the founders were new to the industry in which they set up their business and consequently were not aware of any relevant contacts and relationships.

*"We were going into the ink industry, knowing nothing, knowing no one in the industry at all. We backed into it by mistake. We didn't start out doing this. We paid the price. We have had to build our contacts right from the ground level. As I was saying before about the networks, S. and I were looking at us and saying; where do we get this network from? How do we do it? So we had no contacts, no help. We carved it from the start." (Company B)*

Prior to international working experiences is also highlighted by the literature as a potential reason why small born global firms engage in strategic partnerships to internationalise early (Gannon & Rahman, 2011). Conducted research provides diverging evidence. For example, the founder of Company A has extensive international working experiences which gives him the confidence to approach larger firms in order to try and form a strategic partnership.

*"I've always worked in big and small international companies. I wasn't afraid of talking to big companies and doing deals with them. So it gave me the confidence to say if you have a small start-up company you can still do very good relationships with big companies as long as you make sure they are structured properly." (Company A)*

In contrast, other founders were not equipped with any international working experiences. However, the manager of Company C argued that international work experience might be helpful, but is not a barrier to finding a suitable strategic partner. It is rather

recommended to be able to present the value that the small born global firm could provide to its partner than having prior international experiences or not.

*“So, whomever you are going to, you can articulate the value that you are going to bring to them. Then that is far more important than whether you have international experience or not.”* (Company C)

Therefore, the firms without an existing network and international experience managed to find strategic partners by developing it through visiting international exhibitions, conferences and trade shows of their industry. There they were able to make contacts with regional or large international companies from which then their international partnerships emerged.

*“In January this year I exhibited the C. in Paris [...]. From that on I am currently talking to six French stockists, one in Poland, three from the US and two from Japan.”* (Company G)

*“We targeted a number of conferences and exhibitions in the United States to find a distribution partner.”* (Company F)

Another way to facilitate network growth employed by some firms is to buy-in external expertise. While Moen *et al.* (2010) argue against such practice and indicate that finding a suitable partner is not that demanding, Company C motivated by shortages in their resource base, did just that.

*“The problem with a small company is you don’t have the expertise on hand for everything. [...] So we decided as a policy decision to buy the expertise in. [...] It’s actually working and finding these connections is firing us back into the chain.”* (Company C)

Furthermore, the support from governmental organisations, such as UK Trade & Investment (UKTI), is another reason why small born global firms engage in international strategic partnerships soon after their founding. UKTI provides contacts, market research and assists in how and what international markets should be approached.

*“We had some market research undertaken by the UKTI. Responding to that they identified that the correct way of approaching the market was via exhibitions and conferences in order to find suitable partners.”* (Company F)

Drawing on such findings, it can be assumed that the government helps to pave the way for rapid and early internationalisation and that close institutional networks between a small born global firm and UK government organisations supports the formation of strategic partnerships.

The results indicate that prior to international working experiences of the founder and his existing network might be the main reason for which born global firms engage in international strategic partnerships as their founders have the contact base and the knowledge about where and how to find these partners. However, the research also reveals that founders who did not possess any prior international experience or contacts in the industry managed to form strategic partnerships and not significantly later than the other firms. Furthermore, it is apparent that the existing network ties might have a bigger impact on finding strategic partners than prior international working experiences might have.

Small born global firms try to overcome their liability of newness and smallness by partnering with larger firms (Comi & Eppler, 2009). In that way the risks of newness and smallness are addressed, or rather substituted with other risks resulting from such partnerships. One such risk is a potential takeover by a larger partner (Preece *et al.* 1999). Yet, research results suggest that it is actually an opportunity, or what Evers (2011) terms founder's strategic orientation, as for some owners this would be indeed a favoured outcome:

*"So it is a possible reason for this strategic partnership that eventually they will acquire this company and it will become a part of P. [...] I'm 67 years old and I would like to retire. So it's part of my strategy to actually sell the company to P."* (Company A)

Besides that, small born global firms also prefer international strategic partnerships to stabilise their revenues in international markets and to gain continuity in their demand, which accordingly improves their overall cash flow as well.

*"We try getting some kind of continuity and demand out of the people. So if somebody wants one ton of product every month and they want us to contractually enter into an agreement, [...] that would suite us, as this helps to plan production. So what we are looking for is long-term stability and long-term growth."* (Company B)

The improvement of the firm's cash flow (e.g. Varis *et al.*, 2005) is perceived as particularly highly significant by the company's founders because some born globals engage in international partnerships due to financial resource constraints. Furthermore, the findings reveal that the more strategic the partnership becomes, the more the born global firm is able to benefit from their partner's resources. For example, Company E could improve its cash flow by changing from a Chinese to an Italian supplier with whom it formed a more strategic and closer relationship.

*"There was no cost benefit for us to move and change the supplier. What cost benefit they did give us was, with our existing supplier we had to pay 50% with the order. [...] What we were able to negotiate with the Italian company was that we pay no deposit and we had a longer period in which to pay the goods. For a small company who just started, this benefited our cash flow."* (Company E)

In addition to the financial resource support, Company E could also gain a broader product range and enter new industries by receiving access to the resources of their partner.

*"Because we are now in a partnership with again another global company, the range of products that we are able to supply is wider than what we had, which allowed us now to look at markets for different types of motors we didn't have access to in the past."* (Company E)

Larger firms do not just provide support in the area of financial resources but can also provide commercial support and human resources. This is best highlighted in the case of Company C which indicates the potential of a wider global reach by involving the partner's employees in the selling process when venturing abroad.

*"If you are a small company you don't have a lot of resources and a lot of people. If you want to grow fast, the only way to do it is to leverage people who have for example a sales force already out there. If you train them, almost suddenly you have another*

*10, 20, 50 or 100 people selling your product [...] in a multiple of regions. So all of the sudden you do have a bigger market to address then before.” (Company C)*

Even though strategic partnerships provide resources in different areas, which consequently helps a small firm to venture abroad and serve customers around the world, they still have to be aware of their own resources and know that extensive internationalisation through the support of a large strategic partnership can also become a challenge to the firm's own resources. As for example a born global firm can gain access to the partners' global network, their own resources might only be sufficient for initial internationalisation in a particular geographical region. Although the focus of a born global firm is to internationalise quickly and rapidly, realistic expectations have to be set in order to not overstretch the born global firms' own capabilities.

Particularly, because larger firms tend to move more slowly compared to a small born global firms, the partnership formation process can become time and resource consuming and eventually put pressure on the small born global firm.

*“It takes a long time. It is nothing that happens quickly.” (Company F)*

Consequently, a born global firm aiming to internationalise soon after its foundation could be confronted with serious time and resource constraints when forming a strategic partnership with an MNE which can reduce the speed of internationalisation.

Kennedy and Kenney (2009) argue that in addition to the resource potential, born global firms could receive an indirect value from their international strategic partnerships, which are corporate strength, visibility and credibility. These indirect benefits for a small born global firm have been observed as important motives for their engagement in a strategic partnership in order to foster their early internationalisation. For example, Company C indicated:

*“If you are a small software company like us, nobody knows who you are. So we can then suddenly say: I'm partnering with M. or H, which gives you credibility and kind of validates your market.” (Company C)*

While credibility is perceived as a major motive for engaging in international partnerships, the partner's brand recognition in international markets is also relevant to the interviewees, as a small born global firm can profit from its partner's already established reputation and brand image. Brand recognition therefore helps a small firm to overcome trust and risk issues in a new foreign market by validating its products through its international strategic partner.

*“It's always risky to buy from a small company you have never heard of before. Particular when it is in a different country, maybe you have not traded with before. So again then you could say: Look, it is validated by this strategic alliance that you are already doing business with and that you trust. [...] So all of the sudden the risk of trading with me doesn't disappear but become a lot less.” (Company C)*

While the majority of the interviewees recognised the significance of strategic partnerships and recommend it as a mode to become internationally active at or shortly after the firms' foundation, others appeared more hesitant in highlighting the most appropriate moment when strategic partnership is perceived as most suitable for a born global firm. Only one Company argued that a strategic partnership with a global firm

was not as promising as they had expected and eventually terminated it. However, they still recommend a strategic partnership as an early entry strategy to new markets when resources are limited, as it is an easy and low cost intensive strategy.

## CONCLUSIONS

The twofold purpose of the article was to investigate the internationalisation motives and practices of born global firms, and particularly to explore the role strategic partnerships play in early internationalisation. To that extent, several key internationalisation motives and related functions of strategic partnerships have been identified providing new theoretical insights as well as managerial implications.

The main internal motive driving small born global firms' ventures abroad soon after their foundation, is to prevent their competition from gaining a share in international markets (Johnson, 2004; Knight & Liesch, 2016). Born globals are aware of their unique and distinctive product advantage and therefore want to utilise this advantage by receiving revenues from more than just their domestic market. Thus, a major motivation of a small born global firm is to become international in order to access a bigger market and to prevent competition in overseas markets.

Their existing ties to clients could also foster internationalisation as clients unveil potential opportunities in foreign markets (Freeman *et al.*, 2006). However, based on research results, clients' contribution does not extend to further support in setting up born global's international operations, hence the need for a strategic partnership.

In addition to internal motives, in line with previous studies (e.g. Kudina *et al.*, 2008), one of the most frequently mentioned external reasons for early internationalisation is the limitation of the UK market in terms of customer base and growth potential. It is important to recognise that the firms studied often operate in specialised, niche markets. To this extent, strategic partnerships are seen by some small born globals as a cost-efficient way of reaching foreign markets, simultaneously allowing to limit the risk of failure. Such findings add novel perspectives to previous studies and contribute to new theoretical understanding of the role strategic partnerships play in born globals' internationalisation.

Furthermore, the founder and the top management of a small born global firm have been identified as important factors why small born global firms internationalise early and rapidly after their inception (Cavusgil & Knight, 2009). Possessing a global vision and mind-set is perceived as equally relevant as being alert to opportunities, which can emerge from either planned or unplanned circumstances. One of such unforeseen events might be an approach by larger international enterprises soliciting a partnership with small born global firms. Such serendipitous events are an important motive of the early internationalisation of born globals, but also help to explain why strategic partnerships are used by them in the process. Subsequently, strategic partnerships do not only emerge as a result of proactive actions of small born global firms but also as a consequence of firms' abilities to embrace a wider set of unexpected opportunities.

Partially in line with earlier studies (e.g. Gannon & Rahman, 2011; Moen, 2002), international strategic partnerships have been observed to be formed thanks to the founder's and/or manager's prior international working experience and international network. However, as some firms were able to access an existing network in order to find a suitable partner, others needed to build up their relationships from the outset of

their business. Nonetheless, as both types of firms were able to form strategic partnerships soon after their establishment, further research is needed to establish to what degree prior network ties or prior international experience have a distinctive impact on the formation of strategic partnerships for born global firms.

Furthermore, the liability of newness and smallness persuades born global firms to use partnerships as a strategy to enter international markets (Comi & Eppler, 2009). The partner provides relevant financial, commercial and human resources facilitating the operations of a small born global firm. Beside the supply of significant resources, the cooperation partner can offer an already existing distribution network and provide information, expertise and local knowledge of the market, which would require more time and resources if the born global firm would do that autonomously.

By entering into a contractual agreement with an international partner, a born global firm gains stability and predictability in its international demand (Varis *et al.*, 2005), which particularly in the early stage of internationalisation helps it to maintain a continuous stream of revenue. Furthermore, the formation of strategic partnerships enhances the credibility and brand recognition of small born global firms in international markets (Kennedy & Kenney, 2009). As firms become validated through the partnerships, it consequently helps them to address new customers who already maintain business relationships with their partner.

While these advantages help a small firm in accelerating its speed to overseas markets, the process of the formation of these partnerships is often perceived as time and resource consuming (Tjemkes *et al.*, 2012). Clearly, this is not in the favour of small born global firms, which want to internationalise soon and quickly after their inception and therefore the formation needs to be managed carefully by a small born global firm. However, most of the firms argued that strategic partnerships are highly suitable to them when searching for a low-cost international entry strategy.

The research has revealed that several firms addressed the importance of the right moment in time when a strategic partnership should be considered. According to the findings, born globals should not seek international partners before they have set up. Particularly the firms which have been approached by MNEs and formed strategic partnerships with them immediately after their foundation mentioned that they would not have searched for an international partner earlier. These findings highlight that despite the endeavour and the characteristic of a small born global firm to internationalise quickly after its inception, they first should seek to establish own operations before searching for partners on international markets.

Additionally, the findings reveal that more established born global firms terminate their partnership with the company which initially helped them to venture into international marketplaces. The reasons for this were twofold. Firstly, the revenues stagnated and prices became less competitive on international markets and secondly, the bargaining power has shifted towards the born global firm as it matured over time. Even though a small born global firm tried to renegotiate the conditions of the contract, it eventually terminated the partnership and established its own network of agents. Thus, it is apparent that strategic partnerships do not have an unlimited durability and become less attractive to small born global firms once they are more established in international markets.

Finally, strategic partnerships are used by born global owners as a business exit strategy, a novel perspective so far not identified in previous research.

There are several practical and managerial implications of the study. Strategic partnerships appear to be a suitable approach for a small born global firm in enabling and facilitating its internationalisation process. However, too prompt formation of a partnership could cause problems for a small born global firm. Similarly, it might become detrimental and less attractive after the small born global firm becomes more established. However, this unfavourable process might be prevented by small born global firms if they can use their growing bargaining power to renegotiate a new equilibrium within the strategic partnership. If that might not be possible, the strategic partnership could fall apart over the long-term.

While the article offered a meaningful contribution to the debate on internationalisation of small born global firms, its key limitation need to be recognised. The study has been conducted in the UK context which limits generalisability of its findings, at least till proven otherwise. However, in line with the interpretivist approach guiding this research, its intention was not to generalise but to provide new insights into the born global phenomenon that could be followed up in the future. This limitation coupled with the new findings of the article, testify to the richness of future research opportunities and avenues. The timing of born globals' engagement with strategic partnership requires further attention. Future research should investigate whether strategic partnerships for born global firms are suitable for a specific period of time, starting shortly after their foundation and finishing when the firm becomes established on international markets. In order to explore this in more depth, after Nummela *et al.* (2006) and Cavusgil and Knight (2009), it is recommended to conduct longitudinal studies which could shed light on when small born global firms engage in and disengage from strategic partnerships. Additionally, the geographical scope of research should be widened to allow meaningful international comparisons. Such studies should preferably include large and small, developed, emerging and developing economies. Moreover, future research needs to broaden the theoretical scope of investigations, beyond traditional international business concepts, and include insights from other disciplines and theories, for example network theory.

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