RĪGAS EKONOMIKAS AUGSTSKOLA
STOCKHOLM SCHOOL OF ECONOMICS IN RIGA

SSE Riga Student Research Papers
2010:6 (123)

INTERNATIONALIZATION OF LATVIAN "BORN GLOBALS"

Author: Laima Pļaviņa

ISSN 1691-4643
ISBN 978-9984-842-33-2

November 2010
Riga

INTERNATIONALIZATION OF LATVIAN "BORN GLOBALS"

Laima Pļaviņa

Supervisor: Arnis Sauka

November 2010
Riga

Abstract

More rapid internationalization of companies has been triggered by globalization, interdependency of countries as well as growing economic integration worldwide. In recent years there has been an increasing number of small and medium sized companies that start to internationalize rapidly, already after their first years of foundation. Such phenomenon of accelerated internationalization is called *born global* firms.

As there is a certain gap in the research about Latvian *born globals*, the author of this study contributes by exploring Latvian *born global* firms that have made the decision to expand globally in the first years after inception or have changed global expansion strategy towards more rapid entry in the host markets.

The aims of this paper are to explore the typical patterns of *born global* companies and the process of selecting foreign markets and the foreign entry modes.

The study is based on four case studies of companies founded in Latvia and the United Kingdom by Latvian entrepreneurs. The author explored the companies' pathway of internationalization in respect of *born global* characteristics, target market and foreign entry modes selection.

On conceptual level this study summarizes the academic literature of *born global* phenomenon and about foreign market and entry mode selection. The analyses allows for developing a series of recommendations for expansion strategy model for *born global* firms based on qualitative research. The author introduces expansion strategy "springboard" model for *born global* firms to support rapid internationalization. It also summarizes the typical patterns of *born global* companies and the process of selecting foreign markets and the entry mode.

Management teams of small and medium enterprises planning the business expansion worldwide may use the main findings of this study.

Keywords: *born globals*, foreign market selection, entry mode selection, foreign market expansion strategy model and springboard expansion strategy

Acknowledgements

The author wishes to acknowledge the help of Stockholm School of Economics in Riga that encouraged my interest in the academic field. I am very grateful for cooperation to representatives of Munio Candela, Trousers London, Stenders and Primekss in data collection process. Thanks also to my family, friends and colleagues for constructive criticism.

Table of Contents

1. Introduction

1.1. Research Topic

A few decades ago international business was dominated by large multinational enterprises. Today, the picture has changed – more and more small and medium sized enterprises1 offer their products and services globally.

Small and medium sized enterprises (SMEs) have always been important originators of capital and employment in national economies, but now they are dominating the arena of international business. In a study of 18 countries, the Organization for Economic Cooperation and Development (OECD) reported an extensive contribution of international SMEs to the world economy. SMEs account for more than one-third of the world-manufactured exports (OECD, 1997). For example, total export volume of Latvia amounted to 4,42 billion lats in 2008. SMEs took 54% (2,40 billion lats) from the total volume of export in 2008 (Central Statistical Bureau of Latvia, 2010).

More rapid internationalization of companies has been triggered by globalization, interdependency of countries as well as growing economic integration worldwide. For example, in 1960 transactions of international trade amounted $100 billion annually. Nowadays it represents a huge proportion of the world economy, amounting to over $10 trillion per year (Cavusgil and Knight, 2009).

In recent years there have been an increasing number of SMEs that start to internationalize rapidly, already after their first years of foundation (Hollensen, 2007). Such phenomenon of accelerated internationalization is called *born global* firms. Theses are a type of SMEs that are defined as *"a business organizations that, from the inception, seek to drive significant competitive advantage from the use of resources and the sale of outputs in multiple countries*". This phenomenon was first mentioned in academic literature in 1993 (Oviatt and McDougall, 1994).

Traditionally most of the academic literature of international business has been focused on large multinational enterprises2 (MNEs) that operate in the home country for

[1] The EU categorizes companies with fewer than 50 employees as "small", and those with fewer, than 250 employees as "medium". In the EU, SMEs comprise approximately 99 per cent of all firms (Hollensen, 2007).

[2] Company that has a worldwide approach to markets and production or one with operations in more than one country (Daniels et al., 2007).

many years and then gradually enters into physically closest foreign markets (e.g. Johanson and Vahlne, 1977).

Therefore phenomena of *born global* challenge traditional theories of internationalization and let us explore that “*not the size but rather the age by which the firm ventures into foreign markets*”. *Born globals* have “*borderless*” view of the world and they tend to develop such business strategies that allows to expand the business globally already in the first years after foundation (Cavusgil and Knight, 2009).

Contemporary SME research lacks fitting framework of analyses to interpret the recent international activities of *born global* firms. “*The first theoretical approaches that attempt to explain the full range of SME internationalization process has widely failed*” (Schulz, 2009). Respectful scholars of born global phenomenon Cavusgil and Knight (2009) emphasize that relatively little is known about these firms and how and why they internationalize so early, and how to be successful in international business. Most born global studies have emphasized exploratory approaches, primarily based on qualitative research methods, such as case studies and interviews.

Some authors (Crick and Spence, 2005) have found that internationalization strategy formation for high performing SMEs is not always systematic and capable of being described by one single theory. Similarly Coviello and McAuley (1999) conclude that internationalization of *born globals* should be viewed by integrating major theoretical frameworks.

There are no significant researches about development of *born global* firms and their pathway of internationalization in Latvia. Consistent with the early phase of this research about this subject, the author of this study aims to fill this gap with a qualitative study. The author explores *born global* firms that have made the decision to expand globally in the first years after inception or have changed global expansion strategy towards more rapid entry in the host markets. The study is based on four case studies of companies founded in Latvia and the United Kingdom by Latvian entrepreneurs.

The author of this paper aims to make several contributions. First, by developing a series of recommendations for expansion strategy model for *born global* firms to support rapid internationalization. The author recognizes that the model is based on qualitative research. Therefore it should be further tested in order to become generalized. Second, by exploring the typical patterns of *born global* companies and the process of selecting foreign markets and the foreign entry mode. Management teams planning the business expansion worldwide may use the main findings of this study.

For a small and open country such as Latvia, export is the foundation of sustainable growth. Besides, *born globals* are often drivers for national economic growth, export increase as well as innovativeness (Cavusgil and Knight, 2009), which is very important for balanced economic growth in Latvia. A practically applied study about the most appropriate entry strategies into global markets could help SMEs make the decision on how to cross the national boarder.

Research Questions

The research questions for this study will be focused on issues relating to internationalization of Latvian *born global* SMEs – typical patterns of *born globals*, criteria applied to selecting foreign markets and the most suitable modes of entry:

1. How can Latvian *born globals* be characterized in respect to conventional *born global* distinctive features?
2. How do *born globals* select foreign markets and decide where to expand their business?
3. How do Latvian *born globals* select modes of entry to penetrate their chosen markets?
4. How should *born global* firms plan their expansion strategy in order to succeed in international markets, taking into account resource constraints they typically face (recommendations for the model to be further tested)?

On conceptual level this study summarizes the academic literature of *born global* phenomenon as well as that about foreign markets and entry mode selection. Due to the lack of previous research about SME internationalization in Latvia, and due to the small sample of companies that fit to *born global* designation to manage quantitative research, a qualitative method – case studies of four *born globals* – was chosen to address the research questions.

The remainder of this paper is organized as follows. The paper firstly summarizes the key internationalization theories applied to explaining *born global* firms. In the section 2 the author presents a brief literature review of *born global* firms followed by market selection, expansion strategies and entry mode relevant to *born globals*. Research methodology is explained in Section 3. The main empirical findings are presented in Section 4. Conclusions and implications for further studies are covered in Section 5.

2. Literature Review

2.1. Theories of Internationalization

As scholars Coviello and McAuley (1999) recommends that future research about *born globals* should integrate major theoretical frameworks of firm's internationalization, the author provides brief summary about main perspectives.

The theory of international business started to develop in 1950s and 1960s in the United States. Much of the early literature on internationalization is based on generic marketing theories. Later on, internationalization deals with the choice between export and foreign direct investment (FDI). During the past 15 years there has been much focus on internationalization in networks (Hollensen, 2007).

There are two broad theoretical streams in the research of SME internationalization – traditional internationalization theories and entrepreneurship theories.

Firstly, ***traditional internationalization theories*** such as *Stage theory* (also known as Uppsala Internationalization Process), (Johanson and Wiedersheim-Paul, 1979; Johanson and Vahlne, 1977), *Internalization/transaction cost theory* (Coase, 1937; Williamson, 1975; Buckley and Casson, 1976; Hennart, 1988 and also *Dunning's eclectic paradigm*, 1974). These are some of the most popular academic rationales of multinational corporation development.

The Uppsala internationalization model	International is slow and incremental influenced by lack of foreign market specific knowledge, high risk aversion and insecurity. There are two basic reasons why companies decide to enter foreign markets: (1) To continue growth because their home market had become unprofitable. The most often-used market entry mode is exporting; (2) companies select neighbouring foreign countries with similar language, culture, education and industrial development (Johanson and Vahlne, 1977). Authors distinguished four stages of entering in a foreign market: (1) no regular export activities; (2) export via independent representatives; (3) establishment of a foreign sales subsidiary; (4) foreign production and manufacturing units.
The internationalization/ transaction cost theory	The internationalization perspective is closely linked to the transaction cost theory (Williamson, 1975). Transaction theory has been widely used to study entry mode selection for large MNEs (Brouthers and Nakos, 2004). The theory suggests that assets, behavioural uncertainties and

	environmental uncertainties create two main costs: market transaction and control costs. The internationalization theory discusses whether a firm should enter a foreign market with in its own capacity or through some form of partnership with external companions. The transaction cost theory deals with the question of how transaction costs and variables causing market failure can be decreased (Rugman, 2003).
Dunning's eclectic approach	Dunning's OLI framework (Dunning, 1988, 1993) consists of three elements – advantages of Ownership, Location and Internationalization. The word *eclectic* corresponds to the idea that transactional activities of companies need to be drawn on several stands of economic theory. (Hollensen, 2007). A number of scholars (Agarwal and Ramaswami, 1992; Brouthers and Werner, 1999 and others) have found empirical support of OLI framework to large MNEs. However, there are only couple of studies applying OLI framework to SMEs (Brouthers, 2002).

Despite all this, traditional internationalization theories have been criticised as *"inapplicable"* to explain internationalization steps of *born globals*. The main reason for this critique is that traditional theories assume that firms become international long after they have been formed and with extensive experience accumulated in their home market (Anderson, 1993; Oviatt and McDougall, 1994; O'Farrell et al., 1998; Peng, 2001; Jones and Coviello, 2005 and Schulz et al., 2009).

The second theoretical perspective on SMEs internationalization is based on ***international entrepreneurship theory*** – (1) resource-based view; (2) capabilities view; (3) organizational learning theory; (4) innovation theory. Entrepreneurship-related aspects of internationalization have been developed as a counterpoint to the received insight of traditional internationalization theories. Theses theories are very valuable in explaining the phenomenon of *born global* firms (Cavusgil and Knight, 2009), and therefore the author of this paper gives a brief description to each of theses frameworks.

According to Cavusgil and Knight (2009) the ***resource-based view*** is one of the most effective and constructive theoretical perspectives in helping to explain *born global* firms. According to resource-based view, a company's resources determine its strategy and performance (Collis, 1991; Wernerfelt, 1984). Resources are divided into tangible and intangible assets. This perspective suggests that specific organizational resources that are unique, hard to imitate and valuable, help to separate winners from losers in global competition. Well-established domestic networks of the firm can be turned into an advantage in other countries. According to the resource-based view, *born globals* are seen to survive and succeed in competitive international markets when unique managerial and intangible resources are applied, as well as by allying key strategic assets with the demands of local markets (Cavusgil and Knight (2009). The *born global* phenomenon reveals how young companies internationalize via *entrepreneurial action* rather than the resources they own or control (Knight and Cavusgil, 2004). Referring to authors Cavusgil and Knight (2009) the main success of *born globals* might well be "*resourcefulness"* rather than the quantity or quality of resources under the firm's control. In this way, the *born global* phenomenon challenges the traditional FDI oriented view of international business.

Capabilities view relates to the resource-based view (Eisenhardt and Martin, 2000; Nelson and Winter, 1982). According to Cavusgil and Knight (2009) the dynamic capabilities view puts the emphasis on the role of capabilities (as opposed to resources) in explaining the ability of firms to achieve particular organizational goals. It represents the firm's capability to combine, reconfigure and obtain organizational resources. In addition to introducing new goods, services, and production methods, firms make use of owing specific or unique organizational capabilities to enter into new markets. *Born global* firms aim to use innovations, inventions or technologies in manufacturing in order to open new outlets for the firm's offering (Nelson and Winter, 1982).

Organizational learning theory concerns with the process involved in incorporating new knowledge into the firm's knowledge base (Cavusgil and Knight, 2009). According to this theory internationalization can support organizational learning and facilitate the development of skills and competencies resulting in company's competitive advantages (Schulz et al., 2009, Autio et al., 2000; Cohen and Levinthal, 1990). Autio et al. (2000) indicates that the younger a firm at starting its international expansion, the easier it is for it to acquire necessary knowledge about international business. Organizational learning theory explains that one of the key advantages of *born global* firms is the lack of so-called "*administrative heritage*". This is typical to older and well-experienced companies and can be restrictive to the strategic and tactical choices of the company's management. Compared to long-established domestic firms, *born globals* have fewer infrastructural and mental barriers to start their international expansion. In international activities, youth can confer a higher degree of flexibility and agility - qualities of particular importance in evolving foreign markets (Knight and Cavusgil, 2004).

Organizational theory is related to ***innovation theory*** (Dosi, 1988; Teece, 1987). According to Cavusgil and Knight (2009) innovation is the chase of novel solutions that face the firm, including the creation of new products and markets, the attempt to lead rather than follow competitors, and an appetite for risk taking. Innovation model is one of the acknowledged interpretations of internationalization with regards of innovation theory (Cavusgil, 1980).

Scholars mark that different theories of internationalization carry value in explaining born global phenomenon and should be viewed in an integrated manner (Coviello, McAuley, 1999). "*As the whole is more than sum of its parts*" (Aristotle) - author of this study also follows this principle in trying to capture the whole process of *born globals'* development.

2.2. Internationalization of Born Globals

The interest in *born globals* started early in the 1990s. Since then, an increasing number of researches focused on this issue have been published. The concept *born global* was coined in a survey for The Australian Manufacturing Council by McKinsey consultants (McKinsey & Co and Rennie, 1993). Tamer Cavusgil, the author of the first scholarly article about *born global* firms in 1994 states: *"There is emerging in Australia a new bread of exporting companies, which contribute substantially to the nation's export capital. The emergence of theses exporters thought not unique to the Australian economy; reflects 2 fundamental phenomena of the 1990s: 1. Small is beautiful. 2. Gradual internationalization is dead"* (Cavusgil, 1994).

Before the concept of born global was introduced, the term '**leapfrogging**' (Hedlund and Kverneland, 1985) was used to describe the situation when a firm jumps over stages in the Uppsala stage model. Researchers Hedlund and Kverneland (1985) argued that their results arise doubt of traditional internationalization theories and suggested that long-held theories should be improved.

Oviatt and McDougall (1994) were one of the first to summarize the existing literature about *born globals*. They introduced the significant phenomenon that *born global* firms has been encouraged by global forces. The definition given by the authors is as follows: "*business organization that, from inception, seeks to drive significant competitive advantage from the use of resources and the sale of outputs in multiple countries*" (Oviatt and McDougall, 1994).

According to Rialp et al. (2005) the firms that choose to enter international markets right from the inception have been referred to differently from one study to another: ***Born globals*** (Rennie, 1993; Knight and Cavusgil, 1996; Madsen and Servais, 1997; Aspelund and

Moen, 2001; Sharma and Blomstermo, 2003; Gabrielsson and Kirpalani, 2004), ***International New Ventures*** (McDougall et al., 1994, 2003; Oviatt and McDougall, 1994, 1997), ***High Technology Start-ups*** (Jolly et al., 1992), ***Global Start-ups*** (Oviatt and McDougall, 1995), ***Instant Exporters*** (McAuley, 1999), ***Instant Internationals*** (Fillis, 2001), ***Born-Internationals*** (Kundu and Katz, 2003), ***Micromultinationals*** (Dimitratos et al., 2003) and ***Early Internationalizing Firms*** (Rialp et al., 2005). Other authors detect ***born-again global*** companies. These are firms that have had no international activities but suddenly change their strategy and purposefully expand globally (Bell, McNaughton and Young, 1997). Despite the use of different terms, all these studies have talked about the same phenomenon. Therefore, the terms *born global* and *international new venture* (INV) has been also used synonymously in this work.

The term *born global* is usually associated with SMEs and the reliance on cutting-edge technologies in the development of unique products or services. In accordance with Hollensen (2007), *entrepreneurial visionaries* usually manage *born global* firms. He calls it "one of the most characteristic patterns". Such managers view the world as a single and borderless marketplace from the time of the firm's birth. Madsen and Servais (1997), as well as Borghoff (2005), suggest that the phenomenon of *born globals* is not limited to high-technology industries, as indicated in some academic research. There are no limitations in the industry for a company to be called *born global* (Schulz et al., 2009).

Cavusgil and Knight (2009) have developed a list of the most distinctive features of *born global* firms such as (1) highly active in international markets from the inception; (2) characterized by limited financial and tangible resources; (3) found across most industries; (4) managers have strong international outlook; (5) emphasize differentiation strategy; (6) emphasize superior product quality; (7) leverage advanced communications and information technologies.

Contrarily to the above-mentioned Fan and Phan (2007) who have examined the pattern of *born global* entry into international markets, this research suggests that *born globals* are not necessarily a "*distinctive breed of firms*". They argue that the decision to internationalize in the first years of inception is simply influenced by the size of the home market, by the firm's production capacity, and competition in target markets.

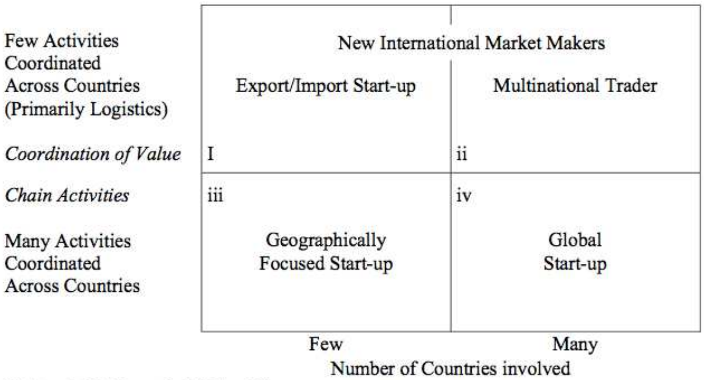
In a study of SMEs exporters from Denmark, Norway and France, Moen and Servais (2002) found that firms that internationalize early often outperform those that wait several years before expanding abroad. Also the study of McNaughton (2003) suggests several factors that trigger early internationalization and the desire to target numerous foreign markets. Such SMEs possess patented and knowledge-intensive products, are members of an industry with a strong international direction, and are founded in countries with a small domestic market.

Harvey (1996) talks about *born globals* as companies operating under time and space compression conditions that facilitate global expansion since their start ups. This *time-space compression* phenomenon (Harvey, 1996) means that geographical processes can be compressed into *here and now* trade and information exchange over the globe – if available infrastructure, communication and IT devices are combined with skilful and experienced people (Hollensen, 2007).

Oviatt and McDougall (1994) have developed the theory explaining why instant internationalization of firms may become possible. Their theoretical approach **explains the existence of sustainable INVs**: (1) organizational formation through internationalization of some transactions; (2) strong reliance on alternative governance structures to access resources; (3) establishment of foreign location advantages; and (4) control over unique resources.

Oviatt and McDougall (1994) have also proposed **typology of INVs or *born globals*** (see Figure 1). There are **New International Market Makers** (i and ii), which are the traditional type of firms operating both as exporters and importers. Such firms use the imbalance between different countries in production costs and market prices to create new markets. They often operate through a large network of business contacts in a large number of countries – often through the founders' and managers' personal contacts. Another type of firm is **Geographically Focused Start-Ups** (iii), which gains its competitive advantage by servicing a special market niche with highly specialized demand. The competitive advantage here is the ability to coordinate a number of value chains, which are hard to imitate thanks to technological development and specific production knowledge. **The Global Start-Ups** (iv) are the most "*radical*" INVs. Theses firms coordinate activities across national and regional boarders. Such companies are extremely active in getting access to needed resources. The global start-ups have a unique history and use socially complex knowledge bounded in several networks across the world.

Figure 1: Types of International New Ventures



(Oviatt & McDougall, 1994, p.59)

Most often *born globals* choose a business area with a homogenous and minimal adaptation to the marketing mix. The argument is that small companies cannot take a multi-domestic approach like large-scale companies do, due to the lack of scale in operations worldwide. SMEs are more vulnerable because they are dependent on a single product or a niche market that they have to commercialize in lead markets first, with no regard to the geographical situation. Such markets are therefore key to broad and rapid market access, which is important because theses firms often incur relatively high fixed R&D costs. These occur up-front before any sales are made. Since this is the key factor in influencing the choice of the initial market, the importance of physical distance as a market selection criterion is reduced. In order to survive, SMEs have to grow quickly to cover initial expenses. If a company is to take full advantage of the market potential, its *global window of opportunity*, it may be forced to penetrate all major markets simultaneously (Aijö et al., 2005).

Usually in the case of *born globals,* the owner of the company has a large influence on the internationalization process. Market knowledge, personal networking of the entrepreneur, experience from former occupations, and education are all examples of such international skills obtained prior to the foundation of the company (Madsen and Servais, 1997). Another study by McDougall et al. (1994) indicated that founders of born *global firms* are more alert to new business possibilities as a result of previous experience.

In accordance to the study of Rialp et al. (2005) management of *born global* firms does not restrict itself to a single country, nor see foreign markets as purely complementary to the domestic country. In comparison with other exporting firms, *born globals* are more niche-focused; usually applying advanced technologies to develop highly specialized products that fit in niche global markets. Typically these firms produce high value added products for far-away foreign markets and compete in emerging market segments opening up new technologies. *Born globals* also take greater advantage of personal and business networks to achieve rapid global presence.

2.3. International Market Selection

Selecting the most appropriate market is probably the first major decision that a company has to make in formulating its market entry strategy. Even the best company is going to face problems, if the choice of the market has been wrong (Lymbersky, 2008).

Uppsala model suggests that firms prefer geographically close markets (Hallen and Wiedersheim-Paul, 1979). In the *born globals* approach, firms are willing to look for new opportunities in foreign markets not depending on physical distance from the domestic market. Distance from the home market is regarded as non-significant in the process of market selection. Also the study of Lindmark et al. (1994) carried out in Nordic countries showed that domestic markets no longer seem to be as important “learning place” as previous studies have demonstrated. Madsen and Servais (1997) even state that in the case of *born globals* the definition of a *home market* should be changed to be the market in which the founder of a new firm feels comfortable.

The study of Korean INVs firms to start a global business show another interesting aspect of foreign market selection – a relationship between the first selected market and the most important one. The study of 131 INVs showed that the first selected markets are almost the same as the most important market (Ha et al., 2008).

However, market selection issues are often irrelevant because the internationalization decision is influenced by external events (O’Farrell et al., 1996). Many SMEs have been pulled into exporting by customers who demand their products abroad. For firms systematically selecting foreign markets the demand factors, such as availability, orders and market size, where more important than country risk factors and location variables. The same study also showed that ad hoc orders, size of the market, good communication, and established contacts with overseas partners were the key factors of foreign market selection.

According to Hollensen (2007), when analyzing the attractiveness of each market, a company should estimate internal and external environment as well as economic, political and socio-cultural environment. However, the author also points out that most SMEs do not conduct any market research before their entrance into foreign markets. Most often the research of expansion in foreign countries, market selection and entry mode are made based on a subjective assessment of the situation. It is often simply a reaction to a stimulus provided by a change agent (for example, government agencies, chamber of commerce etc.).

Also Doole and Lowe (2008) point out that patterns of SMEs development tend to be the result of a network approach where the selection of the market is not simply made on the attractiveness of the markets and their match with the companies capability, but rather on existing networks with individuals and companies they already know.

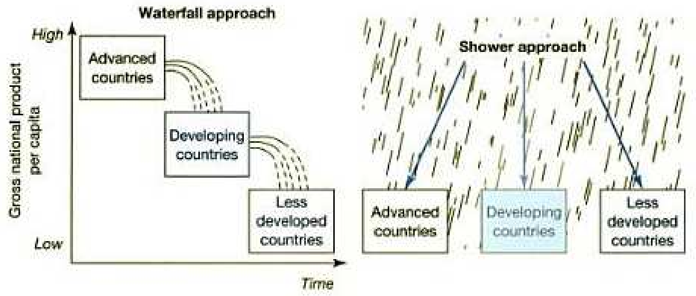
The market selection models proposed by several authors (despite dissimilarities in terminology) consist of three stages: (1) preliminary screening of markets in attractive countries; (2) in-depth screening by assessing initial market potential; (3) final selection by aligning with company's objectives, strategies and resources (Cavusgil, 1985; Kumar et al., 1994; Root, 1994; Keegan and Schlegelmich, 2001).

There are many models and matrixes described in academic literature dealing with the selection of target markets when looking to expand the business overseas. However, many limitations apply to standardize existing models of SMEs. As the most appropriate, *export market portfolio* approach is mentioned in the academic literature. The advantage of this model is that it simultaneously focuses across a broad range of foreign markets to help balance capital requirements, competitive economies of scale, entry costs, and profitability to gain stronger long-term market positions (Albaum et al., 1994). An example of such approach is shown in Appendix A.

2.4. Market Expansion Strategies

Company's cross-cultural strategy should determine whether it should choose simultaneous or successive market entry. Basically, a company has three options – **waterfall strategy** (to enter markets step by step), **sprinkler strategy** (simultaneous entry in chosen markets; also called shower approach) or **wave strategy** (enters a group of similar key markets simultaneously and then enter heterogeneous markets in subsequent waves) (Lymbersky, 2009) The waterfall and shower approach is depicted in Figure 2. "*A firm may decide to enter international markets on an incremental or experimental basis, entering first a single key market in order to build up experience in international operations, and the subsequently entering other markets one after the other. Alternatively, a firm may decide to enter a number of markets simultaneously in order to leverage its core competence and resources rapidly across a broader market base*" (Hollensen, 2007).

Figure 2. The incremental strategy and simultaneous strategy



High

Source: Steven - Keegan, Warren *Global Marketing Management.*

According to Hollensen (2007), the most appropriate market expansion strategy for SMEs is gradual versus simultaneous market entry. According to this approach, SMEs have a chance to exploit domestic market opportunities to build up company resources, which may later be used in international markets. Such companies usually choose single or a limited number of markets and steadily expand in a series of incremental moves rather than making a major commitment straight away to international expansion (Figure 3). That said, this model does not depict the situation where an SME with an innovative and unique product offering is forced to choose accelerated internationalization to maintain superior market position for as long as possible. However, we cannot assume that SMEs generally choose only the gradual entry modes. The Internet as a global distribution method facilitates simultaneous market entry. Research of Aspelund et al. (2007) highlighted heterogeneity regarding the international market strategies of *born globals*. Some firms market niche products while others emphasize commodities. Some firms choose markets based on personal networks while others use different approaches. Some *born globals* concentrate on a few markets, while others spread out across numerous markets.

Figure 3. Appropriate global marketing strategies for SMEs.

Source: Adopted from (2007), *Global Marketing*, by Hollensen, Steven – Bradley, (1996), International Marketing Strategy.

The choice of market expansion strategies is linked to the firm's overall strategy. The choice of focus strategy (Porter, 1980) is highlighted as one of the success factors to *born globals*. According to Cavusgil and Knight (2009) focus strategy allows the firm to achieve superior performance by serving customers in good quality, reducing costs through effective use of resources, or both (Miller, 1988; Porter, 1980). The study of Knight and Cavusgil (2005) shows that most *born globals* perform better by avoiding cost leadership strategy. Based on study findings, the most appropriate generic strategies for *born globals* are focus or differentiation, as most firms market cross-national market niches.

2.5. Market Entry Modes

The mode of foreign market entry selection is a critically important issue (Calof and Beamish, 1995; Havnes et al., 1998, O'Farell et al., 1998). It can influence the position in the selected markets and the company's ability to gain access to vital information and acquire resources (Holmund and Kock, 1998).

Kumar and Subramaniam (1997) stress that SMEs' decision makers are intentionally rational when they make their decisions. They adopt an entry mode by following the rule of maximizing the expected profit. At the same time they face time, information and resource constraints. The study of O'Farell et al. (1996) and later on Westhead et al. (2002) revealed that only few SMEs conduct a systematic evaluation process of most appropriate market entry mode and strategic planning process. O'Farell et al. noted that firms who actively choose entry mode based their decision on three key issues: (1) relative costs; (2) flexibility and (3) marketing advantages.

According to Doole and Lowe (2008) for many SMEs exporting is the first significant stage towards internationalization. Leonidou et al. (2002) suggests that exporting has been the most popular approach adopted by small firms to penetrate new foreign markets as it requires less commitment of resources, has little effect of firm's existing operations and involves low investment and financial risks. A study of O'Farell et al. (1996) and Westhead et al. (2002) reveals that direct exporting is the most frequently selected foreign entry mode by SMEs who want to maintain control over their resources. Also Lymbersky (2009) marks that exporting has a lot of advantages that other market entry modes do not have: (1) firm does not need a lot of capital to export, since it does not need to employ stuff in the foreign markets. Usually such companies choose a local distributor. It is a good choice for a small company that lacks expertise in distributing their products; (2) exporting allows a company to enter a market choosing the most appropriate speed of market expansion; (3) allows achieving the economy of scale for the home country production facilities

However Cavusgil and Knight (2009) point out that exporting has some drawbacks. Export does not require establishing a physical presence in the market (in contrast to foreign direct investment), and the management has less chance to learn about customers, competitors and other aspects of the market. A lack of direct contact with foreign customers may result in failing to perceive opportunities and threats or knowledge to succeed in foreign markets in the long term. Export is also much more sensitive to tariff and other trade barriers, compared to other entry modes.

The other often-selected market entry mode is franchising, as it is a relatively low cost and a low risk way of expanding internationally. According to the definition of Lymbersky (2008) "*franchising is a specialized form of licensing in which the franchiser sells intangible property to the franchisee and insists on rules to conduct the business*". One of the biggest advantages of this entry mode is the low cost as the franchisee carries initial investments. Low risk is another factor, as the local franchisees know their market, culture and other customs. However, the biggest disadvantage is the must to share the revenues that would not be so large in case of export. The other major issue is quality control. If some of the franchisees harm the brand because of lack of quality, it damages the public image of the brand all over the world (Lymbersky, 2008).

The other entry mode might be used by *born globals* is **contract manufacturing** taking into account the trend that many companies tend to choose low labour countries to produce their goods and then export them. Contract manufacturing means that company outsources the manufacturing process in a host country in order to reduce human and financial resources. It allows the firm to focus on their competitive advantages. The downside is that a company that outsources parts of its value chain also loses control over these parts (Lymbersky, 2008).

Peterson and Welch (2002) points out that there is no ideal market entry strategy, and different market entry modes might be adopted by different firms entering into the same market. They also found that a firm often combines entry modes or develop specific foreign market. Such *mode packages* may take the form of concerted use of several operation modes in an integrated and complementary way.

3. Methodology

3.1. Choice of the Research Approach

According to Cavusgil and Knight (2009) research on *born globals* is dominated by a *positivist* perspective. That is, the research is based on modern and logical empiricist traditions in an effort to confirm or disprove identified models and frameworks through testing of quantitative data. The main drawback of relying only on such an approach is that research on the born global phenomenon is still in early phase. This implies that much more research is needed that emphasizes exploratory methods, such as case study. Such qualitative research approach would benefit to better explain *born global* phenomenon.

Also according to Rialp et al. (2005) most researches about *born globals* are qualitative based on case studies (Rennie, 1993; McDougall et al., 1994; Oviatt and McDougall, 1994, 1995, 1996; Bell, 1995, Bell et al., 2001).

Due to lack of previous research about SMEs internationalization in Latvia and due to small sample of companies that fit to designation *born global* to manage quantitative research, qualitative method – case studies of four *born globals* – was chosen to address the research questions. As research questions derive from the "*how*" and "*why*" questions, therefore multiple-case study is a great help to reach the study's goals by exploring *born globals* in Latvia.

Yin (1994) suggests that case study is an empirical inquiry that investigates a contemporary phenomenon within its real life context using multiple sources of evidence. Case study is not intended as a study of the entire organization, but to focus on a particular issue or unit of analysis. Case studies are useful where there is need to understand specific problem or situation in great-depth. However case study approach has been criticized that results cannot be generalized (Johnson, 1994). Although, case study enables the researcher to gain a holistic view of phenomenon and can provide a round picture since many sources of evidence are used. The use of multiple cases may lead to some form of replication and allows generalization of results (Yin, 1994).

It is preferred that research is pluralistic and *triangulated*, employing a variety of data collection sources. Yin (1994) identifies several sources of evidence in case studies: documents, archival records, interviews, direct observation, participant-observation and physical artifacts.

3.2. Units of Analyses

Primary units of analyses are four companies that correspond to *born global* criteria developed by Rialp and Knight (2005) and fit to typology of INVs (Oviatt and McDougall, 1994). As there is no official register of *born global* companies in Latvia, author selected the units of analyses by available data from mass media regarding companies that have successfully internationalized. Author also advised with the journalist of the main national daily who develops business success stories about exporting companies as well as professionals from business sector. Several criteria were developed to select most suitable companies: (1) manufacturing companies that offer unique product in the market; (2) have started internationalization in the first years after the inception or has started rapid internationalization after the change of company's strategy; (3) views the world as a single, "*borderless*" marketplace; (4) company is responsive to the author's initiative to study their internationalization steps.

The choice of case study sample was not limited with companies established in Latvia. One of the companies chosen for this research is established in the United Kingdom (London) but is found by Latvian entrepreneurs who have chosen the first market abroad that fits the best for firm's strategy. From the initial information it seemed that the firm is the new level of born global phenomena that does not exactly fit in respect to traditional definition, therefore is very interesting case for further study. Four companies for further case study are as follows: (1) natural bath and cosmetics company ***Stenders***; (2) handcrafted candles ***Munio Candela***; (3) industrial flooring ***Primekss***; (4) premium jeans wear ***Trousers London***. Brief description of selected four units of analyses is included in Appendix B.

According to Oviatt and McDougall (1994) typology Stenders and Munio Candela are typical 'New International Market Makers' that operate both as exporters and importers. Both companies started to enter foreign markets after one year after inception. Primekss started to internationalize step by step - five years after foundation. The main trigger to start more rapid internationalization was development of competitive and innovative product as well as economic situation in construction industry in Latvia forced the company to change its strategy and look for new scope. The operation of Primekss fits to so called *born-again global* companies (Bell et al., 1997). These are firms that have had no international activities or has followed organic pathway of internationalization, but suddenly change their strategy for total dedication to international markets. Therefore, it is interesting unit of analyses. One of the most interesting cases is company Trousers London. According to Oviatt and

McDougall (1994) typology Trousers London is so called 'Global Start-Ups'. It is typical that such companies coordinate its activities across national and regional borders and is very active globally to get access to resources and markets. In case of Trousers London, national borders are not obstacle, but rather a chance. However, Oviatt and McDougall (1994) do not speak about such international scope of the company as choosing market where to better start business.

3.3. Source of Evidence

Case studies of this paper are based of semi-structured in-depth interviews. Most of the fieldwork involved interviews using semi-structured questions with various categories of respondents about four cases companies. The special questionnaire was developed to explore research topics – born global criteria, main triggers to start expansion abroad, the selection of target markets and most appropriate entry modes (see Appendix D). Interviews were organized with the founder of the company as well as marketing or development representatives of the company. However, other evidence was also used in case studies – media publications about the company's operations, press releases developed by the company as well as interviews with people that were related in internationalization process or in brand's development but are not working in the company at the moment. Interviews with the representative of Latvian Investment and Development Agency and also market intelligence and export intelligence service provider in Baltic countries – *GatewayBaltic* were also organized to get a deeper insight of SME internationalization mechanisms in Latvia.

Overall 8 interviews with 12 people were organized to investigate the internationalization process of four *born global* firms. In some interviews the gathered information was recorded and transformed in written materials, but in some detailed notes were made during the conversation. In the case of *Stenders*, representatives of marketing department of the company gave answers to all stated questions in the written form, but other interview with development manager was organized face to face. To exclude possible negative effects, such as information leakage to competitors or unwanted publicity, anonymity of interviewers identity are kept who expressed such a wish.

4. Empirical findings

This chapter of the paper is subdivided into four subsections covering issues of the interest – characteristics of *born globals*, international market selection, market entry modes and market expansion strategies based on the research cases. Results of each researched company are analyzed separately. Each subsection includes brief summary where results and implications are discussed.

4.1. Characteristics of Born Globals

Cavusgil and Knight (2009) have developed characteristics as critical factors, which trigger early internationalization and are typical to born *global firms.* The author of this paper benchmarked suggested characteristics with those of four case companies. Common and distinct characteristics are discussed in brief summary at the end of this subsection.

The list of Cavusgil and Knight (2009) characteristics is described in Section 2 (please see the page 9).

Handcrafted candles ***Munio Candela*** started internationalization almost one and a half year after inception by entering Japan's market. The company was established in January 2008, the first candle was sold in Latvia in November 2008 and then a couple of months later in July 2009 it entered the first foreign market - Japan. Currently the company has 4 employees, from whom two are owners of the company. Referring to Cavusgil and Knight (2009) *born globals* begin exporting their products a couple of years after their founding and may export a quarter or more of their total production. In the case of Munio Candela 80% of the total sales volume is generated from foreign markets. That corresponds to the study of Rennie (1993) of Australian *born globals,* which export approximately 75% of their total sales (Moen and Servais, 2001)

According to Rialp and Knight (2005) managers of born global firms usually have a strong international experience and international orientation. One of the owners of the company Elina Cima emphasizes that they had the intention to start entering to foreign markets from the founding of the firm. "*If you want to develop such a niche product, Latvia's market is too small. There is not enough space even to turn around*." Also the choice of the brand name and packaging, as well as product collections "Naturella" and "Villa" confirms the global plans from inception. The main trigger for early internationalization was a small home market for such a niche product as premium handcrafted candles. "*I owned a café and it was very expensive to burn candles. I thought about minimizing costs and that's how I got* *this idea. In the beginning it was just a hobby when we experimented in our garage at home. In the beginning everybody was laughing about our plans*". Owners of the company Elina Cima and Ieva Dexter don't have prior internationalization experience. Elina Cima has studied economics, but hasn't finished her Bachelor degree. "*I have different motivation to other people. I want to do something all the time"*, says Elina Cima characterizing her entrepreneur's spirit. Ieva Dexter has a background in arts - that creates a perfect team's synergy. Admittedly this observation doesn't correspond to typology of *born globals* that states that managers are internationally experienced (Oviatt and McDougal, 1995).

Munio Candela's has a differentiation strategy focusing on niche markets in their target markets. Also Porter (1980) indicates that *born globals* tend to emphasize differentiation or focus strategy, which implies offering distinctive products of differentiated design. The main selling points of Munio Candela are sustainability and ecology, handcrafted and nice packaging. The company produces completely natural candles from soy wax. It is a novelty in Europe and Asia, but not in the U.S. Therefore, the big emphasis in marketing is the differentiation - developing candles as a piece of design. The price of the product is rather high in all markets placing it in the premium level. The company uses recycled materials such as jars, bottles, paper, unbleached cardboard etc., which is part of the company's "green" strategy. Also, the owners of the company characterize their strategy as targeting niche markets. It corresponds to the study of Cavusgil and Knight (2009) indicating that many *born globals* target relatively distinctive products to niche markets that may be too small to interest large firms.

Superior product quality is definitely the strength of Munio Candela. Every candle is poured by hand, undergoing strict quality control. Samples from each batch are test burned to guarantee their safety, behaviour and aesthetic qualities (Website of Munio Candela, 2010). Also Cavusgil and Knight (2009) emphasize that *born globals* offer "*state-of-the-art products*" that outperform competitors in design and quality.

Munio Candela developed network relationships during the internationalization process. "*We didn't have any foreign contacts that facilitated our foreign expansion. All the contacts have been developed during foreign trade shows and exhibitions. We started everything from scratch*," says Elina Cima. However, Oviatt and McDougall (1995) indicates strong international business networks of global entrepreneurs as a crucial prerequisite for success.

The means of new communication tools have eliminated the boundaries between firms to process information efficiency and communicate with partners and customers

(Cavusgil and Knight 2009). Also, the owners of Munio Candela admit the value of the Internet in the role of business expansion. "*Our products are sold in big department stores and design boutiques. Distributors are responsible for laying out the products on the shelves. They simply take pictures of how our products look on the shelves and send to us for approval. We don't have to travel to Japan for such a reason,*" clarifies Elina Cima. Munio Candela doesn't plan to start selling their products in the Internet sales platform. "*Munio Candela positions itself as a producer, not a marketer,*" is mentioned as a main reason for that.

Natural bath and cosmetics company ***Stenders*** was founded in 2001. The first shop in Latvia was opened in 2002. In the same year, the company received an offer from entrepreneurs in Russia and Estonia to enter foreign markets. In 2010, there are currently almost 100 Stenders shops in the biggest regions of Russia and the CIS. The first franchised Stenders shop overseas was opened in 2002 in Russia. Stenders has developed very rapidly in the last 5-7 years at the international level entering more than 15 markets. Overall there are more than 180 shops in the following countries: Sweden, Finland, Estonia, Latvia, Lithuania, Poland, Russia and CIS states, Hungary, Poland, Luxembourg, Finland, Denmark, Slovenia and even China and Japan. In 2010 there are 106 employees at Stenders. The turnover in 2009 was 3.3 mio. lats. Foreign markets generate 70% of the company's total sales.

Stenders embodies the Latvian dream that every individual can develop a successful business from scratch. The founders of Stenders Janis Berzins and Zane Berzina had the entrepreneurs' spirit and they were eager to start a business in Latvia. "*We were travelling around in Europe looking for new ideas that were not present in Latvia. We found a tiny shop with an exclusive soap concept in London. In the beginning they wanted to franchise it, but all the formalities took too much time. Christmas time was approaching and we didn't have time for that. We found similar bath cosmetics from Canada and started to sell its goods in a shopping mall. This was our market research. That's how the idea of producing luxurious and natural bath cosmetics developed. We started to experiment by ourselves looking for soap recipes in books and the Internet sources,"* remembers Janis Berzins, one of the founders of Stenders (Success Stories of Latvian Entrepreneurs, 2008).

However, seeing the big market potential, the idea to expand globally appeared quickly. The initial goal for the company was to develop several shops in Latvia. The evidence of this fact is the company's brand name – *Stendera ziepju fabrika*. As it is too long and too difficult to pronounce in host countries, the company exports its goods with the name 'Stenders'.

Similar to other managers in Latvia, the founders of Stenders didn't have international experience. Janis Berzins and Zane Berzina had prior experience working in the companies of different industries. Their driving force was motivation to develop a successful business by producing the products they enjoy themselves.

The company employs differentiation strategy. Stenders, similar to other *born global* firms emerged initially as a product based firm that subsequently emerged as an international marketer, based on the strength of a superior product that gained acceptance worldwide (Cavusgil and Knight, 2009). *"The main added value of the product is attractiveness, special packaging and the unique design of the shops. Stenders are luxurious small shops selling natural bath cosmetics – welcoming shop assistants help customers to pick the products, cutting scented bars of soap or weighing a bath bubble-ball right under the customer's eyes, wrapping it up with care and inviting the customer to return. In Stenders shops, every small detail matters, every ribbon around a box or every bunch of sumptuous dried flowers hanging from ceiling beams. The unique selling point for Stenders is that we do not just sell goods in our shops, but feelings – joy, admiration, dreams, peace and passion. We are creating a "show" for our customers to make them return. Big attention is paid to client service by trying to introduce and maintain a united service standard,"* reveals the representative of Stenders.

Independent advertising specialist stresses: "*Stenders is a perfect adopter. Their biggest value is their brand experience in the shop – the look, the smell, the range of products and how they are placed. Comparing to brands in Europe where the market is very saturated with similar brands, Stenders can't distinguish itself with outstanding brand story, sustainable and eco products ingredients, fair trade* or *unique social initiative*".

Global network relationships and the existence of a significant global network relationship as an early internationalization trigger (Bell, 1995; Coviello and Munro, 1995; Rasmussen et al., 2001) is not the case of Stenders. They didn't have prior network on which to rely on when expanding abroad. Networks have been developed through foreign business activities after foundation of the company.

Three entrepreneurs from Latvia established premium jeans wear Trousers London in February 2008 in London (UK). They started to expand outside London six month after the company's foundation. The first market was Japan. In February 2010 jeans with *Trousers London* brand name can be purchased in 8 shops in Japan, 3 in London, 1 in Latvia and 1 in Stockholm. The company is small but effective – there are three employees. Everything they need is outsourced. That corresponds to the distinctive factors of *born globals* introduced by

Cavusgil and Knight, 2009, which state that firms are highly active in international markets from near founding and have limited financial resources.

The idea arose in Latvia, but London was chosen as a more appropriate place for starting the fashion brand. Besides, one of the company's founders already had prior experience living in London, as he has finished his Bachelor in E-business there. According to year 2010 data, Trousers London export about 70% of their total production.

Admittedly, the managers have very strong international outlook and entrepreneurial orientation (according to Cavusgil and Knight, 2009). "*There is never a bad time to start doing something. If you won't try, you will never know*," says Kaspars Upmanis, one of the founders of Trousers London. Management of Trousers London views the world as their marketplace. The manufacturing is organized in an outsourced factory in Italy, but organic premium denim is purchased in China. In the nearest future they have planned to start manufacturing also in North Africa in order to decrease the product costs. It would also help to expand the product range, offering not just high quality limited edition premium men's jeans but other items such as socks, shirts, underwear etc. Also, the company's vision for the next 3-5 years confirms its strong global commitment and global thinking. Trousers London is planning to continue expanding globally in order to position themselves as one of the men's jeans wear premium brands that come from Europe.

The idea to expand globally has existed from the inception of the company. The name and the logo were chosen to correspond to international trends. "*London is associated with high class fashion especially in Asia and in other parts of the world. That's why we employed the name 'London' to develop the necessary association with our brand name,* " says Kaspars Upmanis.

"*We had the idea to create very high quality and stylish men jeans. When we had a full stock of our product, we started to think how to market that. We didn't have any experience in the fashion industry, nor manufacturing*", reveals the representative of the company. It took about two years to create a significant business network that delivered more opportunities. Personal contacts and networking is very important in London especially comparing to business environment in Riga. "*It is easier to develop a business in Latvia. It is much easier to organize publicity and PR using the company's internal resources in order to reach the buyers. There is huge potential in London, but everything stops at whom you know,*" reveals Kaspasrs Upmanis about personal network as an important trigger for successful internationalization.

Although Kaspasrs Upmanis admits a lack of experience in the fashion industry when they started the business, founders of the company have a rather interesting educational background. "*Coming from the diverse fields of Architecture, Advertising, Business, Design and Social Media Marketing, the varied backgrounds of the team behind Trousers London have been fundamental in the development of the brand. Not following the conventional schools of fashion, the team bring their own individual methodology to the process of fashion design, marketing and promotion, which allows for a distinctive, balanced and original approach, reflecting the progressive nature of the brand. The aesthetics and 3D proportions of the designs are largely influenced by architectural design methods and the branding is a reflection of tradition and workmanship,*" states the company's website. Madsen and Servais (1997) indicate that market knowledge, personal networking and international contacts, education as well as experience from living abroad of born global company founders have a large influence on internationalization.

Trousers London, similar to other *born global* firms, employs the differentiation strategy and targets niche markets. Trousers London creates an exclusive series of coveted designs in organic denim, moving away from disposable clothing trends towards a new tradition of collectible fashion. The main ambition of Trousers London is to maintain a specialization in high-quality, directional men's denim. This focus on denim allows for the exploration of patterns, fits, materials and production in greater depth and detail. Each new jeans model is numbered in the order of its design. To ensure the exclusivity of the jeans, as well as carefully selecting materials and applying intricate details, every pair is given a unique ID number. Each model of jeans is limited edition (website of Trousers London, 2010).

Trousers London has another vivid characteristic of a *born global* firm according to Cavusgil and Knight (2009) typology. Trousers London has launched its Internet sales platform in the beginning of 2010. Besides, *Trousers London* use social networks as a tool to monitor the trends in denim fashion industry all over the world.

Industrial flooring producer ***Primekss*** was established in 1997. On first glance, it may seem that Primekss has gone through the traditional stage model of internationalization. The company started to expand abroad step by step to the neighbouring countries – Estonia (2002), Lithuania (2004) followed by Scandinavia (starting from 2005). In 2010 Primekss has subsidiaries in Sweden, Finland, Norway, Estonia, Poland, Denmark and Lithuania. There are up to 100 employees in all the group's companies. The consolidated turnover was about 8 mio. lats in 2009. Foreign subsidiaries generated 90% of the total turnover in 2009. Due to the economic recession, sales have shrink to a minimum in Latvia.

The company calls itself the Northern European leader in industrial concrete and epoxy floors, with experience of over 3 million square meters laid. One of the flagship products is an innovative improved concrete floor called PrimeComposit. The unique product was developed in Primekss laboratory in cooperation with a partner from Belgium. The added value and unique product qualities of PrimeComposit facilitated the company's further expansion abroad and the change in its strategy to more rapid global expansion. The main trigger to start more rapid internationalization was a competitive and innovative product as well as the economic situation in the construction industry in Latvia forced the company to change its strategy and look for new scope. The operation of Primekss fits to so called *born-again global* companies (Bell et al., 1997). These are firms that have had no international activities, but suddenly change their strategy for total dedication to international markets. Starting from 2009, the company has changed the entry mode (from subsidiaries to franchising) and is looking for geographically further markets such as Japan, China, the United Kingdom, Israel, the United Arab Emirates and the United States.

Primekss was not planning expansion globally starting from the company's inception. "*In 1997 it didn't seem realistic that we could expand abroad. We were looking at foreigners with widely open eyes to see how they were doing business. At that time I couldn't even get a visa to Sweden. We started to look toward foreign markets in 2002. The first subsidiary was in Estonia. We had a unique technology that was not present in the Estonian market. We saw opportunities there*," recalls Janis Oslejs, CEO of Primekss. However, developing the innovative and unique product PrimeComposit they were thinking of how it sounds in overseas markets.

Contrary to other research units of the thesis, Primekss based their development abroad largely on personal networks. The management team didn't have prior experience in international business. All the skills were developed through the experience. It is a typical *born globals* trait according to Cavusgil and Knight (2009) and Rialp and Knight (2005) typology.

Primekss has developed a unique product in the world that allows differentiating from other companies. "*Primekss is a research and development based company offering improved concrete floors PrimeComposit, which are very durable and economical. The materials used generate 30-50% less CO2 emissions than the industry norm for industrial floors. It is a great competitive advantage comparing to the competitors*," explains Janis

Oslejs. Narrow market segment, superior product range and advances in production technologies are the factors driving internationalization of Primekss. Such factors are also mentioned in many academic researches, for example, Dalgic (1994) and Oviatt and McDougall (1995).

Resume: According to evidence gathered, the author of this paper summarizes the most typical patterns of *born global* firms. The author also suggests that managerial and marketing teams could take in to consideration these characteristics when thinking about expansion worldwide:

- Latvian entrepreneurs **do not have prior experience in international business** before expanding abroad. It can be explained with a young business environment in Latvia and the fact that Latvia entered the EU in 2004. That is also the reason why reliance on personal and business networks is not dominating. The business network is developed through foreign business operations;
- One of the key advantages is that companies lack so called **administrative heritage** and have fewer infrastructural and mental barriers to start international expansion (Organizational learning theory, Knight and Cavusgil, 2004). Youth of companies allows a greater degree of **flexibility** that helps to succeed in foreign markets;
- The **product determines the global expansion plans** of the company and to a great extent directs the choice of market selection;
- Early internationalization is influenced by the **size of the home market** and by the firm's production capacity and competition in target markets (the research of Fan and Phan, 2007, proves this);
- Companies have **superior product range**, **superior knowledge** and **quality** that allow competing in foreign markets. Companies produce niche products and seek growth via market diversification and gaining economies of scale in production and marketing;
- Managers have a "**strong international outlook and international entrepreneurial orientation**" (Cavusgil and Knight, 2009). Owners of the companies view the world as a single and borderless marketplace (Hollensen, 2007). They do not limit themselves within national borders. After the success in the first foreign markets, the nation borders become meaningless. There might be a trend that there are more Latvian companies similar to Trouser London who **select the most suitable country to implement its business idea**. This corresponds to Madsen and Servais (1977) who

stated that the definition of home market should be replaced with a market in which the founder of the company feels comfortable;

- Companies **purposefully choose the company's name** and brand name taking into consideration the ease of pronunciation and meaning in international markets;
- Responding to growing trend of environmentally friendly products and understanding about the impact of human activity on the earth's ecosystem, *born globals* choose "**green" marketing strategies**. It provides a great competitive advantage that helps to employ the differentiation strategy;
- Companies emphasize the **differentiation strategy** and focus on **niche markets** all over the world.

4.2. International Market Selection

This subsection deals with the research question of how *born globals* select foreign markets to expand their business. A review of literature on the subject suggests that the distance with the domestic market is regarded as non-significant (Pend et al., 2005). Also the research of Madsen and Servais (1977) showed that domestic markets are no longer a significant "learning place". Regarding the choice of market selection, Hollensen (2007) suggests that most SMEs do not conduct any market research before entering the chosen markets. The selection of markets is strongly influenced by change agents. The author of this paper researched how companies select the target markets, what are target countries and what is the sequence of entering. Admittedly, all the interviewees perceived their target foreign markets as a matter of course and couldn't designate well-marked factors that they always take into account when choosing international markets.

In the case of **Munio Candela** the first market was Japan. The company entered in July 2009. Their target foreign markets are Japan, Europe and United States. Starting from the second half of 2010 Munio Candela is planning to enter the Russian market. There is also a plan to enter China's market in the future. The CEO of the company, Elina Cima, admits that it was just a coincidence that the first market was Japan. There was a plan to start with Europe but it appeared that the first international exhibition where the company took part was in Japan (June, 2009). One of the main reasons why Japan was considered, as an attractive market was an assumption that the Japanese prefer high quality design items especially imported from Europe.

Participation in international trade exhibitions is the way in which a company builds its business network and finds distributors of the product. The company participates in gift and design exhibitions. "*We participate in international exhibitions to establish business contacts with distributors. Exhibitions are chosen very carefully by analyzing who are participants. We have developed our own criteria of how to select the most suitable trade exhibitions,"* reveals representative of Munio Candela.

The next exhibition took place in Paris in September 2009. Munio Candela products can be purchased in the following European cities: Copenhagen (Denmark), Paris and Vincennes (France), Dublin (Ireland), Rome (Italy), Luxemburg, Wolfsburg (Germany) as well as in Latvia. The company's strategy was to enter several markets simultaneously.

"*Geographical distance is not significant in selection of foreign markets,*" says Elina Cima. "*We are looking for the most suitable markets for our products*," reveals representative of the company. The main criteria in selecting target markets are as follows: values, lifestyle, income level, competition, supply of the goods, as well as transport costs. Academic literature also indicates that distance between host and domestic markets is not significant in *born global* approach (Pend et al., 2005).

"*It is not complicated to carry out the market research in the time of information age. You just have to open your laptop and have access to the Internet*," says Elina Cima. It was more complicated to understand Japan's market because of cultural differences. Europe is more comprehensible in respect of culture and living standards. "*Many people have told us that our success in Japan was just luck. Partly I can agree with this. We were very lucky with the exhibition that opened doors to Japan's market. However, the Japanese understand our product. The Japanese are usually the first ones who enter our exhibition's booth whether we are in New York or Paris. It confirms propriety of our choice*," says representative of Munio Candela. This doesn't correspond to the pattern that SMEs do not conduct any market research, but base their decision on subjective assessment (Hollensen, 2007). The author makes the assumption that the Internet and overall data accessibility facilitates market research before entering any foreign market.

In January 2010 the company participated in a trade show in New York, U.S. Now Munio Candela has big plans in this market. At the moment manufacturing is organized from Latvia. However the company has established a new company in the United States and from March 2010 is going to open a factory. Ieva Dexter is the CEO of the company in U.S. The decision to open the factory in U.S. was made to decrease transportation costs and the large number of damaged products from Latvia to Japan and U.S.

The main target markets for **Stenders** are Western Europe, Asia and the Near East. Initially one of the main target markets was Russia. At the moment the company aims to strengthen its positions in its biggest markets – China and Russia as well as to expand the chain of shops. They have plans also to enter the United States. "*We see very big potential in Asia due to the huge market. Our company as well as our partners there are planning to continue the expansion also in Taiwan and Hong Kong*", says a representative of Stenders.

The first franchise agreement to expand to overseas market was signed to Russia and CIS in 2002 (one year after foundation). In the beginning of 2010 the company has more than 180 shops in more than 10 countries: Sweden, Finland, Estonia, Latvia, Lithuania, Poland, Russia and CIS states, Hungary, Poland, Luxembourg, Finland, Denmark, Slovenia and even China and Japan. In 2009 the company concluded new franchise agreements in Saudi Arabia, Slovenia, Greece, Croatia, Columbia and Panama. The first shops in these countries will be opened in the spring/summer of 2010.

Russia was chosen as the first foreign market because it is the biggest neighbour of Latvia with huge market potential. Albeit personal contacts of founders have played a crucial role in the choice of foreign partners. For example, it was the case of Russia, Estonia and other countries. The company doesn't employ a proactive approach to choosing partners in the foreign markets. Interestingly, that almost all the franchisees have found Stenders by themselves. Most of the foreign partners have seen Stenders shops in Latvia or other countries and have initiated cooperation. "*Almost every day we get about 10 e-mails or phone calls from potential partners who are expressing interest about cooperation with Stenders*," says Gundega Ceplevica, Business Development Director of Stenders.

In general, the attractiveness of each country is determined by the quality of the potential cooperation partner. During these years Stenders have developed a criteria of how to choose franchisees. They pay attention to the personality of the potential business partner as well as professional experience as well as economic situation in the particular market. The potential partner has to present a 5-year business plan with the information about the market where it plans to open Stenders stores. It includes the financial forecast of turnover and development of a store chain in a defined region. Gundega Ceplevica reveals that cooperation partners differ from country to country. "*There are people who are interested to expand units of already existing business or have worked in a similar industry. There are also entrepreneurs who want to start a business. It is quite common that franchisees are Latvians who live abroad*," says Business Development Director of Stenders.

Stenders is also strictly monitoring the selection of the most appropriate sales location. Stenders stores are situated in locations with big flow of people such as shopping centres or central pedestrian shopping streets. This was also the result of bad experiences in Germany, Ireland and Spain. Stenders was forced to terminate contracts because franchisees were exceeding their legal rights and unfair actions. "*That is also a reason why a very strict franchise agreement is developed – to protect ourselves from such cases in the future,*" says Gundega Ceplevica. "*Although defined target markets are Asia, Europe as well as the United States, other markets are considered if there is a strong potential partner who is interested to develop a chain in a defined region or country.*" Agreements are usually concluded by defining concrete region or several cities where franchisee can develop Stenders stores.

"*In the beginning, expansion of Stenders was directed towards Russia and Eastern Europe as well as Western Europe. Then there was a strategic decision on whether to enter into the United States market or to strike Asia. There was an opinion inside the company to prefer United States. But at that time two Chinese entrepreneurs expressed their interest about Stenders. They had plans to expand the chain of Stenders stores in China. We understood that they suit all our requirements and we were interested to conclude the agreement. That forced us to set aside the plans to enter America,*" says Gundega Ceplevica. She also explains that operations of competitors show that Stenders' decision to enter Asia first was right. Stenders' biggest competitors are L'Occitane, The Body Shop and Lush. As Lush is not represented in China, cooperation partners are interested to expand very rapidly to increase the market share before competitors have strengthened their positions in China.

The first time Stenders participated in international exhibitions was in 2008. One took place in Athens, but the other one in London. "*Almost 650 potential cooperation partners expressed their interest about Stenders during the exhibition. Some of the gained contacts could be transformed into successful business deals,*" says representative of Stenders. Afterwards Development manager of Stenders Gundega Ceplevica admits that one contact gained in the exhibition in Greece has transformed into an agreement. "*In London we gained more than 200 contacts from potential business partners, but none of these have transformed into a real agreement. After that, the founders of the company decided not to participate in similar franchise exhibitions any more. However, we assume that we could enter the United States and Germany by participating in exhibitions in order to find potential business partners. The biggest drawback of such exhibitions is that we can't provide the real atmosphere of Stenders stores. Although we develop a special booth as a miniature of our store concept, most often the idea of Stenders stays quite vague,* " adds Gundega Ceplevica.

The sequence of entering into the foreign markets was as follows: (1) 2002 – the first franchise shop in Latvia; (2) 2002 – franchise agreement in Russia and CIS (more than 100 shops) ; (3) 2002 - franchise agreement in Estonia (7 shops); (4) 2003 – franchise agreement in Lithuania (5 shops); (5) 2003 – subsidiary in Poland (7 shops); (6) 2004 - franchise agreement in Hungary (6 shops); (7) 2006 – franchise agreement in China (26 shops); (8) 2006 – franchise agreement in Japan (1 shop); (9) 2007 – franchise agreement in Sweden (2 shops); (10) 2007 – franchise agreement in Luxembourg (1 shop), (11) 2008 – franchise agreement in Finland (1 shop), (12) 2009 – Austria (3 shops); 2009 Slovenia (2 shops – one of the shops will be opened in April, 2010).

In December 2009 Stenders launched the Internet sales platform to reach global consumers all over the world. Stenders has a plan to expand this tool as they see great potential in e-commerce. However, at the moment it doesn't provide substantial turnover. Most frequent orders come from Scandinavia, Germany, Austria as well as Latvia. This is an example of an ongoing trend all over the world, that more and more SMEs establish global sales platform by developing e-commerce websites affected by the Internet revolution (Hollensen, 2007).

The main target markets of **Trousers London** are Asia, Scandinavia, France and Russia. In 2010, after two years of establishment, Trousers London can be purchased in 13 shops including 8 in Japan, 3 in London, 1 in Riga and 1 in Stockholm. Their strategy was to enter the markets simultaneously.

The first market the company entered was Japan. "*It was just a coincidence,*" reveals the representative of the company. Trousers London participated in the trade show there and concluded the agreement with the wholesaler in Japan. The company is collaborating with the distributor in the foreign markets. However, in London they are organizing sales by themselves.

"*The market research is based on stereotypes and the founder's experience,*" says Kaspars Upmanis, one of the founders on Trousers London. "*I'm regularly monitoring all the blogs and social networks what is written about jeans and denim. That is a way in which I'm following the world's fashion trends and getting a better understanding of consumers abroad,*" adds Kaspars Upmanis. Management teams analyse fashion trends abroad and select those countries where consumers would appreciate the stylish premium class jeans they produce. Although, Kaspars Upmanis reveals that they are not making in-depth research about the markets, the author noticed that he is aware of jeans-wearing traditions in the target markets. He is also involved in the sales in London, because that is the best way how to catch the consumers' needs and get the feedback to continuously improve the product.

In the beginning of 2010 Internet sales platform has also been launched as a very promising sales channel. "*On line commerce erases the borders between nations. Internet sales platform is very important for our company - it generates 30% of sales annually. We forecast that the role of it will increase every year,*" says representative of the company. At the time of the interview in London's Covent Garden pop-up store, the company receives two orders (one from Japan, but other one from Estonia). "*The orders come randomly from the whole world. Sometimes it is very difficult to explain how they got to know about us. Blogs and social networks are a very important tool in our marketing strategy. It is so essential for fashion brands what media is writing about you,*" reveals Kaspars Upmanis.

The industrial flooring specialist **Primekss** has subsidiaries in Sweden, Finland, Norway, Estonia, Poland, Denmark and Lithuania. Since 2002 the company has started to expand abroad opening its first subsidiary in Estonia. As the company does everything from design, through to workmanship and up to quality control, they are rather limited geographically. "*As the company has to transport its equipment and technology as well as to organize work permissions for Latvian workers it is quite complicated to enter markets that are very far from our home country,"* says Janis Oslejs, CEO of Primekss. Therefore, chosen markets were geographically close to Latvia. The next selected market was Lithuania (2004) followed by Sweden (2005), Finland (2006), Norway (2008), Poland (2008) and Denmark (2008/2009).

Since 2009 in order to accelerate global expansion, the company has chosen a new strategy – offering its know-how in innovative concrete flooring. In order to expand quicker and to increase sales, the company has chosen franchising as the most appropriate market entry mode. The company plans to expand to Japan, United Kingdom, Israel, Lebanon and other countries. Primekss plans to expand to several markets simultaneously by concluding franchising agreements.

"*Our company's globalization was triggered by the product PrimeComposit,"* says Janis Oslejs, CEO of Primekss. "*We are aware that at the moment we are the only ones who offer the unique technology of improved concrete floors, but it is not for long. We are in the middle of the process to get a license, but anyway it doesn't guarantee that our competitors come up with similar or even better technology*", reveals Oslejs. Also, a review of literature suggests that accelerated internationalization is advisable if the product is innovative or represents a significant technological advance, in order to forestall pre-emption or limitation of competitor activities (Hollensen, 2007).

The selection of target markets was influenced by the personal contacts in the host country. The company was doing market research in the target market examining the demand, construction industry, macroeconomic data, and competitors as well as examining the strengths-weaknesses of their own capabilities. The literature review suggests that personal networking and international business contacts of the entrepreneur are of great importance (Madsen and Servais, 1997).

Resume: According to evidence gathered, the author of this paper summarizes the common patterns of foreign market selection.

- The **selection of target markets differs from company to company**. Munio Candela and Trousers London are proactively choosing target markets selecting those where demand is theoretically the biggest. Stenders and Primekss started to internationalize according to an organic pathway and then changed its strategy choosing to expand globally more rapidly;
- Companies tend to choose to **enter several markets simultaneously** in order to seize an emerging chance or forestall competition. It helps the company to build up experience quickly. It also enables the company to benefit from economies of scale and scope in production. Hollensen (2007) also suggests that it might be desirable if the product is **innovative** or represents a significant **technology advance**, in order to forestall pre-emption or limitation of competitor activities;
- There is a direct **link between the company's growth expectations and plans to expand globally successfully**. The first successful experience in host markets raises management's confidence and as a result they look for more challenging markets to enter. During the interviews the founders of the companies stressed that the biggest obstacles are boundaries in entrepreneur's heads and a lack of "borderless" vision of the management team. As suggested in the research of Aidis et al. (2008) "*entrepreneurial confidence results in better financial performance*";
- Companies have developed **their own system of market selection and establishment** of contacts abroad. Largely, the product sets the foreign markets to enter. Once the prime markets have been identified, markets should be segmented using such **variables**: demographic and economic factors, lifestyle, consumer motivation, geography, buyer behaviour and psychographics (Hollensen, 2007);
- **The Internet** is a great help in conducting proper market research. All the companies have used it to gather materials and needed information about market patterns. Also, a

review of literature suggests that SMEs use the Internet to convey their market presence abroad, maintain relationships with foreign partners as well it being a great help in conducting market research (Servais et al., 2007);

- Companies are eager to use the **Internet as a sales channel** if the product and its positioning allows that. It helps to reach consumers all around the world;
- Companies are doing **research** by themselves due to limited financial resources. The third parties or external researchers have not been used. In the case of Stenders, franchisees have to make proper market research as a part of the business plan that is approved by the franchisor;
- **Prior business network** is important, but does not play a crucial role. Most of the companies establish necessary business contacts after starting actively operating in the target markets.

4.3. Market Entry Modes

This subsection deals with the research question concerning how *born globals* select modes of entry to penetrate the chosen market. A review of the literature suggests that firms choose the entry mode by following the rule of maximizing expected profit (Kumar and Subramaniam, 1997). According to several authors exporting is mentioned as the most frequently used entry mode of SMEs (O'Farell et al., 1996 and Westhead et al., 2002).

Munio Candela has chosen direct export as an entry mode into foreign markets. As the producing company it takes care of exporting activities and is involved in transportation, pricing policy and looking for the most appropriate distributors. The company also considered other modes of entry, but direct exporting seemed the most appropriate for the product. At the same time Munio Candela has established a subsidiary in the United States and has made FDI by opening a factory. As Lymbersky (2008) suggests, direct exporting is usually the first step before direct investment, for instance, opening a factory. The main benefit behind such a decision is to decrease transportation costs to Japan and U.S. as well as to minimize the percentage of damaged goods during transportation.

Stenders main success and rapid development to more than 10 countries is the choice of entry mode. Stenders has chosen business format package franchising. It means that the franchisee has to follow strict guidelines about the design of shops, lay out of the products, as well united marketing activities. The company's designer makes the design of the stores. Also the furniture is ordered from one manufacturer in order to ensure that

Stenders shops look identical in all countries. Franchisees are allowed to sell only goods of Stenders. Besides, all the products are manufactured in Latvia for all the markets. There is also a united service standard, including the uniforms of shop assistants and packaging of purchased products. Franchisees are not allowed any elements that are not confirmed with the Marketing department of Stenders in Latvia. Stenders prefers business format ‘package‘ franchising. It means that under the contract the business package contains most elements necessary for the franchisee to establish a profitable business in the host country in a prescribed manner regulated by the franchisor. The package contains trademarks, business know-how, geographic exclusivity, design of the store as well as location selection and marketing activities (Hollensen, 2007). Stenders has the sub-franchisor model. It means that an agreement is concluded with the franchisee and they have rights to conclude agreements with a sub-franchisor. In such a case the master franchisee does not support the individual franchisees. They get training and necessary help from the side of the sub-franchisor. The direct cooperation with Stenders and franchisee is provided in Appendix E.

Stenders also have a subsidiary (still running) in Poland established in 2003. “*It takes a lot of time and effort for the management of Stenders because the company should be controlled and governed all the time. Therefore, the decision was made to expand internationally only by franchising and not by opening subsidiaries in other markets. It allows to focus on the core business and product development*,” says Gundega Ceplevica.

The decision to prefer franchising as an entry mode was based on such considerations: (1) minimal investments needed; (2) higher profitability; (3) more rapid development of client network (4) more rapid expansion internationally. Also other modes of entries were considered such as direct export, licensing, joint venture as well as subsidiary. However, they didn’t seem as acceptable as franchising. The main task for Stenders is to select professional franchisees. The main drawback is that franchisees should be controlled to maintain the same service standards in all the markets, but not in such a great extent as in the case of a subsidiary or other mode of entry.

According to the agreement Stenders gives knowledge to the franchisee about how to select location for stores, about design of the store, range of products, price level, staff training, marketing activities, designer and management consultations.

Trousers London has chosen direct export as an entry mode into foreign markets. It means that the producing company takes care of exporting activities, for example, involved in transportation of goods, pricing policy and cooperation with distributors. They have such a strategy in all the countries except the home market. Sales in London are organized by the company's management and not by distributors. "*First of all, it is cheaper and secondly we are not loosing the link to our customers. It's an effective way in which we get direct feedback from customers that can allow us to improve our product"*, stresses representative of the company.

Trousers London is using another type of entry mode - a contract manufacturing in Italy. As a review of literature suggests many companies outsource the manufacturing process in a host country in order to reduce human and financial resources. It allows the firm to focus on their competitive advantages (Lymbersky, 2008). Trousers London has plans to also conclude a manufacturing contract in North Africa to minimize costs and to offer a lower price level product range. The company chose this sort of entry mode because it was the easiest way to market its product to host countries. The arguments behind such a choice were similar as Leonidou et al. (2002) suggests - requires less commitment of resources, has little effect on firm's existing operations and involves low investment and financial risks.

Initially **Primekss** entered foreign markets by opening subsidiaries. Such an entry mode was chosen to suit the chosen business model. When Primekss executes orders abroad – it has to transport its equipment as well as to sort job permission for workers from Latvia. As construction materials are purchased in the host country, the company is interested in redeeming VAT. Therefore, to open the subsidiary was the most advantageous entry mode.

Now the company has changed its strategy and are aiming to speed up the expansion worldwide. Therefore, Primekss prefer franchising by selling their know how and technology. "It was the most logical from all the options. "*It is too early to judge whether this is the best entry mode for such an expansion strategy*," says Janis Oslejs.

Resume: According to evidence gathered, the author of this paper summarizes observations about entry mode selection:

- *Born gobals* tend to choose the entry mode that **is financially the most profitable and is cheaper** to expand the business internationally. SMEs tend to prefer entry modes with **lower resource commitment**;
- *Born globals prefer* rapid internationalization by employing the **sprinkler strategy.** They have to select a market entry mode in order to **support and facilitate their plans**. It should be aligned with the scope of available financial and human resources;
- To a great extent, a choice of entry mode is **determined by the product** whether it is direct exporting, franchising, licensing, subsidiary etc.;
- **Degree of control** is linked to the choice of market entry. Direct exporting has little

control over the conditions governing how a product is marketed compared to franchising.

5. Conclusions and Recommendations for Further Research

As there is a certain gap in the research about Latvian *born globals*, the author of this study contributes by exploring Latvian *born global* firms that have made a decision to expand globally in the first years after inception or have changed their global expansion strategy towards more rapid entry in the host markets.

In this section the author summarizes the most typical patterns of *born globals*, draws conclusions on foreign market selection, and explores the entry mode selection of four companies (Munio Candela, Stenders, Trousers London and Primekss). The author also presents recommendations for an easy-to-use model for *born globals* to succeed in international markets. As the model is based on qualitative study it should be further tested in order to become generalized.

According to the evidence gathered, the author has distinguished **nine typical patterns of *born global* firms based on exploring the operations of four companies.** Many characteristics coincided with earlier studies: (1) *born global* firms have superior product ranges, superior knowledge and quality that allow them to compete in foreign markets. Companies produce niche products and seek growth via market diversification and economies of scale in production and marketing; (2) one of the key advantages is that companies do not have bad experiences or so called “administrative heritage” that supports the plans to start international expansion; (3) managers of *born global* firms have strong international entrepreneurial orientation and motivation to create a successful business. They do not limit themselves within national borders. After the success in the first foreign markets, the national borders become meaningless. There might be a trend that there are more Latvian companies similar to Trouser London who select the most suitable country to implement its business idea as the home country cannot provide the needed platform for business development; (4) companies emphasize the focus and differentiation strategy on niche markets all over the world; (5) *born globals* purposefully choose the company name and brand name taking into consideration the ease of pronunciation and meaning in international markets.

Several characteristics contradicted prior studies: (6) Latvian entrepreneurs do not have prior experience in international business before expanding abroad. This contradicts the characteristics identified in prior studies (Rialp et al., 2005; Cavusgil and Knight, 2009). That is also the reason why reliance on personal and business networks does not dominate. The business network is developed through foreign business operations; (7) *born globals* export about 70% of their total production. This contradicts with prior studies that suggest such firms export a quarter or more of their total production (Cavusgil and Knight, 2009).

Some of the characteristics have not been mentioned prior in earlier studies: (8) the product determines the global expansion plans of the company and to a great extent directs the choice of market selection; (9) responding to a growing trend of environmentally friendly products and through understanding the impact of human activity on the earth's ecosystem, *born globals* tend to choose "green" marketing strategies. It becomes a great competitive advantage that helps to employ a differentiation strategy.

In relation to the **choice of target markets**, the author of this paper observed that selection of target markets differs from one company to another. Companies have developed their own system of market selection and establishment of contacts abroad. Largely, the product determines the foreign markets to enter. By examining four cases, the author has distinguished two types of actions that govern how companies tend to select target markets: (1) the proactive way by screening those markets where demand is theoretically the biggest; (2) the reactive way by following offers from cooperation partners.

As the theory suggests, *born global* firms find geographical distance as non-significant. Especially those companies that were not more than two years old chose to expand to further markets with bigger potential (case of Munio Candela and Trousers London). Companies that are more than nine years old started to internationalize according to an organic pathway and then changed their strategy, choosing to expand globally more rapidly and to physically far-away countries (Primekss and Stenders). The author assumes that the main reason for that is a growing possibility to expand the business internationally in recent years as well as tough competition that forces to internationalize more rapidly.

The author also observed a link between the company's growth expectations and plans to expand globally successfully. The first successful experience in host markets raises management's confidence and encourages them to look at more challenging markets to enter.

The gathered data also showed that firms tend to choose to enter several foreign markets simultaneously in order to seize an emerging chance or forestall competition. It helps the company to build up experience quickly. It also enables it to achieve economies of scale and scope in production. The author also observed that prior business network is important, but does not play a crucial role. Most of the companies establish necessary business contacts after starting to actively operate in the target markets.

Similarly to selecting target markets, the **choice of foreign market entry mode** is largely determined by a product, whether it is direct exporting, franchising, licensing, subsidiary etc.

The author observed two types of approaches in selecting the most appropriate market entry mode. Firstly, in accordance with transactions cost economics view companies choose entry modes where the risk of entry is shifted to outsiders as it is in a case with franchising (Stenders and Primekss). Secondly, they tend to prefer entry modes that do not require big financial resources. As Cavusgil and Knight (2009) suggest, exporting is the approach preferred by *born globals* in the early stage of internationalization (Munio Candela and Trousers London that were established in 2008, and internationalization started in 2009).

The author concludes that *born globals* tend to choose the entry mode that is financially the most profitable and is cheaper to expand business internationally. SMEs tend to prefer entry modes with lower resource commitment. When *born global* have a goal to expand rapidly by employing the sprinkler strategy, they tend to select a market entry mode that supports and facilitates their plans. It should also be aligned with the scope of available financial and human resources. Degree of control is directly linked to the choice of market entry. Direct exporting has little control over the conditions governing how a product is marketed compared to franchising.

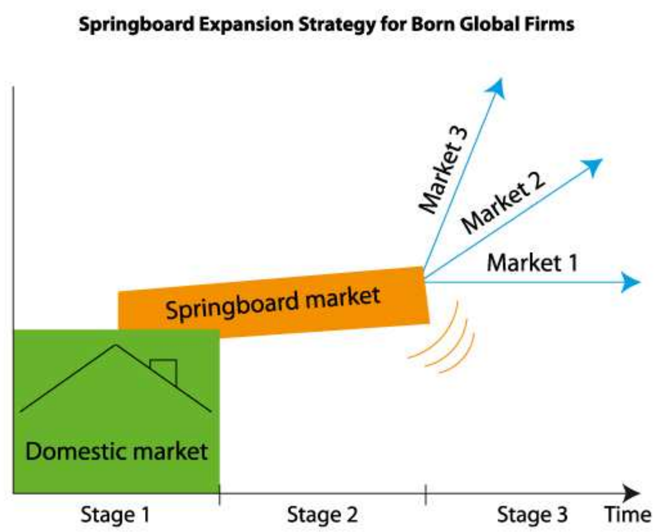
Finally, the author has also developed **recommendations for business model – expansion strategy for *born global* firms.** A successful expansion strategy for *born global* firms is essential for business growth in international markets, taking into consideration the resource constraints they typically face. The decision is closely linked to market and entry mode selection.

In academic literature there are many models that illustrate desiderata pathway of internationalization. MNEs usually have followed the traditional pathway (Uppsala model) by consolidating in the domestic market and then following with slow expansion to physically close markets. Traditional *born global* models (Aijö et al., 2005) depict rapid growth and internationalization by entering in numerous foreign markets simultaneously. Based on the evidence of the four companies explored in this study. The author concluded that such simultaneous expansion of a *born global* company is hard to implement for companies with limited financial resources.

Therefore, the author introduces recommendations for a business model that would be more appropriate for *born global* companies that have originated in small economies with limited markets, such as Latvia. The author introduces a model called “a springboard strategy” (please see in Figure 4). As the model is based on qualitative study it should be further tested in order to become generalized.

The logic behind the “springboard strategy” is as follows. Typically, born global companies start to internationalize in the first years after establishment, as the niche market is too small in the domestic market to provide uninterrupted growth. Usually such companies have developed unique or technologically advanced products that help to differentiate from competitors and to develop their own niche market. However, companies are aware that, taking into consideration tough competition in the global arena, such superior position is not likely to last for a long period of time. This creates pressure on born global firms to expand globally very rapidly already in the first years after foundation. Therefore, *born global* companies should accumulate knowledge and experience in the home market as quickly as possible.

Figure 4. Springboard Expansion Strategy for *Born Global* Firms (developed by the author)



The stage 1 – a company should not operate in a domestic market longer than six month. Meanwhile, the company should start to select the first strategic foreign market that would allow it to meet economies of scale and to acquire the needed experience for further successful growth. The first market should act as a “springboard” that allows to achieve more rapid growth and accumulate needed financial resources in order to continue the growth in several host markets simultaneously.

Cavusgil and Knight (2009) also suggested that accelerated international growth is most successful when the company learns from multiple markets. Although, it is not excluded that companies may exclude domestic market and choose the first host country it enters as the "springboard" market (as in case with Trousers London).

It is recommended to continue the research of *born global* firms in order to highlight the success factors of doing international business compared to larger companies. Research into the viability and survival of born global companies would also be very beneficial in the long run. The author also suggests testing the proposed recommendations of the "springboard strategy" model by quantitative research. There are many variables that could be considered in examining the proposed recommendations: (1) the size of the domestic market; (2) the physical distance of large markets (3) the prior experience of the company's founders and management; (4) intentions and ambitions of the company's founders and management to expand the business overseas; (5) the company's overall generic strategy (differentiation, focus or cost leadership strategy); (6) the role of the Internet sales platform to expand business internationally; (7) differences in product or service range.

6. References

Aidis, R., Mickiewicz, T., & Sauka, A. (2008). Growth Expectations and financial performance of small businesses. Evidence from Latvia. *Centre for the Study of Economics and Social Change in Europe, 85,* 2-33.

Aijö, T., Kuivalainen, O., Saarenketo, S., Lindqvist, J., & Hanninen, H. (2005). *Internationalization Handbook for the Software Business.* Finland: Espoo.

Albaum, G., Strandskov, J., Duerr, E., & Dowd, L. (1994). *International Marketing and Export Management*. Wokingham: Addison-Wesely Publishing Company.

Aspelund, A., Madsen, T., & Moen, O. (2007). A review of the foundation, international marketing strategies, and performance of international new ventures. *European Journal of Marketing, 41*, 1423-1448.

Autio, E., Sapienza, H., & Almeida, J. (2000). Effects of age at entry, knowledge intensity, and imitability on international growth. *Academy of Management Journal, 41*, 7-26.

Bell, J. (1995). The internationalization of small computer software firms: A further challenge to “stage” theories. *European Journal of Marketing, 29,* 60-75.

Bell, J., McNaughton, R., Young, S., & Crick, D. (2003). Towards an integrative model of small firm internationalization. *Journal of International Entrepreneurship, 1*, 339-262.

Benett, R., & Blythe J. (2002). International Marketing: Strategy Planning, Market Entry & Implementation. London: Kogan Page.

Brouthers, K.D., & Nakos, G. (2004). SME entry mode choice and performance: a transaction cost perspective. *Entrepreneurship Theory and Practice, Spring*, 229-245.

Cavusgil, S.T., & Knight, G. (2009). *Born global firms: a new international enterprise.* New York: Business Expert Press.

Cohen, W., & Levinthal, D. (1990). Absorptive capacity: A new perspective on learning and innovation. *Administrative Science Quarterly, 35*, 128-152.

Collis, D. (1991). A resource-based analysis of global competition. *Strategic Management Journal, 12*, 49-68.

Coviello, N., & McAuley, A. (1999). Internationalization and the smaller firm: A review of contemporary empirical research. *Management International Review, 39*, 223-256.

Dalgic, T. (1994). International marketing and market orientation. In C. Axinn (Ed.), *Advances in international marketing: Export marketing* (Vol. 6). Greenwich: JAI Press.

Daniels, J.D., Radebaugh, L.H., & Sullivan, D.P. (2007). *International Business: Environments and Operations*. New Jersey: Pearson Prentice Hall.

Description of Munio Candela. (n.d.) Retrieved March 28, 2010 from http://www.muniocandela.com/story/

Description of Primekss. (n.d.) Retrieved March 28, 2010 from http://www.primekss.com/en

Description of Stenders Ziepju Fabrika. (n.d.) Retrieved March 28, 2010 from http://www.stendersshop.com/en/shop/about/

Description of Trousers London. (n.d.) Retrieved March 28, 2010 from http://trouserslondon.co.uk/website

Doole, I., & Lowe, R. (2008). *International Marketing Strategy.* London: Cengage Learning EMEA.

Dosi, G. (1988). Sources, procedures, and microeconomic effects of innovation. *Journal of Economic Literature, 26*, 1120-1171.

Dunning, J.H. (1988). *Explaining International Production*, London: Unwin.

Eisenhardt, M., & Martin, J. (2000). Dynamic capabilities: What are they? *Strategic Management Journal*, *21*, 1105-1117.

Fan, T., & Phan, P. (2007). International new ventures: Revisiting the influences behind the "born global" firm. *Journal of International Business Studies, 38*, 1113-1131.

Faulkner, D.O., & Campbell, A. (2005). *The Oxford Handbook of Strategy*. Oxford: Oxford University Press.

Ha, J.W, Choi, S., & Jung, S. (2008). When, how and where do SMEs start global business?: analyses of Korean new venture firms. *International Journal of Business Research, 8,* 64-70.

Hallen, L., & Wiedersheim-Paul, F. (1979). Physical distance and buyer-seller interaction, *Organisasjon, Marknad och Samhalle, 16*, 308-324.

Harvey, D. (1996). *Justice, Nature and the Geography of Difference*. Oxford: Basil Blackwell.

Hedlund, G., & Wiggenhorn, J. (2007). Born globals, the choice of globalization strategy, and the market's perception of performance. *Journal of World Business*, *42*, 322-331.

Hill, C.W.L. (2005). *International Business: Competing in the Global Marketplace*. New York: McGraw-Hill/Irwin.

Hollensen, S. (2007). *Global Marketing: a decision-oriented approach*. London: Prentice Hall.

Hutchinson, K., Quinn, B., & Alexander, N. (2005). The internationalization of Small to Medium-Sized Retail Companies: Towards A Conceptual Framework. *Journal of Marketing Management*, *21*, 149-179.

Investment and Development Agency of Latvia. (2008). *Success stories of Latvian Entrepreneurs: Success code*. Retrieved March 9, 2010 from Investment and Development Agency of Latvia Web site:

http://www.liaa.gov.lv/lv/sakumlapa/publikacijas/latviesu_valoda/_gv/section_6/

Johnson, D. (1994). *Research Methods in Educational Management*. Essex: Longman Group.

Johanson, K., & Vahlne, J. (1977). The internationalization process of the firm: a model of knowledge development and increasing foreign market commitments, *Journal of International Business Studies*, *8*, 23-32.

Jones, M., & Coviello, N. (2005). Internationalisation Conceptualizing an entrepreneurial process of behaviour in time. *Journal of International Business Studies, 36*, 284-303.

Knight, G., & Cavusgil, S.T. (1996). The born global firm: A challenge to traditional internationalization theory. *Advances in international marketing 8.* Greenwich, CT: JAI Press.

Kossovičs, M. (2009, June). Stendera ziepju veikali no Rīgas līdz Maskavai, Helsinkiem, Pekinai un Tokijai. *Latvijas Tirgotājs.* Retrieved March 5, 2010 from Latvijas Tirgotājs Web site:

http://www.tirgotajs.lv/sablons.php?sk=2&ra=277&ga=2009&SID=122912a91dae54ca889a68d06f87a0ec

Kumar, S., & Waheed, U. (2007). Foreign market entry and expansion – directions for strategic organizational growth based on a global system perspective. *Information Knowledge Systems management*, *6*, 177-196.

Latvija var. (2009, February 9). *LTV raidījums "Latvija var" stāsta par Stendera ziepju fabrikas idejas autoru un īpašnieku āni Bērziņu.* Retrieved February 10, 2010 from news portal Delfi:

http://tv.delfi.lv/video/t8Qq4oNn/

Lymbersky, Ch. (2008). *Market Entry Strategies: Text, Cases and Readings in Market Entry Management.* Hamburg: Management Laboratory Press.

Madsen, T., & Servais, P. (1997). The internationalization of born globals: An evolutionary process. *International Business Review, 6,* 1-14; 561-583.

Madhok, A. (1988). The nature of multinational firm boundaries: transaction cost, firm capabilities and foreign market entry mode, *International Business Review, 6,* 561-583.

McDougall, P., Shane, S., & Oviatt, B. (1994). Explaining the formation of international new ventures: The limits of theories business research. *Journal of Business Venturing, 9,* 469-487.

McKinsey & Co. (1993). *Emerging exporters: Australia's high value-added manufacturing exporters.* Melbourne: Australian Manufacturing Council.

McNaughton, R. (2003). The number of export markets that a firm serves: Process models versus the born-global phenomenon. *Journal of International Entrepreneurship, 1,* 243-254.

Miller, D. (1988). Relating Porter's business strategies to environment and structure: Analyses and performance implications. *Academy of Management Journal, 31,* 280-308.

Moen, O., & Servais, P. (2002) Born Global or Gradual Global? Examining the Export Behaviour of Small and Medium-Sized Enterprises, *Journal of International Marketing, 10,* 49-72.

Nakos, G., & Brouthers, K.D. (2002). Entry mode choice of SMEs in Central and Eastern Europe. Retrieved December 30, 2009 from http://www.entrepreneur.com/tradejournals/article/110811954_6.html

Nelson, R., & Winter, S. (1982). *An evolutionary theory of economic change.* Cambridge, MA: Belknap Press.

OECD. (1997). *Globalization and small and medium enterprises (SMEs).* Paris: Organization for Economic Co-operation and Development.

O'Farell, P.N., Wood, P.A., & Zheng, J. (1998). Internationalization by business service firms SMEs: an inter-industry analyses, *International Small Business journal, 16,* 13-31.

Oviatt, B., & McDougall, P. (1994). Toward a theory of international new ventures. *Journal of International Business Studies, 25*, 45-64.

Oviatt, B., & McDougall, P. (1997.) Challenges for internationalization process theory: The case of international new ventures. *Management International Review, 37,* 85-99.

Ozorhon, B., Dikman, I., & Birgonul, M.T. (2005). Case Based Reasoning Model for International Market Selection. *Journal of Construction Engineering and Management*, *9,* 940-948.

Peng, M., & York, A. (2001). Behind intermediary performance in export trade: Transactions, agents, and resources. *Journal of International Business Studies, 32,* 327-346.

Porter, M. (1980). *Competitive strategy.* New York: Free Press.

Rasmussen, E., & Madsen, T. (2002). The born global concept. Retrieved January 31, 2010 from AUEB Web site: http://www.aueb.gr/deos/EIBA2002.files/PAPERS/S4.pdf

Rialp, A. (2005). The born-global phenomena: a comparative case study research. *Journal of International Entrepreneurship, 3*, 133-171.

Rennie, M. (1993). Born global. *McKinsey Quarterly, 4*, 45-52.

Rodriguez, J. (2007). The Internationalisation of the Small and Medium-sized Firm. *Prometheus*, *25*, 305-317.

Rugman, A.M., & Hodgetts R.M. (2003) *International Business.* Pearson Education Limited.

Sharma, D., & Blomstermo, A. (2003). The internationalization process of born globals: A network view. *International Business Review. 12*, 657-788.

Schulz, A., Borghoff, T., & Kraus, S. (2009). International Entrepreneurship: Towards a Theory of SME Internationalization, *International Journal of Business and Economics*, *9*, 1-12.

Teece, D. (1987). *The competitive challenge: Strategies for industrial innovation and renewal.* Cambridge, MA: Ballinger.

Yin, K.R. (1994). *Case study research, design and methods. Applied social research methods series.* Beverly Hills: Sage Publications.

Welch, I., & Luostarinen, R. (1988). Internationalization: evolution of a concept. *Journal of General Management, 14,* 34-55.

Wernerfelt, B. (1984). A resource-based view of the firm. *Strategic Management Journal*, 5, 171-180.

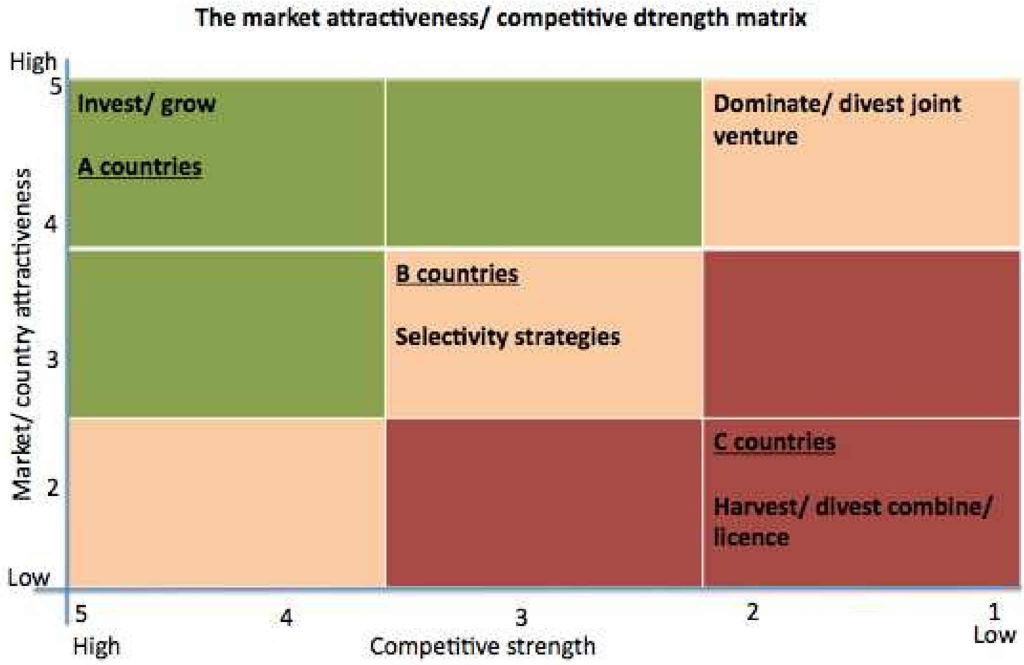
Westhead, P., Wright, M., & Ucbasaran, D. (2002). *International Market Selection Strategies Selected by 'Micro' and 'Small' Firms*. Retrieved January 31, 2010 from Science Direct Web site:

http://www.sciencedirect.com/science?_ob=ArticleURL&_udi=B6VC4-44B29C6-2&_user=10&_coverDate=02%2F28%2F2002&_rdoc=1&_fmt=high&_orig=search&_sort=d&_docanchor=&view=c&_searchStrId=1187598856&_rerunOrigin=scholar.google&_acct=C000050221&_version=1&_urlVersion=0&_userid=10&md5=3e614c0300589116795e8a4b1c57c1fd

Williamson, O. (1975). *Markets and hierarchies: Analyses and antitrust implications.* New York: Free Press.

7. Appendices

7.1. Appendix A. Export market portfolio approach to select foreign markets



Source: Adopted from (2007), *Global Marketing*, by Hollensen, Steven

According to Hollensen (2007) there are three types of countries/markets:
A countries (green quadrants): Primary or key markets, which offer the best opportunities for long-term strategic development. Here companies may want to establish a permanent presence.

B countries (beige quadrants): secondary markets, where opportunities are identified. However economical or political risk may be too high to make long-term investments. These markets would be handled in a more pragmatic way due to the potential risks identified.

C countries (red quadrants): tertiary markets or “catch what you can markets”. The allocation of resources will be minimal due to a high risk. Objectives in such markets/countries will be short term and opportunistic.

Hollensen (2007) also provides a questionnaire for locating countries on a market attractiveness/competitive strength matrix (please see an example in the next page).

Time of analyses:
Analyses of product area:
In country:

A: Market attractiveness

	1 Very poor	2 Poor	3 Medium	4 Good	5 Very good	% Weight factor	Result (grading x weight)
Market size							
Market growth							
Buying structure							
Prices							
Buying power							
Market access							
Competitive strength							
Political/economic risks							
Etc.							
Total						100	

Market attractiveness = Result: 100 = ………

B: Relative competitive strength
With regard to the strongest competitor

	1 Very poor	2 Poor	3 Medium	4 Good	5 Very good	% Weight factor	Result (grading x weight)
Products fit to market demands							
Prices and conditions							
Market presence							
Marketing							
Communication							
Obtainable market share							
Financial results							
Etc.							
Total						100	

Relative competitive strength = Result: 100 = ………

7. 2. Appendix B. The guidelines for case interviews

Guidelines for interviews
Board members, Development Directors (responsible for business development abroad), Marketing Directors

General information about a company
- When company started to enter into foreign markets?
- How many employees are working in the company?
- What are the target markets of the company?
- What was the turnover in 2009?
- What is sales amount (in percentage) to foreign markets comparing to domestic market?
- Where the manufacturing is based?

Criteria of 'born global'
- Was there a plan to start internationalization from the first days of company's foundation?
- Is there a view to the world as a single, board-less marketplace?
- What is the strategy of company? Does the strategic view differ from the one in the moment of establishment?
- What is competitive advantage of the product (value added)?
- Do managers have international experience before starting business? What is experience/education?
- How does marketing mix elements differ country to country (if differ at all)?

Influencers to start business overseas and market selection
- What were the main influencers to start business internationally?
- What was the first market? Why?
- Was the distance with domestic market considered as significant criteria?
- How did company choose markets to enter? (how identified attractiveness?)
- What kind of information have you used for making export decision? Have you gathered information by yourself or ordered research from the third party?
- Is there a relationship between the first selected market and the most important market?
- Does physical distance pay significant role in choosing international markets where to enter?
- Was there any change agents (government agencies, embassy etc. who helped to expand in foreign markets?)
- What is the role of the Internet as a sales platform to expand globally?
- What is market expansion strategy? (incrementally or simultaneously)
- What were the biggest obstacles to start business overseas?
- What were the main problems you faced in selection of foreign markets?
- What would they have done differently if could start today again?

Choice of market entry mode
- What is/are the market entry mode chosen by the company?
- Why exactly it was chosen?
- How it was selected (what were the criteria)?
- Does it differ from market to market?
- What are the pros and cons of selected entry mode for the company?

- Are you using indirect or direct export modes?

Future Perspective

- What is the vision for company’s development in the future? (next 5 years)
- How internationalization will continue to influence company’s operations?

7.3. Appendix C. Brief description of the companies

Munio Candela *(http://www.muniocandela.com/)* – manufacturing company producing handmade 100% natural soy wax candles. In 2007, Elina Cima (economist) and Ieva Dexter (artist) decided to realize their vision of creating completely natural candles — healthy for both nature and people and artfully made and packaged in Latvia. Company was established in January 2008 in Riga. The entry into the foreign markets was started already one year after inception.

Experimenting with various materials, they arrived at ecological soy wax, which is recognized around the world for its non-toxicity and artistic flexibility. They were satisfied with the results and the first Munio Candela collection was born. They experimented for months in their home workshop and developed dozens of recipes while mastering their techniques and crystallizing their goals for Munio Candela product development (Webpage of Munio Candela, 2010).

The unique selling point of the product is added value – each candle is a piece of design. Product is handcrafted, sustainable, ecological and nicely packaged. Their business is strategy is focus on niche markets. Munio Candela receives GRAND PRIX "The Best Retail Packaging in Latvia 2009".

There are two collections – Naturella and Villa. □Munio Candela's new Collection Villa takes this vision to the next level by incorporating recycled materials such as jars and bottles. All Munio Candela product packaging is made of recyclable unbleached cardboard and our marketing materials are produced using recycled paper. □□Every Munio Candela candle is poured by hand with strict quality control. Samples from each batch are test burned to guarantee their safety, behavior and aesthetic qualities (Website of Munio Candela, 2010).□ Company's turnover was 5400 LVL in 2008. Now in 2009 it has grown up to 27174 lats. Foreign markets generate 77% of the company's total sales.

The main target market is Asia (mainly Japan) and United States. In 2010 the young entrepreneurs have started to develop factory in U.S. to facilitate the transportation process to Japan and to meet the planed demand in U.S. At the moment the products of Munio Candela can be purchased in several shops in Japan, as well as in Copenhagen (Denmark), Paris and Vincennes (France), Dublin (Ireland), Rome (Italy), Luxemburg, Wolfsburg (Germany) as well as in Latvia.

Stendera Ziepju fabrika (Stenders) *(http://www.stendersshop.com/)* - is a producer of high quality bath and body cosmetics. Stenders are luxurious small stores selling natural bath cosmetics – welcoming shop assistants help customers to pick the products, cutting scented bars of soap or weighing a bath bubble-ball right under the customer's eyes, wrapping it up with care and inviting the customer to return. In Stenders stores, every small detail matters, every ribbon around a box or every bunch of sumptuous dried flowers hanging from ceiling beam. The unique selling point for Stenders that they do not just sell goods in their shops, but feelings – joy, admiration, dreams, peace and passion. They have developed great brand experience that makes customers come back (website of Stenders, 2010).

The company Stenders was founded in Latvia in 28 September 2001. In the beginning it had a single boutique in the centre of Riga but with increased demand the company started expanding. The first franchise agreement to expand to overseas market was signed to Russia and CIS in 2002 (one year after foundation) (Latvijas Tirgotājs, 2009).

In the beginning of 2010 the company has more than 180 shops in the following countries: Sweden, Finland, Estonia, Latvia, Lithuania, Poland, Russia and CIS states, Hungary, Poland, Luxemburg, Finland, Denmark, Slovenia and even China and Japan. In

2009 company succeeded new franchise agreements in Saudi Arabia, Slovenia, Greece, Croatia, Columbia and Panama. The first shops in these countries will be opened in spring/summer of 2010. In 2009 the Internet sales platform was launched. The company's turnover is 2009 was 3.3 million lats. In 2008 the turnover was 4,02 million lats, but 3,67 million lats in 2007.

Success of Stenders is kind of "Latvian dream" that assures it is possible to develop successful brand also for overseas markets. Stenders expand their business abroad choosing franchise as an entry mode.

Stenders has received many awards – one of the last ones was in the contest "Sales Tiger 2009". Business Development Director of Stenders Gundega Ceplevica gained the 1st place in the contest. In 2009 Stenders gained the 13th place in the annual Reputation Top organized by the PR company Nord Porter Novelli in co-operation with newspaper The Diena. This year Stenders has scored very highly, moving up from the 25th place in 2008 to the 13th in 2009. In the reputation top by sectors Stenders acquired the first place in the chemistry sector and was rated the 7th greenest company. Company has gained many awards such as "Best Retail Packaging" and many others (website of Stenders, 2010).

***Trousers London* (http://trouserslondon.co.uk/)** is a London-based premium men's jeans wear label, launched in February 2008.

With their sustainable foundations, Trousers London create an exclusive series of coveted designs in organic denim, moving away from disposable clothing trends towards a new tradition of collectible fashion. Coming from the diverse fields of Architecture, Advertising, Business, Design and Social Media Marketing, the varied backgrounds of the team behind Trousers London have been fundamental in the development of the brand.

The founders of the company are Latvians but have chosen London as the birthplace of the company letting to develop fashion brand more successfully. Not following the conventional schools of fashion, the team bring their own individual methodology to the process of fashion design, marketing and promotion, which allows for a distinctive, balanced and original approach, reflecting the progressive nature of the brand. The aesthetics and 3D proportions of the designs are largely influenced by architectural design methods and the branding is a reflection of tradition and workmanship.

The main ambition of Trousers London is to maintain a specialism in high-quality, directional men's denim, this focus on denim allows for the exploration of patterns, fits, materials and production in a greater depth and detail. The manufacturing is organized in outsourced factory in Italy, but organic premium denim is purchased in China. Each new jeans model is numbered in the order of its design. To ensure the exclusivity of the jeans, as well as carefully selecting materials and applying intricate details, every pair is given a unique ID number. Each model of jeans is limited edition (website of Trousers London, 2010).

In 2010 after two years of establishment Trousers London can be purchased in 13 shops including 8 in Japan, 3 in London, 1 in Riga and 1 in Stockholm. The company has further expansion plans in Japan, Hong Kong and China, Scandinavia, Russia and France. In the beginning of 2010 Internet sales platform has also been launched as a very promising sales channel. Trousers London is planning to expand its product range to strengthen its position as one of the leading premium men's jeans wear brand in Europe. Although, company's turnover was not disclosed, 70% of sales come from foreign markets and the rest from domestic market (London).

Primekss *(http://www.primekss.com/)* - the industrial flooring specialist. Established in 1997. The strategy to start expansion abroad in order to increase sales volumes was developed in 2003. In 2010 Primekss has subsidiaries in Sweden, Finland, Norway, Estonia, Poland, Denmark and Lithuania. Company calls it self the Northern European leader in industrial concrete and epoxy floors, with experience of over 3 million square meters laid. Primekss is a research and development based company offering improved concrete floors called “PrimeComposit”, which are very durable and economical. The materials used generate 30-50% less CO2 emissions than the industry norm for industrial floors (Website of Primekss, 2010). The innovative product “PrimeComposit” was developed in Primekss laboratory in cooperation with partner from Belgium. The added value and the unique qualities of “PrimeComposit” facilitated company’s further expansion abroad (website of Primekss, 2010).

Since 2002 company has started to expand abroad opening its subsidiaries. The first was opened in Estonia in 2002. As company does everything from design, through workmanship and up to quality control, they are rather limited to geographically. Therefore, chosen markets were geographically close to home country. Since 2009 in order to accelerate global expansion, company has chosen new strategy – offering its know-how in innovative concrete flooring. In order to expand quicker and to increase sales company has chosen franchising as the most appropriate market entry mode. Company plans to expand to Japan, United Kingdom, Israel, Lebanon and other countries.

Company’s latest product “PrimeComposite” was awarded with the President’s of Latvia prize “The most innovative product in Latvia 2010” and the prize in competition “Export and innovation award 2009”. The annual turnover in 2009 was 8 mio. lats. 90% of total sales come from foreign markets.