GROWTH AND INTERNATIONALIZATION STRATEGIES OF RAPIDLY GROWING AND INTERNATIONALIZING ENTERPRISES FROM CANADA AND FINLAND

This paper’s aim is to explore the patterns of growth and internationalization strategies of rapidly-growing and internationalizing enterprises. After a review of conventional strategic management and internationalization theories, this paper proposes a new research perspective in terms of a well-practiced conceptual framework anchored in the concepts of business model- and strategic-logic-centered approaches. An in-depth and longitudinal study of 11 high-growth and rapidly-internationalizing case firms identifies five distinct patterns of internationalization and growth: i) Concept Builders; ii) Business Platform Builders with two variants; iia) Resource Breakthrough-based platforms and iib) Product Breakthrough-based platforms; and iii) Open Innovation Network Platform for Global sales. The paper examines the patterns of strategies in the context of market situation and product-market evolution. The discussion and conclusion further explore the findings and implications of this paper.

Introduction

The rapid rate of globalization, quickening pace of technological innovation, progressive removal of barriers; environmental changes have resulted in increased mobility and encouraged competition regardless of home-host distinctions (Etemad 1999); and exceeding information transparency exposes new ventures to challenges of open market competition. These developments call for an analytical framework that can treat internationalization as an integral part of continuous growth strategy. This is mainly due to increasing interactions between markets and the dynamics of globalized competition that necessitate a more encompassing perspective to allow for a careful examination of the extant theory (Ala-Mutka & Etemad 2006, Ala-Mutka 2005). The fundamental premise of this paper is that internationalization is becoming the continuation, and must be viewed as an integral part, of growth, especially for the smaller and younger firms that internationalize from inception. In contrast to their earlier internationalization theories, Johanson and Valhne (1990) suggest a need for paying increasing attention to the newly emerging internationalization strategies, strategic thinking, strategic action, emergent developments, chance and necessity. This also resonates with Coviello’s (1999) suggestion that the SME internationalization literature may have developed a myopic view of a complex process based on the Stage Theory of internationalization proposed by the earlier work of Johanson and Valhne in the1970s. The research agenda of this paper is, therefore, to examine the patterns and strategies of rapid growth and internationalization in smaller, younger or new enterprises and to propose a typology
grounded in those extant theory and supported by empirical evidence to shed light on the puzzle of high-growth and rapid internationalization of the smaller and younger firms aspiring to grow and internationalize earlier-on and faster than others.

**Literature Review**

For a risk-averse, resource-poor and inexperienced firm, the theory suggests that the early internationalization begins with indirect exporting activities via independent representatives and then proceeds to direct exporting later through foreign sales offices and subsidiaries, and eventually foreign direct investment and international manufacturing may follow. According to the Uppsala model of internationalization (Johanson & Vahlne 1977, Johanson & Weidersheim-Paul 1975), popularly known as the “Stage Theory of Internationalization”, the firm increases its *commitment incrementally* as it increasingly learns more about the market due to its progressively higher involvements. As a result, the firm would accumulate more information and *experientially-gained knowledge* about doing business in those markets. The Helsinki variant of the model includes the *knowledge of internationalization process* in its model (Luostarinen 1979). In their later paper, Johanson & Vahlne (1990) identified three exceptions: i) that, the large enterprises with rich resources might not follow the incremental steps and take a relatively demanding step in internationalizing; ii) that, when market conditions are stable and homogeneous, the gained-experiential knowledge and direct experience in the relevant market(s) may not be critical; and iii) that, when the firm has gained experience in similar markets, it may take a larger initial step in entering such similar markets. Although, the Uppsala model seems to be better-suited for small firms’ early internationalization, it is not flexible enough to allow for rapid internationalization, especially for smaller and younger firms that may use internationalization as a part of their overall growth strategies. The above notwithstanding, Crick & Jones (2000) found support for firms entering foreign markets in *incremental* fashion, cautiously adopting a *risk-averse, low-resource-commitment* strategy at first. Similarly, Holmlund & Kock (1998) found that the most prevalent mode for selling abroad were deployment of foreign agents followed by own sales force, both low risk and low commitment options (see also Lindqvist 1991). In contrast, Bell (1995) and Jones (1999) found little support for the internationalization theories’ implication that firms internationalize in incremental steps, starting with low-commitment entry modes and progressing to higher commitment and investment modes later-on. These findings suggest that the process is much *less linear or deterministic* than what these theories suggest, or imply, and may involve, for example, *non-equity and collaborative modes of entry*, such as strategic alliances, collaborative arrangements that require higher commitment of non-financial resources, such as human capital, and social capital, as opposed to financial and other resources.

Although, growth and rapid internationalization bring added complexities, especially in the context of globalization, it is unavoidable for small firms. Smaller and younger firms will not be exempt, or shielded, from the increasing competitive pressure of globalizing markets (Levitt 1983) and industries (Yip 2003). Following Rennie’s (1993) Born Globals (BGs) proposal for early internationalization of smaller and younger Australian firms, Oviatt and McDougall (1994) suggest that early planning for internationalization is a characteristic of International New Ventures (INVs) and Global Start-ups (Knight and Cavusgil 1996). In addition, early internationalization may also be a necessary strategy for survival of the smaller firms in small domestic market with highly-specialized good and services. Even larger markets may not be large enough to support continuous growth and expansion of highly-specialized products and services that would naturally fall in narrow segments or market niches (Dalgic & Leeuw 1994). Similarly, in large and competitive markets, backward internationalization (Jones 1999) is a growth and survival strategy for smaller, younger firms.

The resource-based view (Wernerfelt 1984) of the firm (RBV) suggests that the firm’s resources enable a firm to grow (Barney 1991, Nelson & Winter 1982, Grant 1991). The learning based view
(Nonaka & Takeuchi 1995) suggests that a firm learns from the experience of one incidents and location and internalizes it in order to augment its productivity, competitiveness and growth. The external manifestation of the learning-based view (LBV) is that firms progressively increase efficiencies and effectively expand its product-market portfolios, including those in international markets. While the "gained experiential knowledge" in the Stage Models of Internationalization is tacit learning, the LBV moves beyond such tacit states. The Network-based view of the firm (NBV) proposes that an extensive internal and external network of firms may allow access to a host of resources for network members’ mutual use and benefits and thus remove many binding constraints and enable growth that would have not been possible otherwise (Hakansson & Snehota 1989, Katz & Shapiro 1985). The Dynamic-Strategy View of the Firm (DSV) posits that optimum dynamic strategy enables faster and richer resource utilization, higher learning, increased efficiencies, and decreased waste; and thus results in augmented internationalization and faster growth. This further empowers smaller firms to formulate potent dynamic strategies for more efficient management (Teece, Pisano & Shuen 1997, Eisenhart and Martin 2000) of their own, and even partners’ activities in their shared activity space and mutual value chains, which may also help them to place themselves on higher growth paths. The Cognitive-based view of Strategy (CBV) within the firm’s organizational structure (although the cognitive approach has largely ignored the inherently complex and ambiguous relation of the real-world organizations and their environments) has focused on the cognitive logic of strategic action. This sense-making process has focused on how the cognitive creation of reality occurs when people make retrospective sense of the situations in which they found themselves. The mind adopts certain interpretations of the environment and it constructs its world accordingly (Mintzberg et al., 1998). Weick (1995) quotes Hedberg (1981) suggesting that the “theory of action” is to organizations what the cognitive structures are to individuals.

When firms are relatively mature and well-established, they can potentially benefit from the confluence of multiple-factor and multiple-layered dynamic complex adaptive system (Etemad 2004b), including the augmented and synergistic impact of their own resources (i.e., consistent with RBV), learning (resonating with LBV), access to social capital and network-based resources (based on NBV), the externalities of conducive environments, and improved cognition of their situation (derived from CBV) in relation to their environment (Etemad 2004a), which can all combine to propel them forward. However, it is implausible to assume that the smaller and younger firms can readily benefit from most of the above advantages earlier-on due to their relative youth, inexperience and constrained resources. Therefore, we are still left with at least four puzzling families of questions: i) which influential factors are present in such firms, ii) how are such factors brought together in the early stages of a young firm’s life-span, iii) what dynamic strategies energize resources, capabilities and structures, and iv) which combination of potent strategies and factors put the younger smaller firms on the higher growth paths, especially when firms are relatively resource-poor, inexperienced and at the earlier stages of their life cycle, as is the general case for smaller and younger firms. Theoretically, the research for resolving the above issues will have to reflect the complexity of interactions in their joint activity, resource, and learning spaces with the network-based dynamic strategy bridging them. This suggests the presence of complex adaptive system (Etemad 2004b), which can be only approximated either heuristically or by alternative conceptual and alternative framework. The aim of this paper is to explore and build the latter in terms of a conceptual and analytical framework.

From Strategic Logic to Business Models and Operations

A fundamental concept, differently termed as the strategic logic, the logic of action or dominant logic, underlies the business model and the action pattern of the firm. Regardless of the terminology, the basic concept emanates from the strategist’s (e.g., entrepreneur, owner, manager, etc.) mindset (Ala-Mutka 2005). The mindset is considered at individual or group levels -- e.g., team, company or even industry levels (e.g. Hellgren & Melin 1993, Huff, et al. 2000) and may also have core and peripheral
levels as well (Bartunek 1984). Stated differently, the concept of strategic logic represents the thinking of key person(s) in the firm (Näsi et al. 1996) and its explicit manifestation (or its explicit result) is the firm’s business model. Using a different metaphor, the articulated strategy builds a bridge between the firm’s mindset and its action in the market place and the strategic logic is the construction material that holds the bridge solidly together and is based on the firm’s cognitive portrayal of its prevailing environment that guides its action in the market place. The business model translates such underlying strategic logic to a process capable of conducting a particular business. It may be sufficiently flexible to allow for emergent variants to take shape over time or to formally favour a more deliberate formulation of a broader strategy (Mintzberg & Waters 1985) well-crafted for the situation at inception.

According to Näsi et al. (1996), the strategic logic of a firm dictates what needs to be done and he suggests that “Strategic logic is the subjective logic representing the thinking of key person(s) in the firm” regarding what need to be done. A family of related concepts, including the cognitive maps, schemas and paradigms (Kuhn 1962), the dominant logic (Bettis & Prahalad 1995) or the logic of actions (Karpik 1978) are relative terms, which emphasise different aspects of the logic that motivates strategic action in a firm. Thomas Kuhn (1962) introduced the term paradigm which he also defined as a “way of seeing the world”. Following Kuhn, the origin of a firm’s paradigm is in the key decision makers’ perception of the environment as it relates to the firm’s internal power system and the need for strategic change and action. Environmental change, shifts in competitive forces, or industry paradigm shifts may force a thorough re-examination of all logic concepts in a firm, leading to change in their manifestation in the market – i.e., the business model(s). Therefore, business models may help to explicate the logic underlying sustained growth and internationalization strategies, especially in the smaller younger firms that may still have a simpler strategic logic.

Traditionally, business models are seen as static models focused on the system that provides products to market in a profitable manner (see e.g. Normann 1977, Porter 1996, Chesbrough & Rosenbloom 2002). Normann (1977) presented “business idea” as a system by which companies achieve sustained success when they gain incremental efficiencies by developing a superior system for responding to the demands of a certain segment of their task environment. Spender (1989) suggests that there are certain accepted beliefs, dominant assumptions and common action within the industry, or in the wider community, to which the firm belongs, that provide the actors consistent ideas about the “rules of the game” in the industry. Grinyer and Spender (1979) coined the alternative term “industry recipe” as replacement. In contrast to the above macro perspective, parallel ideas are proposed at the micro level. For example, in strategic management theory, the “paradigm” (Johnson 1987) is defined as “a set of beliefs held relatively commonly throughout the organization, taken for granted, but discernible in the stories and explanations of the managers”. There are also durable, powerful but tacit, assumptions about the business reinforced through the success of the organization. At the individual level, it is possible to identify the strategic ways-of-thinking (Hellgren and Melin 1993), which are based on the individual leader’s values, beliefs and assumptions that influence decisions.

Porter (1996) suggests that the activity system of a firm portray the ideas emanating from the firm’s (or its key person’s) cognitive maps of the reality, which would provide a way to conceptualize, and even visualize, a company’s strategic issues within the environment enabling the set of activities that strengthen the strategic fit and coherence among those activities and the environment. They also create a sustainable competitive advantage. Kaplan and Norton (1992 and 2004) introduced the balanced scorecard to examine a business from various perspectives and strategy maps to build proper structure for these perspectives, which are the precursors of the business models that link business issues to others in logical and strategic ways. Naturally, the concept of the business models has been evolving over time and has taken a more dynamic and complex nature than ever before.
Studying Growth through Evolving Business Models.

Although the term *business model* is often used, it is seldom explicitly defined (see e.g. Afuah & Tucci 2001, Chesbrough & Rosenbloom 2002, Morris et al. 2005, Ala-Mutka 2005). In the most basic sense, a business model is the method of doing business by which a company generates revenue continually by ensuring renewed competitiveness and higher value over time. The essence of the business model is "how you get paid now" with taxonomy of alternative mechanisms for sustenance of growth over time (Chesbrough & Rosenbloom 2002).

To summarize the above discussion of business models, while there is no consensus on a definitive definition of business model, there is agreement on the following aspects, that: i) a business model describes the process of revenue generation; ii) a business model analyzes the customer perspective in the value chain or in the value net and offers goods and services as value (and revenue) generating mechanisms; iii) a business model is typically a high-level and quite simplistic model of the business, in contrast to full business plan; iv) a business model typically articulates a value creation cycle over its corresponding time period, and finally, v) a business model should be flexible enough to evolve as the initial business models are often modified until a viable and sustainable model emerges. In summary, while the extant theories do not suggest a clear pathway for the high-growth and internationalization of smaller young enterprises, the theoretical underpinnings supporting strategic logic of business, which guides its business model, suggest very promising avenues.

Methodology

The empirical part of this research is supported by evidence from 11 in-dept and longitudinal case studies of smaller, younger, high-growth and internationalizing firms based in Canada and in Finland. The seven Canadian firms are a small subset of a larger number of enterprises in six annual public lists of high-growth, between 2000-2005. The full criteria for eligibility requirements and the ranking methodology are available at [http://www.canadianbusiness.com](http://www.canadianbusiness.com). Similar criteria are adopted for the four Finnish companies, each of which is selected from various lists of high-growth companies published in Finland. Our selection criteria include five important aspects, as follows: i) the firm must have been recognized as a rapidly growing company, ii) be entrepreneurial firm, iii) the firm must have had gross revenue more than US$10 million in 2006, iv) the firm must have a demonstrated capability to compete in international markets, and v) the firm must have readily available and reliable information.

As of 2008, Sulake was the only case firm not yet listed on stock exchange, and MySQL was acquired by Sun Microsystems. Ramirent and Basware have been listed on OMX. Similarly, the criteria for selection and inclusion in this study’s sample in Canada included only publicly-held and publicly-traded companies. This choice expedited the study for the easy availability of information from reliable and verified public sources, which helped us to avoid both information paucity and information not-approved for disclosure. Although the selection from exclusively publicly-held companies may pose a limitation, we decided in favour of completeness and the accuracy of the information. Thus, this study focuses mainly on smaller, younger publicly-held rapidly-growing enterprises, which had selected to go public in the earlier, as opposed later, stage of their life cycle (or operate openly), which enabled us to better examine and understand the characteristics of high and rapid growth.
Findings and Derived Propositions

The case companies did not follow the traditional internationalization process. They selected the internationalization and market entry strategies based on strategies well-suited to their prevailing market conditions and to their business model derived from their strategic logic. Their strategic logic also evolved over time and adapted to market conditions. Accordingly, they adopted different strategic profiles. Theoretically, environment and firm characteristics determine the extent of internationalization and market entry strategies. Accordingly, neither are compensatory trade-offs allowed, nor are the interactions between the various influential factors, both internal and external, accommodated to reduce the impact of constrained factors (e.g., resources in small firms). However, rich combination of changing strategies is the very essence of the overall strategic umbrella provided by the firm’s strategic logic. For example, entry through acquisitions may not increase risk exposure in an existing fragmented market. Similarly, the introduction of new technology with a partner elsewhere and possible injection of capital may improve both firms’ situation, especially when the acquiring company’s business logic and business model is supportive of such market expansion. However, when the product is new and market underdeveloped, direct sales (export) or green field operations through a sales office, or even foreign direct investment (FDI), are necessary to increase the chance of firm’s survival and growth in most cases. When the market is just opening-up, the entry strategy is limited to FDI to preserve the firm’s potential first mover advantages (Lieberman & Montgomery, et al, 1988). Additionally, when the firm’s technology is new and its technologically intensive products face shorter, as opposed to longer, life span, gaining larger scale rapidly and building higher market shares are essential. In such situations, staying at home exposes the firm to much higher risks that expanding to international markets, which enable the firm to achieve economies of scale and to avoid demise in the pursuing price-war that is the characteristic of high technology products as the product matures and other firms also enter the market with their versions of the product at later stages.

As most of the case firms provide contrary empirical evidence to the extant theory and point to the need for an alternative theoretical explanation of empirical results, the extant theories characterization of growth and internationalization do not seem to be rich enough to explain what the case firms have done and the results they have achieved. To demonstrate these points, we will draw on a few case firms for each situation. Let us, for example, examine the case of TLC Vision and AirIQ briefly. In 1995 The Food and Drug Administration agency (FDA) of the United States opened the US markets for the laser eye surgery business. In a short time period, many new clinics were established and intensive competition ensued, which forced a rapid consolidation in the sector. TLC began to acquire existing clinics in the United States to enter the market and gain some market share. Time compression would not strategically allowed for any other entry strategy. Staying at home or approaching the market slowly would have shut the firm out of this rapidly expanding market with higher long term risk exposures than otherwise. Soon, the expected price war broke-out and adversely impacted the profitability of all players in the sector. Thus, there were no more funds for further direct investments. Accordingly, TLC Vision changed its strategy towards joint venture arrangements with the medical clinics and doctors. The next internationalization wave was accomplished with arrangements similar to licensing and franchising. These developments are contrary to the patterns and lessons of the extant theories of internationalization; while fully consistent with the TLC’s business model and strategic logic. Similarly, AirIQ’s initial growth came from acquisition of other companies in the same sector due to rapid pace of technological developments in telematics services. Acquisition became crucial to AirIQ, because there was no time to develop its own supporting capabilities to offer the necessary technologies and products to serve its markets for achieving a profitable scale. They needed to enter several customer markets at the same time in order to reach the sufficient size to survive, and then thrive, based on their well-thought out business model building on scale economies and capitalizing on the consequent scope efficiencies. This business model allowed for internationalization while operating in the red and increasing indebtedness of this
smaller start-up. In both of the above cases, and almost all others, the strategic logic supporting the dynamic strategy and the evolution of business model pointed to the pathway to growth, while following the extant internationalization theories would not.

Basware's, MySQL's and Carmanah's main offering were based on new and innovative products. Both the MySQL's and Carmanah's products are sold through the Internet. While MySQL delivers through the Internet immediately, Carmanah uses many parallel and overlapping channels to complete a sale. As MySQL's business model was based on the Internet and relied on the Open Source (OS) community, the distinction between the domestic and international markets was at best fuzzy for all practical purposes. Furthermore, sequencing internationalization would have been impractical, if not impossible, and was bound to limit growth unnecessarily. The noteworthy aspect is that MySQL relied on global open source supply chain strategy and Carmanah had internationalized its supply chain partially, both in contradiction to the extant theories of internationalization.

Basware's product is a system (a family of related software products), which requires consultation for adaptation to customer's business followed by system integration with the customer’s other financial management software programs at the implementation level. Similar strategic logic to those of the above case examples on the technology side and their associated business models pointed to acquisitions and FDI for accessing new markets. Basware's successful internationalization process also presents a reverse logic to that of the traditional internationalization process. When the product is new and highly innovative, the company has no choice but to enter the markets first by itself as there are no agents or resellers to create the market (i.e., making the market) for new products in necessarily slowly-developing markets. Time is of the essence and slow entry enables the competition to catch up and emulate to dominate without absorbing the costs of early market development.

In contrast, Pethealth and MySQL utilized mostly the network based strategies and their entry strategies were based on intensive reliance of network-members and networking, including the use of the Internet to connect and serve the needs of their network members. The above five cases clearly point to the inadequacy of the extant theory. The lack of logical trade-offs between the short term and long term out-lays and associated risk exposures are condemning absences. The absence of interaction between the influential factors that gives rise to theoretically-unexpected strategies is a clear shortcoming. In most of the above cases, for example, product-market-technology interactions, as discussed above, explain the course of action while the theory does not justify their implied strategy, emergent over time or deliberate at the beginning.

In another case firm, Ramirent, one could safely conclude that it even lowered its business risks with rapid internalization. All cases acquired the necessary market knowledge through acquisitions or they had already the knowledge in-house at the beginning through experienced top executives, venture capitalists or local partners. In some cases, the knowledge of technology and product are much more critical to internationalization and growth than that of the market knowledge and local experience. Most of the Internet-based or Internet-augmented business models rely much more on the commonalities of product and consumer characteristics as opposed to the local market differences. On the face of it, internationalization exposed them to higher risks, but they had secured funds for it from venture capitalists, stock exchange or the financial institutions, which were readily advising them to internationalize and providing them with the required knowledge and even on the local expertise. In addition, most of the firms had very experienced executives in the top management teams and on the board of directors or hired them as required. In case of MySQL, where the whole business is international by nature, the received internationalization theories offered very little.

With regards to backward internationalization, most firms had an international supply chain. They outsourced partially, or fully, from international sources to meet the requirements of their respective
business models, but it was mainly passive. For Example, TLC’s laser surgery equipments were made in Germany and Pethealth’s insurance and financial services providers were US-based firms; and outsourcing of parts and sub-assemblies were common practice in most of the case firms. However, the active backward internationalization enabled Western Financial Groups’ penetration in financial services in Canada. In some cases, the same network of upstream suppliers helped the firm to internationalize in the down-stream pointing to the relation between backward and forward internationalizations. Again, these are other category of interactions that the extant theory had not addressed, as stated earlier. In favour of time and space, the summary of empirical findings of this research is highlighted by the following propositions:

1) When markets are established, but fragmented, the main entry strategy is through acquisitions (especially, if there is high customer brand loyalty or establishing brand equity is essential).

2) When markets are new, slowly opening-up or the business is based on products with new technology (especially discontinuous innovation and newly-emerging technologies), then the main entry strategies are FDI and direct sales to referred, or referenced, customers because the company must act as a market maker to achieve the expected scale as the forgone opportunity of not internationalizing rapidly outweighs its costs. Furthermore, there may be no time to adopt to the safer and slower pace suggested by the extant and traditional internationalization.

3) In the case of business model aiming high growth, the realized internationalization process is in reverse order of that suggested by the traditional internationalization theories: i) first FDI and direct sales to make the markets (e.g. first references in the new market), followed by ii) acquisitions to acquire new markets, new products and services, and (iii) collaborative arrangements with resellers to keep-up the pace of continuous growth.

4) The backward internationalization of supply chain due to strategic necessity, may lead to, even enhance, rapid forward internationalization due to the release of resources, gained learning and experience and network advantages.

**Discussions**

The eleven focal cases offer a wide range of variations in influential factors. In the following examples, we highlight a few differences:

i) *in products and market segments*, they can vary from very narrow to very board product lines and customers,

ii) *in level of international business involvement*, the range covers from very low to very high amount of international engagements and international revenue,

iii) *in internationalization strategy*, firms utilized a range from FDI, direct sales (export), acquisitions, joint ventures, resellers (distributors) to local cooperation, and

iv) *in strategic logic*, an equally rich and broad range of evolving strategic logics span from concept builders (early stages of product, technology or business) to platform builders (for multiproduct and multi-market operation) and consolidators.
While Table 1 highlights the summary of each case firms’ market-firm-technology characteristics in relation to the sequence of market entry strategy and also the strategic logic that supports the corresponding business model, Figures 1 highlight the different patterns of growth, internationalization and change over time for the topology firm studied. We draw on selected case-firm examples to highlight the strategic necessity of differences in the typology of business models and their corresponding strategic logics governing growth strategies and internationalization patterns, as follows:

i) The Concept Builders. They need to necessarily develop their business concept first, before they can invest substantially in product and market developments, including entry into international markets. However, once they ready for internationalization and reach the early stages of the process, they need to enter as many new markets and as fast possible to preserve their early advantages. The cases of Ramirent, TLC and DTI followed this internationalization model. They all introduced new business concepts.

ii) The Business Platform Builders and Operators. Business platform refers to building certain common support systems (the platform) during the market making phase of first successful product, or service, for further launch of those and related products and services. The Business Platform is a combination of certain technologies, capabilities and business processes that can introduce and maintain different, but related, family products and services in multi products and markets. A typical platform firm enters international markets as rapidly as possible with its first family of products (and services) in order to realize the scale economies that enable further development of the platform for introducing related product-families for serving multiple markets, domestically and internationally. Achieving scale economies with the early product family (or first product families introduced early-on) is the necessary condition to develop the platform’s capacity to produce diverse products and services for entering several new markets and to gaining scope economies later-on or at the same time. Once they reach sufficient size and serve several successful market entries, they begin to realize combined scale and scope economies and thus expand their products and markets rather quickly. This further expands platform-technologies and platform-capabilities to serve larger related multiple products and markets. The focus of their strategic logic is on maximizing their “share of the wallet” of potential customers with related family of products or applications, usually under the same product or corporate brands. They build their growth on the new applications by combining different common platform-capabilities to offer value-adding products and services to their old and new customers and markets. At least three firm cases, AirIQ, Pethealth and Sulake, turned out as platform builders as they followed the strategic logic as well as the growth and internationalization patterns of Platform Builders and Operators. We found a few logical (or strategic) variants of Platform Operations, each drawing upon its own distinct initial advantages to enable platform operations of their own. They are highlighted below and are categorized according to their enabling advantage in their respective operations.

iiia) Resource Breakthrough-based Platform. The growth and internationalization patterns of the resource breakthrough-based business model is similar to the strategic logic of the general Business Platform models in the beginning but they evolve differently at the later stages to fully capitalize on the resource breakthroughs, on which the platform was, or will be further, built. First, the company attempts to optimize market share to reach sufficient size in one product or service-application offerings in a given market (e.g., home market) in order to build the foundations of the platform before expanding beyond. One case firm, Garda, seems to be fitting this model rather well. Garda built an operational platform for integrating all security-related matters in its home market slowly. Building the platform and putting it into full operation require a lot of dispersed resources (e.g., security guards, trucks, detectors, etc.); but Garda found an innovative way to finance its growing operations and offered integrated security services as an operational platform (thus the use of resource breakthrough terminology) on which clients would draw to satisfy their own needs. It expanded first only in the French Province of Quebec (in Canada) before entering English Canada and expanding internationally. Their initial focus was on guards and Garda
reached nearly 70% market share in Quebec. Once they reached such a “critical mass”, they started to expand to English Canada and international markets at the same time. They also aggressively expanded their offerings towards the “one-stop-shop model” of all security services, with one account manager for security matters, which managed all security-related products and services of a given client.

Western Financial Group (WFG) followed similar strategic logic, but they have yet to move towards forward internationalization. However, they took the first steps towards backward internationalization, which served as the operational platform to support their operations in rural Canada without reliance on their Canadian competitors for financial services, which would not have supported their efforts to further penetrate, and thus pre-empt, their gains in rural and agricultural regions of Canadian provinces. They first established a partnership with Wells Fargo Bank of California to supply them with a range of financial services (backward internationalization) and they established a platform to offer all financial- and information-related service (including insurance and travel services) in a single rural office as a one-stop-shop location. Both, Garda and WFG followed the same customer-based strategic logic in the latter part of their growth with different internationalization patterns (back-ward and forward, respectively).

**iiib) The Product Breakthrough-based Platform.** This business model has a similar strategic logic to that of the General platform and Resource Breakthrough on the supply side of the offerings, but it starts with internationalization efforts much earlier. Two case firms, Carmanah and Basware, characterize this strategic logic. Carmanah is a true born global firm as it started its international business immediately through the Internet with a truly innovative product. Their first major contract was in the United States with the Department of Navy. They provided US Navy with maintenance-free and self-sustaining light-signaling devices for the high seas.

Even though, Basware had quite a broad offering of the financial management software in Finland, its internationalization effort was based only on their breakthrough product: the Invoice Automation (IA). After the success of this product, Basware started to develop and introduce new add-ons and new offerings around this IA software. Their aim was to grow inside a customer’s operation. Carmanah started similarly with a one customer segment (naval), which financed their early rapid growth and internationalization for about five years before the firm started to adapt its offerings to serve the needs of other segments such as roadways, railways, transit and aviation industries with variant applications of their basic platforms, which enabled further growth and internationalization. Their recent strategic logic has evolved to include the concept of green technology (A light signaling device using solar power, LED and energy storage and control) with the development of corresponding technological capabilities. Therefore, the cases of Basware and Carmanah follow the pattern of growth and internationalization guided by developing evolving platforms that enable multi-product-market and multi-segment operations through different initial product and service enablers.

**iii) The Open Innovation Network Platform and Global Sales.** This business model is based on the idea of building a supportive network platform for accepting innovative applications from the community of international developers for global sales. Stated differently, the platform is a transparent market place for the open source (OS) suppliers, and especially the open source software communities, to market their innovative products (and services) globally in satisfying specialized and segmented global segments’ demands. Similar to a market place, such platforms offer a global market place for bridging the gap between the suppliers and potential buyers and enable one to reach the other through the platform easily and at very low cost premiums due to the scale economies inherent in such platform operations.
Conclusion

This research suggests that the two dominant factors that influence the internationalization strategy models and market entry strategies are the prevailing market conditions and the dominant strategic logic in the firm. Two market conditions -- the state of the market in terms of existing, slowly emerging or rapidly opening; and the market structure in terms of consolidated vs. fragmented market impact the formulation of dominant logic of the operation. This logic provides global umbrella coverage by linking all aspects of product, resources, technology, market, customer and related operations strategically and globally. The confluence of these key factors (and their components) seem to determine the market entry and also the path, speed and processes supporting growth and internationalization strategies. Based on the strategic patterns in the 11 case firms, as discussed above, the following five typology of business models emerged: i) Concept Builders; ii) Business Platform with two variants; iii) Resource Breakthrough and iv) Product Breakthrough; and v) Open Innovation Network Platform. In response to the evolving market conditions facing them, the firm’s strategic logics and consequently their corresponding patterns of the internationalization differed substantively (see Table 1 and Figure 1).

The pattern of our case firms suggest that the truly Born Global companies are basically the Product (or service) Breakthroughs and the Business Platform models, whereby the multi-layered platforms support the high growth and rapid internationalization. Although such platforms may be based on proprietary innovation, they are increasingly relying on open innovation models; which further help to expedite growth, expansion and internationalization.

Given the extant definitions of Born Globals, ten of our case firms qualify as Born Globals (the exception is WFG). However, the time duration from inception in the definition is somewhat unclear. If we include the development time of technology for the first product before the formal establishment of the firm, there will be smaller number of true Born Globals (i.e., the firms that started their international journey from their true inception). For example, it took four years for Carmanah to develop its first prototype product.

The Resource Breakthrough and Concept Builder business models require a longer business development time span for entering a limited number of markets first. However, once the critical size is reached and the concept is tested in a few markets, these models allow the company to grow rather fast. In the beginning, the Concept Builder model focuses on developing and introducing a new business concept and there is no real economic logic for moving to international markets before the business concept is tested in a limited number of controlled markets and clients to enable maximal learning.

The Open Innovation model allows for new related incremental offerings (e.g. new product features, services, combinations complementing the initial family of products and services) and it can also expand internationally quite fast. The Resource Breakthrough, the Product Breakthrough and the Business Platform models first require real international success stories to justify their further substantial invests in new product offerings and in new markets. The noteworthy point is that the distributed (decentralized or networked) model of innovation is a departure from the traditional models and has its own characteristics.

Both the open source (OS) communities and OS-based business platforms expanded much faster than the proprietary pattern of innovation than expected. While threatening the global dominance of large corporations, they are enabling the smaller innovate firms to internationalize indirectly, but rapidly, based on network configuration of firm in international markets. Additionally, OS had provided a broader awareness of product and applications as well as faster global growth due to the attraction of the best talents to the OS community. OS has offered alternative competitive strategies, which require different set of competencies; but it also offers faster route to the international markets. This feature is of crucial importance to small and resource-deprived firms who aspire to internationalize their operations, which
challenge the rich and entrenched global competitors with access to a large quantity and variety of resources that they do not have in the beginning.

The implications of this research are noteworthy and require further attention. On the theoretical and scholarly fronts, this research documented the presence of many smaller younger firms that attained extra-ordinary growth and internationalization in a short span of time. Although we have presented results based on 11 in depth and longitudinal case studies, the case firms are not very different from other in our larger sample of 1200 firms. Additionally, their strategies for attaining high-growth and rapid internationalization did not follow the patterns suggested by the extant theories of growth and internationalization. This calls for more in depth research in these fields.

Based on the lessons from the field of strategy, we formulated a strategic framework and presented a typology of internationalization, but mainly growth-oriented, operations with three basic types and two variants. They offered a range of strategic logics through which one can easily understand and even foresee the pattern of their unfolding operations. It seems that there is need for proposing new families of theories and research methodologies capable of explicating small firms’ high-growth and rapid internationalization. Although this paper is offering a fresh approach, further studies in this vein can shed much needed light on the puzzles of growth and internationalization of smaller firms.

On the policy formulation front, the patterns of high-growth of case firms are highly insightful and instructive as these firms created employment, income and wealth at high rates and introduced innovative products and services to international markets widely and rapidly. The formulation of a supportive policy environment to enable similar initiatives, or to expand upon their accomplishments, is highly desirable. However, formulation and creation of effective and enabling environment may also require a new approach to insightfully analyze mindsets and cognitive structures that create and support such innovative strategies as the conventional tools and frameworks have not been able to shed much light. We call for further support of such efforts at the research, teaching and practical fronts.
Table 1
Summary of key characteristics and Internationalization strategy models

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<tr>
<td>1. Ramirent Plc. (Finland)</td>
<td>Opening / Existing (Construction Equipment Rental)</td>
<td>-Existing products -Emerging new market - Becoming competitive rapidly</td>
<td>1. Acquisitions 2. FDI</td>
<td>Adaptive corporate culture and economies of scale in purchasing</td>
<td>1. Concept Builder (Adaptive Snowflake Model)</td>
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<tr>
<td>2. Dental Technologies Inc. (Canada)</td>
<td>Transforming an Existing Market (Dental Care)</td>
<td>-Higher Technological-intensity Support Laboratories (up-stream) -Existing, fragmented &amp; stagnant market</td>
<td>1. Acquisitions of Existing Laboratories 2. Licensing Technologies</td>
<td>Customer and management concept</td>
<td>1. Concept Builder (Single Model: Supporting dental care services)</td>
</tr>
<tr>
<td>8. Western Financial Group Inc. (Canada)</td>
<td>Ignored Existing (Integrated Financial Services in Rural Areas)</td>
<td>-Reducing the costs and quality of existing products not offered locally and conveniently -Integrating financial services under one roof</td>
<td>1. Cooperation and Alliances (Backward Internationalization –Int’l outsourcing)</td>
<td>1. Resources 2. Customer</td>
<td>3. Resource Breakthrough (Integration of all Financial Services at one Office Locations)</td>
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<tr>
<td>9. Carmanah Technologies Corp. (Canada)</td>
<td>Up-grading Existing Products and Markets (Integrated Solar Power and Lightning Products)</td>
<td>-Integration of existing components -New Improved Product -New Applications for Emerging Segments</td>
<td>1. Internet/Export 2. Resellers /Agents 3. Acquisitions</td>
<td>Technological competencies (green technology)</td>
<td>4. Product and Technology Breakthrough (Integration of Multiple Technologies in a Family of Products with Product Focus)</td>
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<tr>
<td>11. MySQL AB (Finland/Sweden)</td>
<td>Existing (Database Software)</td>
<td>-Adding Value to business software -Reducing access and operational costs</td>
<td>1. Internet 2. Resellers 3. FDI</td>
<td>Open Source Software Community</td>
<td>5. Open Innovation</td>
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Figure 1

The Over Time Patterns of Internationalization of the Five Typology of Firms
References


Bell, J. The Internationalization of Small Software Firms - a Further Challenge to the ‘Stage’ Theories. European Journal of Marketing 29(8), 1995, pp. 60-75.


