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BORN AGAIN GLOBALS AND THE RECONFIGURATION OF RESOURCES IN THE INTERNATIONALIZATION PROCESS

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Abstract

Internationalization has become an issue in most small and medium sized enterprises (SMEs), and literature has emphasized the role of strategic choices focusing on several aspects, such as motivations, entry mode choices, internationalization process. Few studies have examined the social capital perspective in depth in the context of international new ventures (INVs) and particularly toward their marketing activities, but even fewer studies has research the very same in ”born-again” globals firms (Bell et al. 2001). Internationalization is recognized as a valuable strategy for organizations’ growth and expansion; however, little is known about the internationalization behavior in this type of firms. Using resource based view; the internationalization processes of an established Danish family firm from the foundation to the present time are examined. Some key determinants of the internationalization pathways taken by the family firm are identified eg. the level of commitment toward internationalization, the resources available, and the ability to commit and use those resources to develop the required capabilities. Furthermore, how the owner makes international decisions is explored and four propositions are analyzed. The implications for born-again business practitioners and ideas for future research are discussed.

BORN AGAIN GLOBALS AND THE RECONFIGURATION OF RESOURCES IN THE INTERNATIONALIZATION PROCESS

INTRODUCTION

Internationalization is a phenomenon researched intensively over the last few decades from a variety of different viewpoints, including: organization theory, international marketing, strategic management, international management, and small business management. Issues such as international decision-making and management, the development of international activities, and factors favoring or disfavoring internationalization have been studied for both large as well as small businesses. In their definition, Lehtinen and Penttinen (1999) sets out to summarize the fundamental characteristics of the internationalization process based on the current research findings. Their definition covers two concepts occasionally applied in the context of internationalization, namely international orientation and international commitment. This finding is further developed by Welch and Luostarinen (1993). They contended that internationalization is not just an outward movement, but a process that could assume both directions: inward and outward. Building on this view, they proposed a definition that eventually became one of the most recognized and accepted within the specialized literature. They argued that internationalization is “the process of increasing involvement in international operations” Welch and Luostarinen (1993). Further other concomitants to the concept were proposed. Beamish et al. (2000: 3) defined internationalization as “the process by which firms both increase their awareness of the direct and indirect influences of international transactions on their future, and establish and conduct transactions with firms from other countries”. Casson (1992) defined internationalization as the international expansion of the firm. Andersen (1993; 1997) asserted that internationalization is a type of growth process which entails the transference of goods, services or resources across national borders. Calof and Beamish (1995) stated that internationalization is “the process of adapting firms’ operations (strategy, structure, resource, etc.) to international environments”. Jones and Coviello (2005) argued that internationalization is an innovation process that entails entry into new country markets. In a slightly different manner, Hitt et al. (2012) address internationalization through the lens of international diversification. They state that; international diversification “is a strategy through which a firm expands the sales of its goods or services across the borders of global regions and countries into different geographic locations or markets” Hitt et al. (2012). Cuervo-Cazurra, Maloney and Manrakhan (2007: 710) argued that internationalization implies transference of “some resources across national borders, either indirectly through their embodiment in products (Penrose, 1959), or directly as foreign direct investment (Dunning, 1993)”.

THE INTERNATIONALIZATION PROCESS

As stated earlier the internationalization process can be defined as “the process of adapting firms’ operations (strategy, structure, resource, etc.) to international environments” (Calof and Beamish, 1995). The main theoretical frameworks on the internationalization process are those of Johanson and Vahlne (1977) and (McDougall and Oviatt, 1994). Oviatt and McDougall have positioned their work as a challenge to the received Uppsala model but the two frameworks appear complementary. The purpose of Johanson and Vahlne (1977) was to explain the gradual, constrained pattern of internationalization whereas Oviatt and McDougall’s model emphasizes enabling factors (Autio, 2005).

The stage models assume that internationalization process starts with sporadic overseas sales and continues with bigger and bigger commitments in the foreign markets through sales. The traditional pattern is a process in which a firm gradually increases the number and diversity of markets it serves Johanson and Vahlne (1977). Several studies have critiqued this traditional, incremental internationalization models which have mostly focus on large firms (Coviello and

Munro, 1995, Knight, 1997, Phillips McDougall et al., 1994, Moen, 2002). In contrast International new ventures are firms that are internationally oriented since their inception, or soon after it, and manage to reach a certain degree of internationalization within a relatively small number of years Knight and Cavusgil (2004). Born-again Global firms (BAG) are firms that are well established in their home markets, and have suddenly embraced rapid internationalization (Bell et al., 2001, 2003). INV's are then early and rapidly adopters of internationalization whereas BAG's are rapidly but not early adopter of internationalization. This type of behavior is often a response to 'critical' incident which is either internal or external (Bell et al., 2003). SME can speed up their internationalization process if there is a critical eve t that increases their knowledge intensity such as the access to new global networks. INV's and BAG are internationalization process with strong innovation characteristics. Similar to innovation INV and BAGs are required to be able to adapt a changing environment and demonstrate new ways of thinking in order to succeed in addressing the challenges posed by the process Firms with highly sophisticated knowledge bases are likely to internationalize much more rapidly than those with more basic capabilities (Bell et al., 2003). Following (Kuivalainen et al., 2012), there have been only a few attempts to establish a rigid typology of internationalizing SMEs (Aspelund and Moen, 2005). Although authors do not give detailed classification criteria for INV's or BAGs, there is sufficient evidence of the phenomenon to justify further investigation of these specific firms. In the literature, there are three dimensions that make a distinction between traditionally internationalizing firms and internationalization of INV's and BAGs: Time, Scale and Scope.

	Traditional Exporter	**International New Venture**	**Born Again Global Venture**
Time to Market	Operate for a long time at their home market	Aim for international markets at inception	Operate for a long a time at their home market
International Expansion	Gradually increase the number of international markets	Reach a number of markets shortly after inception	Reach a number of markets shortly after entering first

			international market
Scope	Market concentration (narrow geographic scope at the beginning of international operations)	Market diversification (broad geographic scope almost from inception)	Market diversification (broad geographic almost from the first international involvement)
Scale	Slow expansion in an evolutionary manner	Rapid internationalization with a high share of foreign sales	Rapid expansion after first international involvement

Table 1: Comparing different types of international firms

Bell et al. (2001), Bell et al. (2003) have also contributed to the SMEs internationalization process and the interest in born-again global or reborn firm. These firms are typically well established in their home markets, and have suddenly embraced rapid internationalization. This type of behavior is often a response to a critical incident or incidents, which are either internal (e.g., a change of management) or external (e.g., client-followership) to a number of markets, see Bell et al., 2003). Although Bell et al. (2001) do not give detailed classification criteria for Born Again Globals, there is sufficient evidence of the phenomenon to justify further investigation of these firms internationalization process. Bell et al. (2003) argue that the range of the firm's internationalization decisions, incorporating product decisions, market choice and entry modes, are made in a holistic manner. As a consequence, an integrative Resource based view of firm internationalization has been applied with a focus on the dynamic capabilities and resources of firms. In the resource based view the firm is viewed as a bundle of linked resources, combined with resource conversion activities (Rumelt, 1994). Similarly, Wernerfelt (1984) observes firms from a resource point of view instead of looking at their products. He further comments that the firm's optimal growth is a balancing act between the exploitation of existing firm resources and developing new resources. Firms have also been described as bundles of heterogeneous resources (Barney, 1991, Grant, 1991). Indeed, different types of resources such as technological, financial, human, physical and organizational are widely acknowledged in the literature. The resource based view highlights the role of the firm’s internal resources, which are very often both specific and intangible (Wernerfelt, 1984, Barney, 1991). Such resources may include trade secrets, embedded technological knowledge, managerial, marketing and production skills, which are valuable and difficult to imitate (McDougall and Oviatt, 1994) and provide the sustainable competitive advantage needed for internationalization. The resource based vies has applicability for the growth of small firms and also for their internationalization activities. Wernerfelt (1984) acknowledged international contacts as valuable resources and also that international market diversification had a role in new resource building. International contacts are vested in the members of the management team, and such teams are vitally important in resource building. Peng and Luo (2000) observe that entrepreneurs in rapidly internationalizing firms would attempt to translate their micro interpersonal links with managers at other firms into improved macro organizational performance. The resource based vies sees this type of embedded social capital as an inherent firm-specific intangible resource that is difficult to replicate, providing competitive advantage (Peng and Luo, 2000). Therefore, knowledge of other network contacts emerges as important Chetty and Wilson (2003), Jones and Coviello (2005). However, the resources based view has also come under recent criticism as much of the literature takes resource stocks as given and pays little or no attention to the process of resource development. Thus, it is somewhat static in nature and lacking in a dynamic element (Jones and Dimitratos, 2004). Nevertheless, the resource based view imparts a powerful theoretical perspective with wide applicability to internationalization, presenting a unifying framework from within which activities of firms may be examined.

THE ROLE OF SOCIAL CAPITAL IN FIRMS´ DEVELOPMENT

Building on the field of sociology, social capital is now becoming a concept that is increasingly being applied in the field of politics and economics. The notion of social capital first appeared in community studies, highlighting the importance of interpersonal relationship as a basis for building trust and social interaction. Early studies also showed the importance of social trust for individual well- being (Bourdieu, 1986, Coleman, 1994, Putnam, 1995, Portes, 2000). Through theoretical discussion of network analysis Granovetter (1973) shows that individuals can use weak ties reach out into more remote areas of a network. In his seminal paper, Granovetter (1973) describes the nature of interpersonal ties, which are determined by emotional intensity, intimacy, and reciprocal services. When interpersonal ties centers on these attributes, a tie between two individuals is said to be strong. Strong ties usually exist between smaller groups of individuals which know each other well. In the opposite case, when emotional intensity, intimacy, and reciprocal services are low ties are assumed to be weak. However, through weak ties, individuals can maintain distant and less frequent relationships. Weak ties enable individuals to take advantage of new and different types of information, which are usually not accessible within the immediate vicinity of an individuals' network. In contrast, strong ties, although they are more reliable and durable, are more likely to only provide redundant information with less value.

SOCIAL CAPITAL AND THE INTERNATIONALIZATION PROCESS

Within the field of firm internationalization research, Mejri and Umemoto (2010) recognize the significance of social capital by pointing out towards the need of integrating different models and theories to gain a more holistic view, in particular transaction costs, knowledge management and social capital theory. The authors discuss the role that social capital plays for knowledge development and how it is used during different stages of internationalization. Chetty and Agndal (2007) and Johanson and Vahlne (2009) both have highlighted the importance of relationship between social capital and the internationalization process. Business relationships that comprise the social capital of firms and their managers have increasingly been recognized to be an important factor that influences the internationalization of smaller firms (Johanson and Mattsson (1988), Coviello and McAuley (1999); Chetty and Agndal (2007), Agndal et al. (2008), Kontinen and Ojala (2012), Yli-Renko et al. (2002). Smaller companies are usually severely restricted in the availability of resources; development of social capital can be one solution to overcome liabilities. Social capital is among the determining factors that have an influence on the development of internationalization of smaller and medium sized firms. Johanson and Vahlne (2009) stresses that social capital and trust need to be brought into consideration for an essential understanding of firm internationalization. In line with other authors, Agndal et al. (2008) note that the nature of social capital changes in the process of internationalization of SMEs. Adding a temporal perspective, they differentiate between roles and sorts of social capital, and the impact at different stages in internationalization. The authors find that efficacy of social capital plays a more important role in the beginning stages of internationalization, while serendipitous activities becomes important in later stages of internationalization. Along similar lines Hoffman et al. (2005) argue that social management and knowledge management help firms to improve the resource base and argue that social capital can have a positive influence on knowledge management. The development of social capital is important for SMEs because it can be a means to overcome their limited resource base. Chetty and Agndal (2007) point out that social capital plays positive and negative roles, by distinguishing between efficacy, serendipity, and liability characteristics. Their analysis shows that it is in particular the liability role that is most important driver for mode change of internationalization. All firms, and in particular the smaller ones, are affected by resource restraints, in particular SMEs. From the perspective of smaller firms, construction of social capital can be wasteful, as the maintenance of weak ties does not come without costs- in particular in internationalization. Maintenance of weak ties with uncertain outcome involves costs and involves opportunity costs. Some researchers have highlighted the importance of social capital for the internationalization of SMES and entrepreneurs (Harris and Wheeler, 2005), while other research underlines the importance of weak relationships, McDougall and Oviatt (1994), Sharma and Blomstermo (2003), Komulainen et al. (2006). Ozcan and Eisenhardt (2009) remark that prior research has identified the tradeoff between strong and weak ties that resource restricted firms are confronted with. Jones et al. (2011) find that in the knowledge acquisition process and exploration, weak ties are more important than strong ties. As a consequence they recommend further investigation into structure, dimension and cognitive aspects of social capital (Cohen and Levinthal, 1990). The possession of strong and weak ties has different implications for firms: weak ties are beneficial in the exploration processes, while strong ties fascilitate close collaboration between firms (Ozcan and Eisenhardt, 2009). As activities move from the exploration to the exploitation phase, firms are in need for strong ties as a basis for ongoing and stable relationships (Cohen and Levinthal, 1990). For new information search, firms rely on weak ties, but strong ties are useful when firms are in close collaboration. In particular, strong ties become necessary for transfer of complex information. These patterns become more noticeable when uncertainty is high, for instance in terms of technological or market turbulence. It becomes more difficult to identify appropriate partners but does not reduce the need for stable patterns of inter-firm collaboration (Hansen, 1999). Hence one can conclude that Social capital is one among other aspects that strongly influences the internationalization of SMEs- both strong and weak ties have a tendency to positively influence the internationalization of SMEs (Ruzzier and Antoncic, 2007). In their discussion, Kontinen and Ojala (2011) argue that firms develop high quality networks ties network closures. In line with Agndal et al. (2008), they see that social capital based on weak ties support search for opportunities. Their research shows that at initially SMEs use direct social capital ties, but later indirect social capital become more important. Indeed, social capital is useful for internationalizing entrepreneurs: Kontinen and

Ojala (2012) showed that firms put significant efforts into developing opportune networks ties and high quality network closures. With a focus on geography, Agndal et al. (2008) also found that social capital is not affected by geographical distance, but its nature can change. Also, existing ties serves as a motivator to continue to establish new connections in international markets. For example companies do this when they visit trade fairs and other types of events that facilitate contacts. (Kontinen and Ojala, 2011). In other words, the ability for bonding and associability help entrepreneurs to drive their internationalization through the development of new networks ties. Faster and better access leads to a wider horizon of opportunities. Privileged access to information leads to innovation opportunities, and strengthens the position of an actor within the nearby network of strong ties.

EMPIRICAL CASE DATA

Despite the obvious importance of the concept, however, there only relatively little research and knowledge about how SMEs develop and maintain their network relationships (Rodrigues and Child, 2012). Extensive research has therefore shown the importance of SC for internationalization, but we still do not know what types of social capital help firms to internationalize, or how different types do so. In this study we address the question of how different dimensions of SC help firms' internationalization. We conducted a case study analysis on a company which trades and merchandizes items and other related products for home furbishing and decoration. The company is located in the Danish Province of Northern Jutland. For data collection we conducted open questioned interview with both the CEO/ owner manager and the marketing manager. Both interview partners freely spoke about their companies, each interview took about 90 minutes. Apart from the primary data obtained from the interviews and direct observation, the researchers also undertook data collection like company promotion material etc. Through induction, we compare the finding of the interviews to existing theoretical concepts to gain a better understanding of processes that lead smaller firms to become Born-Again globals.

The initial years and growth

The activity area of the case study company is trading and commercializing of home decoration items, with an emphasis on classical design and Danish rural type aesthetics. It is located at in a smaller location at the shores of the Limfjord, an inland that reaches through the Jutland peninsula from the East to the West. The company has been rooted in the area since its inception in the early 1980's. Activities started back in 1975, when the founder dedicated herself to her hobby of designing and producing lampshades of her own creation. Not being a designer by training and based in her home kitchen, she fabricated lampshades with her own unique style which she then gave away for presents to friends. As working material, she used for example classical tapestry or fancy gift wrap paper. Becoming aware that people liked her design a lot, she also started selling some of the lamps. Then, slowly, she expanded her production and after two or three years starting to take her car and drive overland to offer her products to furniture and home decoration retailers. From growing out of being a one person company and gradually taking on new employees, she eventually managed to become well known in the domestic market. After some 15 years, she slowly started up some export activities, mainly to Norway and the United Kingdom. She tentatively accessed these markets through cooperating with other well know Danish designers and producers who had already established market presence in foreign markets. Through their own brand and advertising activities, they could facilitate access to this market. Through successful expansion into domestic and export markets, the products and design style of the company gained a high profile and were widely seen as unique. From producing lampshades and lamps she also expanded into producing other home decoration items like table cloth, curtains, etc, all designed in her own style which was perceived as unique in the market. Through participating in home fashion trade fairs, for example in Frankfurt or Paris, she gained more market knowledge and learned about new emerging design trends which she could then integrate in her own products designs. Internal management functions grew organically in parallel as the external expansion expanded. The company still continued to produce items by themselves, but also increasingly started sourcing from suppliers in low costs countries, in particular for items which required less sophistication in the production process.

This way, while keeping full ownership of her company the owner- manager succeeded in achieving an average growth of approximately 10% from the founding years at the beginning of the 1980's. Through these times, she continued to control the decision making process and kept the overall control of operations with her self, mainly storing information on paper files or directly in her memory.

Change of management

Although the company continued to generate profits, internal problems started to arise in 2006, triggered by severe health problems affecting the company owner herself as well another employed important manager. Firstly, the employed manager had to leave and did not return, and the owner- manager herself was hit by severe health problems which forced her to reduce her number of working hours in the company. But then, later it became so bad that she was also forced to leave the company, and sell out altogether. The shares were bought up by a manager who had entered the company relatively recently and then became the owner manager himself. By that time however, the company had reached a point of internal crisis as it turned out that the prior owner had, despite a successful and continuous expansion, failed to adopt modern management practices. Obsolete and inefficient administrative procedures confronted the new owner manager with a chaotic situation, as a lot of essential operating information was just centered in the memory of the initial founder. Now that the original founder had left, substantial information necessary for maintaining the operations were no longer available. The new owner- manager saw himself confronted with the challenge to keep daily business running, and at the same time face the pressing need to reorganize the structure of the company including the implementation of modern IT systems that could support complexities of operations. As the previous management team had left so abruptly, there was no real introduction phase so that the new owner- manager did not have sufficient time to understand the management of internal operations (documents where often just loosely stacked in piles) or understand the external environment of the firm including identity of trading partners. In terms of staff, the new owner manager soon reduced the amount of employees from 90 to about 45 through firing, but also employing new personal with updated qualifications could work with modern IT based systems and had the right mindset to accept changes.

Crisis, reorganization and technological upgrading

Just when the company had managed to consolidate itself, the financial crisis set in. During the transfer of ownership phase, the company was able to generate profits, but as the financial crisis set in turnover dropped considerably. This triggered the need for more changes, now, the prime objective of management had turned towards mere survival. Out of their existing costumer basis, the company lost about 70% of clients. Within a short period, turnover fell by 60% leading the company into heavy losses. This affected the staffing situation: for example, the previous sales manager complained that he no longer new what to do because of the critical situation,: "I don’t know what to do, I am sorry". As a consequence, he had to be fired. Then, the new owner manager took over all export operations himself, while his wife took care of the domestic market. International fair participation was abandoned. As a first measure for survival, the company concentrated its efforts on serving two larger domestic costumers only. The company adjusted their product range towards lower and less exclusive market segments; this way hoping to weather the rough conditions which they expected to last for about two or three years. This was not unproblematic for the self-perception of company staff: it was judged that serving lower market segments would damage the brand value of the company, they felt that they sold product which they did not emotionally like and which went against the "DNA" of the company. In the words of the marketing manager: “I think we should see the company as being a company who was almost dying, and try to throw as many balls up in the air, reaching market shares because we have such a big market on our products. The only thing that’s important is how you can get a higher turnover.” More measures had to be taken: the still remaining in house production was finally abandoned and the last employees in the production were fired. Instead, all production was outsourced. All costumers with less than 1500 €of turnover per were discontinued, which meant that their absolute number of costumers was reduced by about 20%. However, the company still managed to undergo the necessary investments to streamline the operations and handling, for example investing into bar- code scanners. The implementation of improved IT systems was not without friction, the new management had to abandon a business intelligence system that was purchased earlier because it proved useless. But the changes eventually showed to have positive effects: the implementation of new IT based systems enabled the company to move from a mode of just accepting orders towards taking a more proactive stance in their marketing operations and directly approach new prospective customers. It took about two years to implement a new management organization. Decision making processes are now taken in a more systematic way compared to earlier. Increased efficiency has allowed for a substantial reduction of staff, but the organization has maintained and improved its ability to support expansion of operations. This has been achieved through reorganization, but also through adapting technological innovations: for example recently the salesforce has been equipped with portable tablet computers and can through a downloadable application directly access the inventory system to check for availability of merchandize to place orders.

Expansion and acceleration of internationalization

After about two years in 2010, the company reevaluated the situation and decided to concentrate all efforts on export growth exclusively. One of the mayor reason was that they could not see promising perspectives for themselves if they concentrated on the Danish market, which they saw as saturated. This decision triggered the phase of export led growth of the company. The company re- started their efforts in attending international fairs. They initiated an array of new marketing activities, like developing sales catalogs or establishing new sales partnerships. Most significant however were their activities in “poaching” sales agents away from other companies. Every time the company can hire away a well-established sales agent, they will gain access to a substantial number of new costumers. Within the process of streamlining sales and distribution, the company has also employed a sales director to specifically manage the operations. Acquiring new agents was not too difficult; a substantial number of agent lost their principal companies and anyway were on the lookout for new opportunities. In this way the company could take advantage of the financial crisis to strengthen its downstream supply chains. Now, the company has about 30 agents in different countries. The new emphasis on export markets were soon reflected in numbers: within three year, from 2010 to 2013 export volume expanded from 31 mio Dkk to 80 Dkk. Exports expanded from 32% to 85% in relation to overall turnover. For 2014, at the time of the interviews, it was expected that turnover in export grows to 90 mio Dkk, and then to 100 mio DKK in 2015. The company expects to continue its strong posture on international markets, and neglect the domestic markets where they do not see interesting growth opportunities. In 2010, when the management was slowly starting to overcome the effects of the financial crisis, the company had two principal export markets: Germany (with a turnover of 9 mio

DKK) and Norway (with a turnover of 9 mio Dkk). Other, less significant markets were the UK and Sweden, each with a turnover of 1,5 Mio Dkk. In 2013, exports to Norway had increased to 30 Mio Dkk, Germany increased to 14 Mio Dkk, and the UK to 10 Mio Dkk. The company is also developing new markets, for example Canada, Italy, Mexico, or Spain. Another example is Japan, where they attend trade shows to develop the market.

As a marketer of home decoration items, the company is sourcing from a widespread range of producers. Products based on textiles are mainly sources from producers located in the European Union or neighboring countries: Poland, Portugal Scotland or Turkey, and also Egypt. Geographical proximity and flexibility of companies from these areas are an advantage. When demand is higher than initially expected, merchandize can normally easily be reordered and delivered quickly. Moreover, it is unproblematic to collaborate in new product development. Either, the producer sends a item as a suggestion, which is then modified by the company's designer. Or, the company directly sends a prototype produced by their own designers, which is then manufactured according to specification. Altogether, the company has about 100 suppliers. In general terms, the company buys 20% off the shelf, and another 20% with slight modification only, for example the company logo. 40% is produced in close collaboration between the company and the suppliers. The last 20% is produced according to specification. Sometimes, the suppliers propose their own suggestion for design, which are nevertheless never entirely adopted because the company generally feels that there always is a need for final adoption to market requirements. In the opposite direction, the suppliers learn about changing trends from the company's designers when they send in their prototype. An important source of learning about market trends are visits to trade shows. "Off shelf" products with a lower added value are usually ordered from India and China, often at trade fairs. However, the advantages of lower prices are countered by long order and delivery times, which can easily take up to four months. A season usually lasts about 6 month; it is in practice not feasible to reorder. Suppliers from Asian countries operate on very large numbers, so the company managers feel that their orders are not very significant for the overall business of the Asian suppliers. Because of the need to purchase in relatively large quantities, they feel there is a risk involved in giving these orders because there is never complete certainty that the market will absorb the merchandize that they have ordered. Besides, sourcing from Asian suppliers cannot give a competitive advantage, because the company's direct competitors can also buy from Asian producers at the same price level. Asian producers supply merchandize of lower value which serve as a complement to the company's higher value products.

The company managers do not have a lot of information about the nature of the production facilities of the Asian suppliers, they don't know under which conditions the merchandize is produced or even exactly where it is produced. Other problems come from raising costs in production and freight; some of the suppliers are disappearing because of bankruptcies. As labor costs, in particular in China, are rising the company's managers expect that the proportion of merchandize produced from European and near European producers will be likely to increase in the future. Implementing new technologies help significantly to close the communication gap between the company and their international partners. This technology has, according to the owner-manager eliminated all problems of cultural interaction. Before, there had been difficulties in communication because of cultural differences, but since the company had an sales application for tablet computers these problems have been eliminated: "We asked everyone who is in the sales force to buy an iPad and then they go into the APPSTORE, download our sales program. So everyone which is now selling for us, if they are employees, agents, whatever, they have this app and they download it, and after ten minutes they are ready to start." The company is continuously developing its distribution channels. In particular, they try to get reach towards end costumers instead of mainly communicating with the retail channels. The company managers are noticing changes in the markets: "In the old days, it was home decoration and accessories who were our competitors. Today, our competitors are finishers, producers, retailers. Retailers are getting into private labels and own sourcing. Furniture companies are doing accessories to gain traffic in the retail stores. So you can say the barriers from the different kind of branches are disappearing. So it's a kind of now it's an open battle; anybody can join. So you don't know who will be your enemy next year. It's quite interesting". or "But after the crisis, everything changed completely. Now, you have to push and push your customers. And it also means a new mindset for sales employees..."

Adjusting new marketing strategies is not without encountering certain issues: according to the marketing manager the company receives complaints from some partners in the retail channels that they feel that the prices the company is charging is no longer in line with the products: while these are perceived to be mid- market in terms of quality and design, the company is charging prices which correspond to the luxury segments. These are challenges management has to tackle. Although the internal operations have significantly improved since the new management has taken over, there is now an increasing need to streamline the product offering as well. This does not turn out to be an easy task, in the words of the owner-manager: "I will say that in the past, we tried to make everyone satisfied. And I think now, we have come to a situation where we should be balancing, okay we listen to you, agents and customers but we reach a decision, this one is the right one. And if you like it, it's nice. If you don't, it's bad for you. Because we cannot fulfill everything the customer wishes, because then you get frustrated, you'll get 2,000 products with are more or less similar, but still with small differences – and it's too expensive. So I think we need improve, put our information into an or find a similar solution. And then say, "Okay, ask let's say spoon for cooking and wood, okay, that's number one. Every country would like to have that. Okay, good." "Is there

8 out of 10 who would like to have it in their light colored wood or in a dark one“, “If 8 out of 10 would like it to be a light one, we make it light.” That’s how we try to, but we are not good. I can tell you we will definitely use a lot of effort in this.”

The company is improving its marketing and solidifying position in exports markets. To give incentives for higher purchasing volumes and to increase loyalty, the company is testing a partnership program for their sales agents in Norway by offering discounts on volume. The company is developing concepts stores, who are then usually operated by independent partners. They also seek presence in large department stores. Expansion is supported by being present on important industry fairs, or having printed catalogues. Besides, the company hires brand building consultants to further develop the brand. There are plans to establish a new concept store, in the prestigeous inner city location in Copenhagen next to other established brand names. Maintaining a master concept store in Copenhagen can substantially strengthen the brand value and international visibility of the company, as a large number of international tourists visit the area every year.

ANALYSIS AND DISCUSSION

We distinguish the development of the company into three phases, firstly the founding period which lasted until the demission of the previous management in 2006? We distinguish between 3 phases which the company went through, although not chronologically congruent, we also categorize the pre-crisis period before 2008. We see the years between 2006 and 2008 as a transmission phase in which the new management needed to gain track. In terms of born-again global theory, we see this phase as the preceding phase prior to the initiation of rapid internationalization. The second phase covers the period until present when the company starts developing the behavioral properties of a born global company. This which period, which lasts from about 2006 to 2010, is characterized by is the transition and consolidation period which thus lasted from 2006 to 2010. Then, thirdly, follows the phase of accelerated internationalization which lasts up to the present date.

> Stage 1: The pre-phase to rapid internationalization.
>
> Stage 2: A transition period, where one or several events trigger the initiation of stage 3.
>
> Stage 3: The phase of accelerated internationalization, the firm shows attributes of a born global firm.

Social capital is a function of actors' position in their local networks. In the initial phase social capital developed from being of entirely private nature towards market oriented social capital, although the private component was always present until the founder had left the company. As the venture expanded, the founder started hiring employees but still maintained important operative information either in her own paper files or directly in her memory. This indicates that the company structures where kept rather simple, with less development of sophisticated hierarchical social capital. Market oriented social capital was built up when the founder took the car to drive overland and offer her products to retailing outlets. In terms of first steps towards internationalization and going abroad, social capital of relatively private character played a role when other entrepreneurs facilitate her access to international markets.

Adler and Kwon (2002) distinguish between three types of social structures, which they relate to different types of social capital. Firstly, there are social relations which determine social capital. Social capital is a form of capital which can manifest itself in different ways.

1. Social relations
2. Market relations
3. Hierarchical relations

At the first level, exchange is taking place through favors and gifts. Terms of exchange are diffuse, but favors and gifts will eventually be returned, although often not at the same point in time. Secondly, there is social capital derived from market relations. Here, goods and services are exchanged for money. Opposed to the first mentioned type of social capital, relations are not diffuse but specific. Likewise, the terms of exchange are spelled out for example in contracts or oral agreements. The third type of social capital accrues from hierarchies, In this, exchange is based on exchange of obedience for material (or mental) security (Adler and Kwon, 2002). Terms of exchange are now explicit, for instance they are based on employment contracts or other types of market exchanges, for example franchising contracts. Social capital is embedded within the net of relationships which an actor belongs to. In this sense, as an outcome of the position of an actor's position within a network social, capital provides the actor with corresponding types of resources. Thus, is it the actor's network position that provides resources? Similarly, different types of networks will give access to different kinds of resources. As far as the case company is concerned, it can be clearly observed how the type of social capital changes during the three stages of development which we identified. In the initial period of stage one, when the founder was still operating out of her private kitchen, private type of social capital provided the founders with resources. These resources were initially not valuable in terms of commercial opportunities, but served as a useful source of ideas and inspirations to inspire further development. At that time, the founder was a private person with an interest in a personal hobby that later became the seed for a commercial venture. She received encouragement and inspiration out of her network of social contacts in a non- commercial setting. Her personal network provided her with feedback on the design of her lampshades and lamps and enabled her to refine her design. In a somewhat unconscious way, she adapted her first product signs for market fitness. Therefore we contend: Proposition 1 At the initiation of stage 1, the entrepreneur depends primarily on social relations in her social capital

Stage 1: Initiation and gradual international expansion

In the initial stage, which corresponds to the exploration phase (Cohen and Levinthal 1990, Zahra 2006), the company founder depends on her private social capital, but soon starts developing social capital through market relations. As described in Adler and Kwon (2002), social capital facilitates access to information and other types of resources. The company is in need for these resources, as it needs to find sales channels for its products. Citing Uzzi (1999), Adler and Kwon (2002) point out that arm’s length market relations are preferred when a larger number of trading partners is involved and when transaction requires economic rationality. Through being active in the market, the company develops more social relationships, thus creating more opportunities for growth. New ties create opportunities to leverage each other’s existing networks and create new opportunities for growth (Adler and Kwon, 2002, p.24). A rising business volume in turn requires an increasingly more structured approach to secure efficient operations. In stage one, this is already happening but to a limited degree. As we discussed in the previous section, the company was founded by an entrepreneur and after having been active on the domestic market, she started venturing abroad into nearby international markets with a lower degree of psychic distance. Her pattern of expansion clearly followed geographically determined patterns, as she started driving overland from one retailer to the next one to search for sales channels for her products- which were initially lamps and lampshades. Then, through testing out the market and building up a product portfolio expansion let into tentative internationalization (Johanson and Vahlne, 1977, 1990, 2009). As the business develops, the founder leverages her network to access intentional markets. As described in the previous section she makes use of her contacts to other designers who can give her access to the British market. She also visits company fairs and establishes new contacts. These activities indicate the absence of a rigidly structured approach in the internationalization process; instead, we observe a more random search for opportunities. When an attractive opportunity came up through her social relationships, she would seize it. The pattern of internationalization thus corresponds to the Uppsala approach (Johanson and Vahlne, 1977, 1990). As far as the development of an internal company structure is concerned, the picture is quite similar: As conditions allowed for it, the comp ny owner start employing people while strictly keeping control of the company by herself. Development of a company structure corresponds to the construction of social capital through hierarchical relations. We contend that limited willingness to delegate authority for decision making results in limited construction social capital through hierarchical relationships. Altogether, we observe that the company followed a less rigid approach of structuring the internal and external expansion. We notice the transformation of (private) social capital towards social capital derived out of market as well as hierarchical relations; albeit happening in a less rigid and also less effective manner. The result was a rather steady and careful and slow expansion. At some point however the company started hitting a limit, as the growth of the company was no longer sustainable due to the fact that the owner concentrated all decision making power on herself. The inherent limitation of this management approach manifested itself when the entrepreneur had to recede because of health problems. These finally forced her to leave the company and sell out to new owners who then started to manage the company in different ways. In consequence we propose: Proposition 2 Limited ability to construct social capital through market and hierarchical relationships leads to constrained growth in internationalization.

<u>Stage two: internal crisis, external crisis and then subsequent consolidation phase</u>

As described above, the company confronted two critical situations. Firstly, the entrepreneur was hit by health problems that left the company without management (internal crisis). When the new owner/ manager took over, he was confronted with a significant lack of knowledge about the company operations. Then, secondly, two years after the financial crisis of 2008 struck, the firm experienced significant drop of turnover threatening the existence of the company (external crisis). In stage on, we did not see accumulation of necessary social capital through relationships in the hierarchy, which could lead to sufficient transfer of knowledge. Nahapiet and Goshdal (1998) use the term “intellectual capital” to refer to knowledge and capability to know in a social collectivity, for example a firm. The founding entrepreneur clearly failed to build up intellectual capital among employees, and when she had been forced to leave, the new management team had very little idea how to run the company. Immediately after the transition period, as we already pointed out above, the new owner manager felt without much of a clue how to address immediate administrative and marketing related problems he saw himself confronted with. Knowledge implanted in the company was insufficient to confront immediate issues; there was not much he could draw on as responsibilities had not been delegated to employees and they were thus not prepared to take some of them over. Hence, the lack of social capital through sufficient hierarchical relations led the company into an internally triggered crisis, forcing the new management to initiate the process of construction of new social capital through building up of new hierarchical relations. Two years later, with the advent of the financial crisis another crisis, the next crisis set in. This time in was triggered by external circumstances. Again, the management was confronted with the imperative to reconfigure social capital.

Seen from a perspective of social capital, the first and second crisis distinguishes themselves from each other in terms of hierarchical and market relations, as conceptualized by (Adler and Kwon, 2002). In the aftermath of the first crisis (hierarchical relations), the needs for reconfiguration affected social capital through hierarchical relations, necessitating construction of internal structures for knowledge management. After the second crisis that took place about two years later, the company again found itself confronted with the need to reconfigure social capital, but this time it affected relationships with the market context. As was discussed above, the management decided to cancel all contracts whose value did not exceed the threshold of 1500 Euro. It is widely acknowledged that social capital can be of negative value (Batjargal, 2007, 2003, Ahuja, 2000, Burt, 2000). Obviously, this is what we see here as well, it seemed that the company canceled those relationships that it did not see as sufficiently profitable. When companies can profit from faster access of information which they obtain form weak ties, they can widen their horizon for more opportunities. Privileged information provides opportunities, and helps an actor by strengthening the network position. On the downside efforts involved in maintaining weak ties create opportunity costs, in particular when they lead to negligence of other activities that are necessary to maintain important ties in the closer area of the actors network.

Likewise, the company cancelled all visits to trade fairs and pulled back from other markets relations to concentrate on just serving to larger domestic retailers. What we can observe is that the company not only reduced social capital embedded in market relations but also went into a phase of temporary de- internationalization. This drawback not served to cut back on social capital which had lost its utility; it is widely acknowledged that social capital has positive and negative implications (Borgatti, 1997, Burt, 2000, 2002, Ahuja, 2000). Proposition 3 In the phase of transfer, reborn born global reconfigure their social capital in a way that it facilitates accelerated internationalization.

Stage 3: initialization of rapid internationalization

In stage three, the company starts showing the characteristics of a born again global (Bell et al., 2001, 2003). In their internationalization behavior, born again globals' develop an evolutionary pattern which is characterized of a shift from a Uppsala type of internationalization towards a born global pattern of behavior. This is what we observe in the case; once the company had consolidated itself, it re- started a process of internationalization. We observe that the company is adopting a much more structured approach; the management consequently builds up new sales channels with an emphasis on new cooperation agreements with agents as well as independent and exclusive concepts stores. The company is extending this strategy, at the time of this writing management considers opening a new flagship concept store in a prestigious location in the center of Copenhagen. The company systematically searches for new agents who are already well connected in the market and can give access to new sales channels. Agents are attractive candidates for collaboration. As described in the case study, many of them lost their principals in the aftermath of the financial crisis. In their previous engagements, some agents will have built up extensive trading networks agents, and therefore constitute attractive targets for bonding and building up new network ties (Burt, 2002). The company systematically tries to establish new networks connections, and in this way follows a structured approach to extend its networks of market relationships. Connecting to new agents facilitates access to their stock of social capital, and is helpful to undergird the process of rapid internationalization.

At the level of sourcing, the company systematically develops its network of suppliers. Interestingly, it seems to be in the process of retreating from Asian suppliers where the precedence of social capital is low. On the other hand, it increasingly develops sourcing partners within Europe and neighboring areas, including to some degree partners for knowledge transfer (for example new inspirations for designs). Likewise, the company is not only adapting for rapid external expansion, it also adapts it management structures and utilizes new technologies to support its process of internationalization. By providing its sales partners with computer tablets and related technology, the company is able to alleviate transaction costs. Proposition 4; In stage 3, born again globals' reconfigure their social capital

DISCUSSION AND FURTHER RESEARCH

What we see in this single case structure is a company that transforms from being a single entrepreneur driven venture into a rationally managed SME with a focus on rapid international expansion, but would be problematic to generalize our findings, for a number of reasons:

Firstly, the company is a trader merchandizing tangible product. Although there is knowledge transfer and development involved, the company is trading with tangible and technologically simple products. For this company, competence in consumer marketing is of primary importance for market success, but much less so sophisticated technological knowledge. As widely discussed in the literature, many born globals are active in other areas where pure technological knowledge plays a more important role than in our case study company. Such companies could be active in the field of bio technologies or engineering services. In these areas, trading and producing of tangible products is often not the main focus of companies that purely or predominantly rely on knowledge generation and transfer. Then competitive advantage derived from pure knowledge generation and transfer, which is often embedded in technological value chains, are the roots of competitive advantage. In our case study example, social capital has a different function be

Secondly, on a theoretical level, discussion has found that social capital support firm's internationalization (Han, 2006). This finding has empirically been supported by a variety of studies, for example Yli-Renko et al. (2001) or Sharma and Blomstermo (2003). Social capital provides legitimacy, resources and knowledge to firms; in particular these sources are important for firms when they are affected by resources constraints Han (2006), Prashantham (2005).

Thirdly, as Olejnik and Swoboda (2012) write, there seems to be a temporary perspective in the development patterns of internationalizing companies, which is true for companies that internationalize in a traditional way, born globals and born-again globals. These differences can be rooted in different patterns of industry structure or technological developments. These findings also limit the generalizability of the findings of this study. The value of this study lies in pointing out that social capital is in pointing out that the nature of social capital changes in the development stages of a born again company. It seems that the nature of the social capital determines the mode of internationalization. As far as managerial implications concerned, that it becomes clear that creating awareness of the nature and development of social capital can impact the strategies managers choose when they internationalize their companies.

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