

Chapter 25

Internationalisation Strategies of Latvia Entrepreneurs: Cases of STENDERS, Munio Candela, Trousers London, and Primekss

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ABSTRACT

By exploring the entrepreneurial patterns of ‘born globals’, this chapter aims to explore the international market entry modes as well as develop recommendations for an international expansion strategy for companies attempting to enter global markets. Empirically chapter draws on the four case studies of born globals that originates from Latvia. The companies are: Stenders- manufacturer of natural bath and cosmetics; Munio Candela- handcrafted candle manufacturer; Primekss - industrial flooring manufacturer; and manufacturer of premium jeans wear Trousers London. We explore the international pathways of these companies focusing on general characteristics of these firms, target market and foreign entry modes selection. Finding of this study might be relevant both to companies that are on their way to develop strategy for international expansion as well as policy makers in order to make informed decision on investments to support international orientation of local SMEs.

INTRODUCTION

Traditionally, international business and strategy literature has been dominated by a focus on large multinational enterprises that usually operate in their home country for a number of years and then gradually enter the geographically closest

foreign markets (e.g. Johanson & Vahlne, 1977). Increasingly, however, attention has also been given to the internationalisation of small and medium-sized companies, in particular firms that start to internationalize very rapidly – almost right after business is launched (Hollensen, 2007). This phenomenon has been called ‘born global’ and

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characterizes the type of SME that possesses a “borderless” view of the world and tends to develop business strategies that already allow for global expansion in the first years of operation (Cavusgil & Knight, 2009).

Focusing on the time when companies enter the global market rather than the size of the global market enterers, overall, the born global phenomenon challenges traditional theories of internationalization. In this light, following the observation by Crick and Spence (2005) that internationalization strategy formation for high performing SMEs is not always systematic and capable of being described by one single theory, Coviello and McAuley (1999) conclude that the internationalization of born globals should also be viewed by integrating major theoretical frameworks. Yet, contemporary research on SMEs lacks a fitting framework to interpret the international activities of born globals. One reason for this is a lack of empirical evidence on the internationalization strategies of born globals.

More specifically, little is known about “born globals” and how and why they internationalize so early. In this light, studies that explore the internationalisation patterns of born globals also often challenge our “general knowledge” of how expansion into foreign markets should and actually is implemented by companies that turn out to be successful global market players relatively early. For instance, findings suggest that the distance from the domestic market is regarded as non-significant when it comes to choosing the first international target markets (e.g. Peng & York, 2001). Furthermore, Madsen and Servais (1997) have argued that domestic markets are no longer an important “learning place” before international markets are entered. Arguably, these findings seem to go against “common wisdom”, which would in turn suggest that the local market can be a good starting point, where resources for global expansion can be acquired and the geographically closest markets can be more appealing for starting global expansion.

Moreover, according to Hollensen (2007) most SMEs, including companies that become successful internationally very early, enter new markets with very limited market information – in many cases without conducting any market research before entering the target markets. Instead, the selection of international markets is strongly influenced by change agents. An increasing number of studies (see Cavusgil & Knight, 2009, for review) have also emphasized the role of various company-specific characteristics that may trigger early internationalization and are typical of born globals. Yet, most of these studies focus on exploring the characteristics of born globals that originate from more advanced market economies. Considering the role of context, which also shapes entrepreneurship behaviour (Karlsson & Dahlberg, 2003), it is thus reasonable to assume that characteristics that are important for success in the global arena, especially in the early stages of a firm’s development, may also differ for companies that originate from new EU member countries, such as Latvia, as compared to more advanced market economies.

In light of this discussion, this study aims to contribute to entrepreneurship literature by exploring the internationalisation pathways of “born globals” that originate from a new EU member state. Empirically, the chapter draws on four case studies – firms that have been established by entrepreneurs from Latvia. The companies are STENDERS, a manufacturer of natural bath products and cosmetics; Munio Candela, a handcrafted candle manufacturer; Primekss, an industrial flooring manufacturer; and a manufacturer of premium jeans wear, Trousers London.

In the following sections of the chapter we attempt to determine whether patterns as identified by previous studies, mostly exploring characteristics of born globals that originate in more advanced market economies, also play a key role in the context of the four selected case studies, i.e. companies “born in Latvia”. We do this by providing an insight into the internationalisation

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