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MARKET SELECTION PROCESS OF BORN- GLOBALS

Case Funzi

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1 INTRODUCTION

1.1 Background of the study

The ever-changing global business environment, integration of the global economy, and fast technological advances have made it possible for small firms to extend their activities beyond their domestic market and created great opportunities for such firms (Evers 2011, 17). Such companies can be defined as international new ventures (INV). INV is defined as an organization that seeks to derive competitive advantage from the use of resources and sales in multiple countries (Oviatt & McDougall 2005, 31).

It is important to notice that these starts-ups are international through committing significant resources in more than one country or nation. This definition's focus is on how old these international new ventures are when they become international and not on their size. (Oviatt & McDougall 2005, 31.) In this study, the terms *born-global* and *international new venture* are used interchangeably to avoid repetition for the reader. Chapter 2.1 provides more insight into the different definitions and their differences.

The emergence of born-globals in large numbers is a key trend and thus more research is needed to understand them and their international success (Knight et al. 2004, 661). There is a good amount of research on born-globals and prior studies have found that the networks of born-globals, the prior experience and characteristics of the founders, and unfavorable home market conditions are key elements in the internationalization of born-globals (Cavusgil & Knight 2015, 8; Zhou et al. 2007, 675-676; Moen 2002, 166; McDougall et al. 2003, 76). Less research has been done to add new information in the field of born-global decision-making although such a need has been recognized (Nummela et al. 2014, 528). Small companies using a systematic approach to market selection tend to perform better than companies using an ad hoc approach (Marchi et al. 2014, 2208).

However, there seems to be a research gap in the decision-making of born-globals. This gap is visible especially when examining the literature for market selection process of born-globals and market analysis of born-globals. Although the individual parts of the internationalization process have been studied, the market selection process as a whole has been studied very little. Marchi et al. (2014, 2209) find that systematic and behavioral international market selection approaches can complement each other.

1.2 Aim of the study and structure of the thesis

Key elements of this study are to understand born-globals and the decision-making process at the very start of internationalization when aiming towards international markets. The goal is to go beyond the traditional born-global theory and add the international market selection theory to it. The born-global theory should add an additional layer to the born-global market selection theory by adding market selection tools, and a market selection decision framework to it. In this thesis, a closer look will be taken into the tools available to understand how and if they can support the market selection decisions of born-global companies. The objective of this study is being addressed by the following research question: *How do born-globals select which market to enter?* Two sub-questions have been formed based on the main research question:

- How does the market selection process for born-globals proceed?
- What market selection tools are available for born-globals to select new markets?

To fully answer the research question provided, this thesis follows a rather straight forward approach by going from the broader subject of born-globals towards the decision-making process behind market selection, and finally taking a closer look at the tools available for market selection. The goal is to achieve a deeper knowledge of the different tools and how managers may apply them in their market selection process.

This study is a case study of Funzi, a company that created a mobile learning platform providing courses for users that revolve around two main themes, livelihood and wellbeing. Funzi is based in Otaniemi, Finland and has achieved success by addressing the refugee crisis through providing access to learning with a scalable and mobile first product. After inception, the company decided to pursue market expansions to the African continent with a successful launch of their Founder course in Nigeria and Tanzania. Although the courses are available globally in all countries, the company decided to add several new markets into its focus area. Iraq, Indonesia and the Philippines have since successfully launched. As the company continues to growth at a fast pace, a need to further develop their market selection process arose.

As this is a case study of Funzi, it is good to know that I, the researcher, am working full time at Funzi. My main tasks are marketing and business intelligence. However, due to my involvement in marketing I have been able to witness Funzi's market selection processes and the reasons behind it. As I have worked side by side with the founders of Funzi. It gives me an advantage to perform this ethnographic case study, and gain access to information that usually would not be available.

2 BORN-GLOBAL COMPANIES

2.1 Definitions of Born-Globals

The international entrepreneurship literature has had a variety of definition for born-globals. The previous discussions within the literature are inconclusive and there seems to be difficulty finding a common operationalization of the concept. Others have continued this by adding that global vision, global market potential and international operations should have begun within three years of inception and account at least 25 percent of turnover. (Nummela et al. 2014, 535.)

Knight et al. (2004) define born-globals with the same definition that was brought forward by Oviatt and McDougall in 1994, as a business organization that seeks to find significant competitive advantage from the sale of outputs in multiple countries from inception. Their origins are international, which are demonstrated by the management's global focus and the commitment of resources to international activities. The emphasis is not on size, but rather on the age by which the firm has ventured into foreign markets. The term "born global" is used to highlight that managers perceive boundaries of their markets and competition as coextensive with the world already at inception. (Knight et al. 2004, 645-646.)

There are two main definitions of born-global firms. One being from the literature on international new ventures, and the other coming from the born-globals literature. However, it is important to notice that there is relatively high consensus within academia when conceptualizing the phenomenon theoretically. Often the definition suggested by Oviatt and McDougall, 1994, is used (Madsen 2012, 65-67.)

"...a business organization that, from inception, seeks to derive significant advantage from the use of resources and the sale of outputs in multiple countries" (Oviatt & McDougall 1994, according to Madsen 2012, 67)

Empirical studies have classified firms rather differently depending on the scope and extent of international operations of the company. Meaning that there are far more discrepancies when researchers have operationalized the theoretical concept. Definitions of the born-global phenomenon are quite diverse and although the different definitions create quite similar internationalization patterns, individual firms are classified rather differently. A possible definition should also include speed, extent, and scope of international activities (Madsen 2012, 76.)

2.2 Characteristics of Born-Globals

The ever-changing global business environment, integration of global economy, and fast technological advances have made it possible for small firms to extend their activities beyond their domestic market and created great opportunities for such firms (Evers, 2011, 17). Mets and Kelli (2011) argue that born-global companies do not need to start in or focus on their home market for too long, they also have the option of starting their operations globally in other countries and even other continents from the very beginning. They point out that this approach is important for technology and knowledge intensive companies. Knowledge intensity serves as an incentive to globalize since the cost of developing new knowledge is equal no matter if it is developed for local, regional or global markets. (Mets & Kelli 2011, 81-82.)

In their study, Gleason et al. (2006) point out that when compared to other public firms that do not pursue rapid internationalization, born-global companies are in general larger, more product-market diversified, and have more venture capital backing. Board members and founders of these born-global companies have more international experience. Born-globals that diversify sales across countries are performing better when compared to other companies in the same category. (Gleason et al. 2006, 97.)

According to Tanev (2012), there are eight distinctive characteristics that born-global firms must have. First, high activity in international markets from or near the founding. This refers to born-global firms beginning exporting their products or services within the first few years after they have been founded and exporting at least a quarter of their production. The founder's vision at the very founding moment is a key factor for a firm's early internationalization and thus becoming a born global. (Tanev 2012, 6.)

The second characteristic is limited resources, financial and tangible. Firms that are defined as born-globals usually have fewer resources, financial or human, than their dominant multinational counterparts. Third, born-global companies are present in most industries such as technology and even metal fabrication. The fourth characteristic is managers having strong international outlooks and an international entrepreneurial orientation. These companies aggressively and proactively compete in international markets by innovating and taking risks. (Tanev 2012, 6.)

The fifth and sixth characteristic of born-global companies are emphasis on differentiation strategy and emphasis on superior product quality. Emphasis on differentiation strategy are used to create distinctive products and designs to target niche markets, which are too small for larger firms. Emphasis on superior quality on the other hand refers to born-globals being at the very edge of technology and thus they can exploit business opportunities by creating new products and services. (Tanev 2012, 6.)

Tanev (2012) describes leveraging advanced information and communications technology as the seventh important characteristic for born-globals. Information and communications technology let born-globals process information efficiently and communicate with customers and partners at almost zero cost by segmenting customers into niches. The last characteristic is using external and independent intermediaries for distribution in foreign markets. This characteristic enables born-globals to have flexible international operations and even withdraw from a market with relative low cost. (Tanev 2012, 6-7.)

Figure 1 visualizes the different types of international new ventures, which are according to Oviatt and McDougall: Export / Import Start-up, Multinational Trader, Geographically focused Start-up, and Global Start-up. These different types can be divided into four quadrants within the figure and can be distinguished by the number of value chain activities that are coordinated and by the number of countries these companies have entered. Oviatt and McDougall note that mixed types can appear in between the quadrants and over time ventures may change type by coordinating more or fewer activities or by entering or leaving markets. (Oviatt & McDougall 2005, 37.)

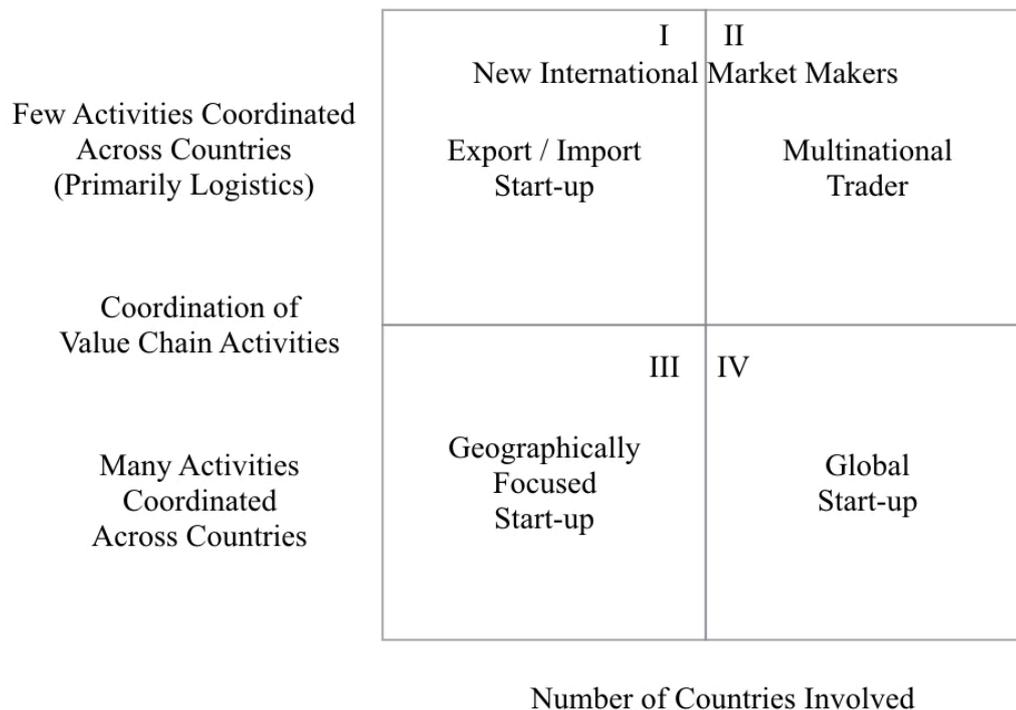


Figure 1 Types of International New Ventures (Oviatt & McDougall 2005, 37)

New International Market Makers, quadrants I and II in Figure 1, are an old type of firm and this category consists of export / import start-ups and multinational traders. Companies in this category profit mostly by moving goods from nations where they are

to nations where they are demanded. Sustainable competitive advantage depends on the unusual abilities to spot and act on emerging opportunities before increased competition pushes profits lower, knowledge of markets and suppliers, and the ability to attract and maintain a loyal network of business associates. (Oviatt & McDougall 2005, 37.)

Geographically focused start-ups, quadrant III in Figure 1, find advantages by serving specialized needs of a region by foreign resources. They are geographically restricted to the special need and have more than just one value chain activity to coordinate. The competitive advantage is found by coordinating multiple value chain activities like human resources technological development and others. Global start-ups, quadrant 4 in figure 1, have significant competitive advantages due to extensively coordinating multiple organizational activities and are proactively searching for new markets and responding to existing global markets. These tend to be the most difficult international new ventures to develop as they require great skill in both categories. These global start-ups appear to have the most sustainable competitive advantage, because of a combination of close network alliances in multiple countries and unique, yet socially complex inimitability. (Oviatt & McDougall 2005, 37-38.)

According to Gleason et al. (2006), managers of born-global companies have a special worldview that they then lever into competitive advantages. These advantages include intangible assets such as branding, skill competencies in research and development, organizational knowledge and managerial processes. Born-globals have a higher level of risk than non-born-global companies, but they also achieve higher long term returns for their stakeholders. (Gleason et al. 2006, 115.)

The prior exposure of the founding managers or the inherent learning capacity of born-global firms reduces the uncertainty and cost of pursuing specific business opportunities abroad. This reduction in uncertainty, or the cost reduction potential, of these international business opportunities is what makes them more promising to a new venture than the domestic home market. Thus, a fast-internationalizing strategy can be survival-enhancing or even represent the profit-maximizing path for some firms. This perspective is entirely consistent with the rational and profit-maximizing nature of the firm. (Fan & Phan 2007, 1115.)

2.3 Internationalization of Born-Globals

Knight et al. (2004) find that advanced communication and information technologies, management of born-globals are strongly internationally oriented, market orientation and with it marketing expertise are related to the success of born-globals. In addition to this also product quality and differentiation are key factors in successful internationalization. Companies that internationalize from inception and whose management regards the world

as its marketplace are emerging in substantial numbers worldwide, thus they are particularly interesting because these firms tend to be young and often resource poor. (Knight et al. 2004, 659-661.)

The key decision-maker for early internationalization is often the CEO or the founders of a company. As they have a great influence on decision-making, their managerial background and personal characteristics have an impact on decision-making. Nummela et al. (2014) also found that in addition to the CEO and founders of a company, also board members and middle management can have an influence in the internationalization process. (Nummela et al. 2014, 529, 546-548.)

Some of the most important theoretical advancements for research on born-globals have been around networks and networking competencies. Born-globals leverage networks to overcome constraints and improve their competitive advantage. Firms use networks to identify, get knowledge and leverage market opportunities. The best performing born-global companies often exhibit greater collaborative behavior that emphasize key network relationships. (Cavusgil & Knight 2015, 8.)

Etemad (2004, 5-6) suggests that three main forces apply to a born-global firm internationalizing. Figure 2, which has been adapted by Evers (2011), illustrates these three forces that consist of the pushing forces of internationalization (push factor), the attractive pulling forces of internationalization (pull factor), and the mediating forces of internationalization which pull, push and intermediate the different forces while internationalizing. (Etemad 2004, 5-6.)

According to Evers (2011), pull factors can include both internal and external incentives which pull the firm towards internationalization. This factor provides good incentives for the firm to seek foreign customers as part of their strategy. Pull forces can be forces such as dynamics of the industry, business networks, or social ties. Push factors are forces or drivers that are mostly internal, put pressure on internationalization and are mostly entrepreneurial in nature. Push forces are for example limited home market, international orientation of the founders, or prior industry experience of the founders. (Evers 2011, 24-25.)

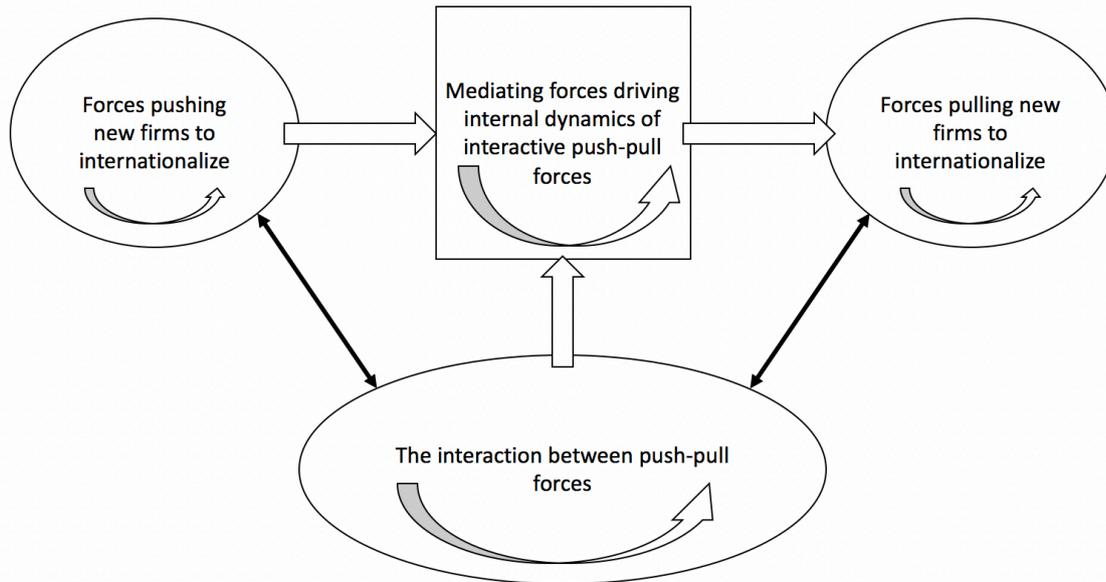


Figure 2 Simplified depiction of the dynamics of push-pull and mediating forces in born-globals (Evers 2011, 25)

These factors are entrepreneurial in nature and follow a goal to create opportunities and realize them. A goal can be to push or accelerate the internationalization process to exploit an international opportunity. Pull forces are linked to the external forces and the environment influencing a firm's internationalization process. These forces enhance the firm's competitiveness or provide incentives for internationalization. They pull the firm towards more attractive and signify the benefits of larger international markets. (Etemad 2004, 6-7.)

The mediating forces are a manifestation of the two previously mentioned forces and how these two impact the internationalization process of the firm. The impact of the pull-push forces depends on the characteristics of the firm, and include the orientation of the entrepreneur as well as the circumstances under which the pull-push forces impact and interact with the firm. According to Etemad (2004), the interactive factors refer to the forces that result from the interaction between the push and pull forces pressuring the firm towards internationalization. As a result, through the interaction of these forces they either accelerate or decelerate the firm's internationalization process. The double ended arrows in Figure 2, point towards a dynamic or bilateral relations between the forces. Continuous learning of the firm is represented by the feedback arrows within each circle. (Etemad 2004, 6-8.)

2.3.1 *Pull Forces*

According to Evers (2011), there are five major forces or motives that are included in the pull forces, Figure 2, of new venture internationalization. Dynamics of the industry and global integration of the industry are linked to the nature of the industry and its effect on internationalization. Global niche markets, most international new ventures can be found in globally integrated industries and homogeneous international markets. Increasingly global business networks and alliances pull new ventures to internationalize as part of defending their position within the networks. As initial awareness of foreign opportunity is often acquired through social ties, and the key factor in internationalization is the entrepreneur, founders of international new venture have been found to recognize foreign opportunities through antecedent social ties. (Evers 2011, 26-29.)

Technological level and shorter product lifecycle drives companies to invest in the internationalization process to achieve necessary market volume in a limited time span. The development of communication, giving access to the global communications network, and companies are aware of the global market and its opportunities creates a global outlook in the minds of people. The concept of industry captures the essence of internationalization. (Boter & Holmquist 1996, 481-484.)

As for global integration of the industry, a new venture is much more likely to internationalize when entering a global industry as it is necessary for the survival of the firm (Fernhaber et al. 2007, 530). Unfavorable niche market conditions and favorable export market conditions pull new ventures to internationalize (Moen 2002, 168). The creation of a new industry and market conditions can have a favorable external environment and pull new ventures to internationalize from the very start. The nature of the industry make it inherent for immediate internationalization of new ventures. Global demand and larger markets as well as emerging global niche market opportunities have an influence on early internationalization. Hence, market conditions create a significant force to exploit international opportunities. (Evers 2010, 408-409.)

International new ventures often build a hybrid structure for controlling many vital assets. This means that founders of international new ventures are less likely to make expensive investments in asset ownership when these assets are not vital to their survival. Along with the hybrid structure, when founders lean on their existing business network they can avoid problems extensive opportunism by their partners. As founders rely on trust, which is developed during repeated interactions, less opportunistic behavior is visible in hybrid partners as the one-time gain of an opportunity is lower than the long-term damage possible under opportunistic actions. (McDougall et al. 1994, 482-483.)

Social ties or social networks are vital when identifying new opportunities, to gain access to new foreign markets, and to develop competitive advantages. Building network relationships have a central part in the internationalization process. Thus, social networks

can provide valuable information benefits. Social networks then, can be viewed as a form of relationship exchange that creates value through social capital. This means that internationally active entrepreneurs rely on existing interpersonal ties and social interactions to obtain information, which will essentially create benefits and lead to performance improvements. (Zhou et al. 2007, 675-676, 685.)

2.3.2 Push Forces

In her literature review of international new ventures, Evers (2011), found seven forces or motives linked to the push forces displayed in Figure 2. Four of them are listed as regular push forces and three are part of the founder's profile. Limited home market, its unattractiveness or saturation have been found to be linked to internationalization of new ventures. Superior high high-tech market offering is one of the most common factor enabling new ventures to internationalize in the early stages. A firm may seek a global presence to capitalize on its unique resources, management experience, and new product technologies. As information, communication, and the internet grow to become faster and more digitized, internet-based technologies have become a key driver for early internationalization. (Evers 2011, 29-35.)

An unfavorable home market can stimulate a born-global companies interest in exporting. Also, high growth rates in export markets can further push interest by the firm to begin internationalization. According to Evers (2010, 393), limited home market and global niche opportunities, have been described to be of influence for the internationalization of new ventures. Therefore, born-globals often perceive international markets as more attractive than their home market. (Moen 2002, 166.)

As internet-technologies have become a key driver for early internationalization, Moen (2002, 166) finds that born-globals use information technology more efficiently when compared to other companies. Also, the international orientation or vision of management is a pushing force in new venture internationalization. (Moen 2002, 166.)

International experience brought to a company via its entrepreneur, is linked to the rapid internationalization of new ventures. The experience of the entrepreneur can compensate for the lack of overall experience of the firm. However, born-global management teams often have higher levels of industry experience. Competing internationally strains resources, thus making it important for the management team to have prior industry experience while attempting complex internationalization. (McDougall et al. 2003, 76.)

2.3.3 *Mediating Forces*

Key mediating forces, also known as the mental model of the entrepreneur, refers to the individual entrepreneur having a unique personality, risk-taking, autonomous and being committed to vision creation. The key mediating forces can be categorized into two main forces: International orientation and global mindset as well as alertness to international opportunities. (Evers 2011, 35-37.)

Managers of born-global firms have a more geocentric mindset with positive attitudes towards the internationalization process thus resulting in creating their own opportunities in international markets. Harveston et al. (2000) found that born-global managers have a higher global mindset compared to gradually globalizing company managers. Also, born-global managers have more international experience and are willing to take much more risks, therefore having a higher risk tolerance than managers from gradually globalizing companies. (Harveston et al. 2000, 93-94, 96-97.)

Networks help founders of born-global companies to find new international business opportunities. These networks seem to be more influential on the founders of a company than the psychic distance of the new market. Successful international new ventures have strong international business networks to support them. Market entry initiatives and foreign market selection come through opportunities created via network contacts rather than the strategic decisions of a firm's managers. (Oviatt & McDougall 2005a, 544.) The next chapter discusses market selection and the different market selection tools.

3 MARKET SELECTION DECISION MAKING

3.1 Market Selection Decision-Making Process

The country a company chooses to enter commits it to operating in the given surroundings. At the same time the chosen country also lays the foundation for future endeavors in international expansion. It also signals key competitors towards what the intentions are and define future battles. As larger firms are usually already involved in international markets, market entry decisions are based on this existing international network of operations. However, small and medium sized companies that are not yet active in international markets, entry decisions form a crucial first step towards internationalization. (Douglas & Craig 1992.)

As business is done in more and more global settings with fewer barriers, growing competition and bigger opportunities than ever, selection or segmentation of markets becomes increasingly important. International market selection is a limited rational decision by the firm. This includes the decision-maker's cognitive limitations, the limited amount of time spent on the decision making, amount of market information available and the imperfections in decision making models. According to Papadopoulos and Martín (2011) international market selection needs to be seen not only as a strategic decision but also as a problem of choice with all the available national and cross-national foreign markets. International market selection requires practitioners to understand cultures that are foreign to them. Even though there are difficulties regarding international market selection in general, foreign markets are still very diverse, and the features, potential rewards, risks and others connected to them continue to press on the importance of international market selection. (Papadopoulos & Martín 2011, 133-135.)

International market selection has a crucial role in determining international success for small firms. Smaller companies approach international markets in a systematic approach tend to be more successful when compared to firms using an ad hoc approach. However, only a small amount of companies has been found to use a more systematic approach. (Brouthers & Nakos 2005, 375; Marchi et al. 2014, 2208-2209.)

According to Levy and Yoon (1995, 57), companies should carefully screen target countries and markets before selecting one and deciding when and how the entry will be executed. Figure 3 illustrates the decision-making process to achieve a final go or no go decision. Although the decision-making process, figure 3, is meant for well established companies, it could be important for born-global companies as they often focus on international markets from inception (Mets & Kelli 2011, 81-82). The process requires decision makers to assess the company's strategic intention, potential market opportunity, payback risks and synergy effects. (Levy & Yoon 1995, 57.)

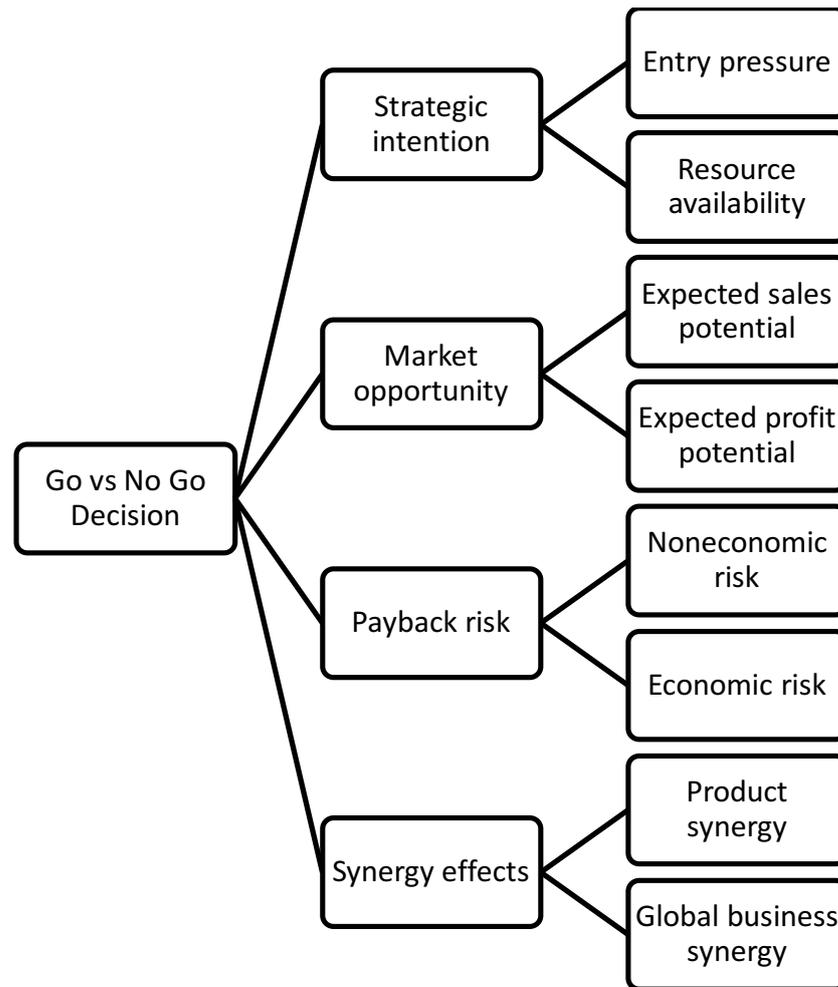


Figure 3 Decision framework for market selection (Adapted from Levy & Yoon 1995, 57)

Strategic intention in figure 3 refers to a company's long-term plans and performance in a specific target country or market and is often determined by the entry pressure and amount of resources available. Entry pressure is assessed by the global competition, growth of the global market and the long-term global commitment, thus high pressure for example would mean fast entry into a foreign market. Resource availability within strategic intension means financial recourses available to international expansion and capacity utilization (Levy & Yoon 1995, 58.)

Market opportunity, the reason for companies to internationalize, includes both, expected sales potential and expected profit potential. Expected sales potential may be measured using gross domestic product (GDP) levels, the GDP growth rate and through competition. Expected profit potential then again is measured using the firm's competitive cost advantage in both, production and marketing costs. Low GDP level and growth suggest a low expected sales, and low production and marketing advantage lead to low expected profit potential. (Levy & Yoon 1995, 58.)

In the case of payback risk two factors are important, noneconomic risks and economic risks, and refers to the return of profit compared to the investment into the target country. Economic risk is measured in foreign exchange rate and trade balance of a specific country, noneconomic risks can be measured in the potential of a company losing its investment and might be seen as a function of political or social risk (Levy & Yoon 1995, 58.)

As figure 3 shows the synergy effect in the decision framework is comprised of product synergy and global business synergy. Synergy effects include all cooperative actions undertaken by a company as an effective combination. Product synergy includes manufacturing, research and development, logistics, engineering and how these produce synergy for the product. Global business synergy then again means the synergy created by management and marketing experience. (Levy & Yoon 1995, 58.)

Gaston-Breton and Martín (2011) suggest that selecting markets should be a two-stage process. The first part is macro-segmentation, which is performed on the country level. This first stage takes market attractiveness into account using variables like market size, potential, and market development. Other variables can include a mix of economic, political, demographic, and geographic indicators. While using different variables in analyzing markets may provide different results, it is important to select an appropriate basis for the macro-segmentation process. The second stage in the market selection process is micro-segmentation. This stage refers to using mainly three units as basis for analysis: a range of product specific characteristics such as attitudes towards attributes, domain-specific features such as lifestyle, and general characteristics such as central values within the market. This two-step process can help decision-makers to identify appropriate strategies, and markets that are similar to each other. Understanding the values of consumers is a key issue for managers selecting new markets. (Gaston-Breton & Martín 2011, 270-272, 282-284.)

International market selection is usually considered to start after the decision to expand internationally and ends once a decision has been made whether to act on the selection process of international market selection, ultimately this leads to a worse situation due to the complexity and importance of international market selection, and the fact that market selection and targeting are closely intertwined with other parts of the expansion process. (Papadopoulos & Martín 2011, 136.) There are certain tools to assess market attractiveness and other key indicators. The next chapter will provide an overview of the first tool, the PESTEL model.

3.2 PESTEL Model

The PESTEL model, or analysis stands for Political, Economic, Social, Technological, Environmental, and Legal analysis. This particular model or framework describes the macro-environment factors used while scanning the environment by management. This framework can be used for market research or strategic analysis, and gives an overview of the macro-environmental factors of a market that should be considered by the firm. (Huang et al. 2014, 464.)

The PESTEL model gives a bird's eye view of the whole environment from different angles into the factors a company wants to keep track of when starting a new plan or idea. Political factors determine how much a government can influence the economy or an industry. Political factors include tax policy, fiscal policy, and trade tariffs. Economic factors are performance indicators of an economy's performance. Indicators include inflation, interest rates, foreign exchange rates, economic growth patterns, and foreign direct investments. Social factors on the other hand focus on the social environment. These include cultural trends, demographics, and population analysis. Technological factors are linked to innovations in technology that may have an effect on the market and can include automation, research and development, and technological awareness. Environmental factors on the other hand are factors influencing the environment of the market. These include indicators such as climate, weather geographical location, and global changes. The legal factors have both internal and external sides to them. Laws affect business environments of markets, and internal company policies that the company wants to maintain within their operations. (Pestleanalysis 2017.)

As the PESTEL model has two primary functions, identification of the environment within which a company operates, and the model provides data as well as information that enables companies to predict situations being encountered in the future. However, there are a few issues that the PESTEL model has. The first problem is that the model does not use a quantitative approach to measure or evaluate the different dimensions within the model. This means that evaluating the external environment of a company cannot be rationally or objectively analyzed. The other issue with this model is that the different parts of the model are often analyzed independently from each other. Interactions and relations between the factors should be taken into account, and as they are analyzed independently, the factors might not reflect the real situation. (Yüksel 2012, 53.)

The PESTEL model has its issues, but it may provide the company with valuable insight into their environment. Another possible tool for market selection is country portfolio analysis.

3.3 Country Portfolio Analysis

The country portfolio analysis divides countries into four different categories: “Baby” countries, “Star” countries, “Cash-Cow” countries, and “Dog” countries. “Baby” countries have a high growth rate of gross domestic product and in terms of world trade share are below the median. These countries have the potential for future growth as they have not yet achieved high international competitiveness. These “Baby” countries are often newly industrialized countries and they are either moving towards the “Star” country category or the “Dog” country category. (Perlitz 1985, 12.)

“Star” countries have a higher share of world exports than the “Baby” countries, but are on the same level with them in terms of the average growth rate of gross domestic product. “Cash-Cow” countries have a lower growth rate of gross domestic product. The difference between this category and the others is that the income level is relatively high and thus also the standard of living is comfortable in “Cash-Cow” countries. The “Dog” country category holds countries that never made the “Star” or “Cash-Cow” categories. These are often smaller countries such as Switzerland or Norway. Understandably for such countries it is hard to achieve a significant percentage of world exports. (Perlitz 1985, 12-16.)

The country portfolio analysis model focuses on national GDP, consumer wealth and people’s tendency to consume. The model also places great emphasis on potential sales. Country portfolio analysis ignores risks of doing business in new markets, risks created by cultural, administrative, geographic and economic distance. (Ghemawat 2001, 138.)

3.4 Porter Five Forces Analysis

Porter’s five forces model is meant mostly for industry analysis. Often managers define competition too narrowly, while competition is not only the direct competition but also the forces that influence the industry (Porter 2008, 79). The state of competition in an industry depends on five basic forces. The collective strength of the five forces determine the potential profits of an industry. Weaker collective forces mean greater opportunity for superior performance. Their collective strength, on the other hand, mean that strategists must find a position within the industry where the company can best defend itself against these five forces. These five forces are, as depicted in figure 4: Threat of new entrants, bargaining power of suppliers, bargaining power of consumers, threat of substitute products or services, and the industry with its competitors. (Porter 1979, 138-143.)

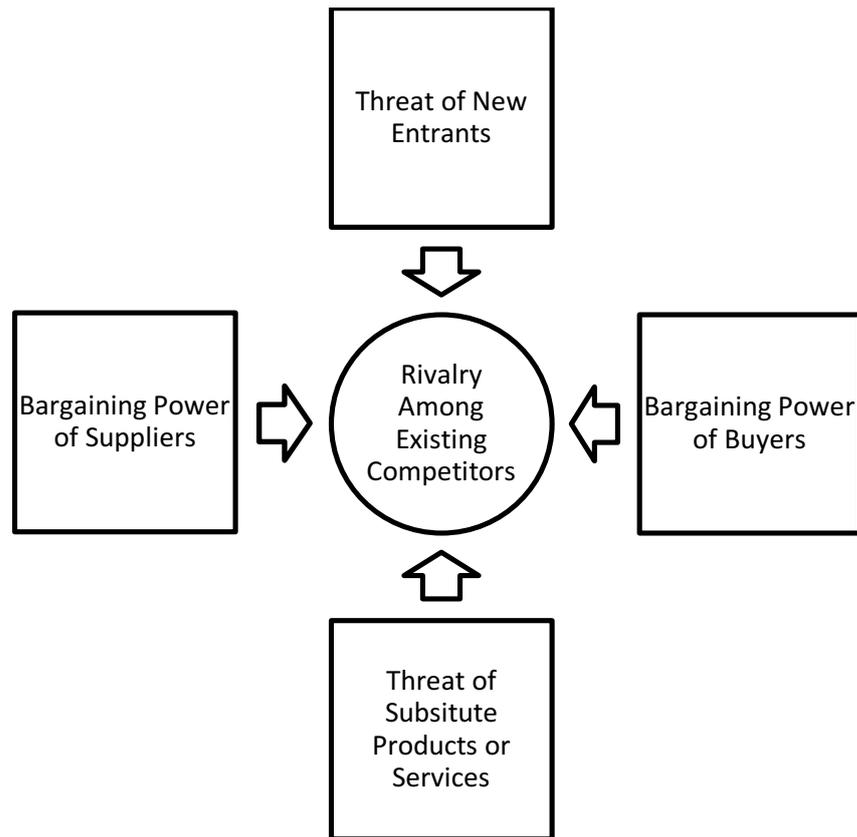


Figure 4 The Five Forces That Shape Industry Competition (Porter 2008, 80)

New entrants to an industry bring a desire to gain market share and thus it puts pressure on prices, cost, and investments necessary to compete. The threat of new entrants puts a cap on profit potentials within an industry. If the threat is high, established actors must keep their prices low or boost investments to hold out new competitors. The height of entry barriers present and the competitors reaction to new comers is dependent on the threat of entry within an industry. The power of suppliers is string when the suppliers are more concentrated that the industry they are selling to, they do not depend heavily on the industry for revenues, switching cost between suppliers are high, they offer products that are differentiated, substitute supplier group are unavailable, and a group of suppliers can threaten to integrate into the industry. Powerful suppliers can capture value by charging higher prices or by limiting the quality and services they provide. (Porter 2008, 80-86.)

The third force, the power of buyers, can force prices down, demand better service, or demand better quality products. A group of buyers can be powerful if there are only a few buyers, the industry product is standardized, or buyers can threaten to produce the product themselves. The threat of substitutes can be indirect at times, they are often easy to overlook as they can be very different from the actual industry product. If the threat of substitutes is high then industry profitability and growth potential will suffer. Rivalry among existing competitors comes in forms of new product introductions, advertising campaigns and price discounting. Rivalry drives down industry profit potentials via the intensity with

which companies compete and on the basis on which they compete. There are two dimension on which rivalry can take place: price competition, and product or services competition. (Porter 2008, 80-86.)

A firm must reduce costs to earn above-average profits when a group of buyers has a lot of power. By reducing a substitute product's price advantage a company can protect itself in the long-term. During the growth phase of an industry the threat of new entry is at its highest. New market segments emerge as demand increases and thus new entrants try to get hold of market shares. When a market becomes mature, the competitive intensity of within industry rivalry goes up and companies are differentiating their offering of focus on profitable niche markets. (Song et al. 2002, 970-971.)

The five forces framework reveals why an industry's profitability is as it stands. The forces show the most significant parts of the competitive environment and provide a baseline for sizing the business. Using this model, managers can position their company to build defenses against the competitive forces, exploit industry change by finding opportunities, shape the industry structure by leading the industry to new ways of competing thus altering the effects of the five forces, and define the industry of a company to correctly find causes of profitability. (Porter 2008, 88-90.) Porter's five forces model is one of the more popular models that decision-makers can use. The CAGE framework on the other hand is lesser known.

3.5 The CAGE Framework

According to Ghemawat (2001), companies pursuing global expansion are frequently over-estimating the attractiveness of foreign markets, often losing sight of the difficulties of pioneering new and different territories. The problem is in the analytic tools that various managers rely on to decide about foreign investment. Building on this, Kuo and Fang (2009) suggest that *cultural, administrative, geographic, and economic* (CAGE) distances influence a company's choice of location in four ways. First by understanding the cultural distance in the area. Secondly by understanding the administrative aspects between country governments and political constraints. Third by actually measuring the geographic distance creating possible limitations. Fourth by examining economic differences.

Global generalizations using the CAGE framework are to be made according to Ghemawat (2007). As mentioned earlier the world is still semi-global, thus both the differences and similarities between markets or countries must be taking into consideration. Differences in comparison to similarities in cross-border economic activities and their effects are massive and seem not to be disappearing. The distance used in the framework suggests solid metrics for capturing and identifying differences and similarities. Distance

in country selection should be considered as a multidimensional set of metrics, the different aspects of CAGE. Ghemawat (2007) suggest that the CAGE framework is usually most efficiently utilized on an industrial level, none the less industry specific variations and factors must be reviewed for proper application. With the CAGE framework distances are made visible, liability of foreignness made understandable, and comparing competitors possible. Applications of the framework also include comparing markets, and discounting market size by distance. (Ghemawat 2007, 63.)

A country's culture affects how companies, institutes and people interact between each other. The differences in language, social norms, religion and others all affect all create distances between two countries. If all other distance factors are equal, Ghemawat (2001) claims that cultural distance affect trade and countries sharing the same language could have up to three times more trade than countries not sharing the same language. Differences in cultural attributes like languages are easy to understand, whereas other attributes are much more subtle. Often nearly invisible, subtle gestures or social norms are much harder to perceive as they are deeply rooted in unspoken rituals guiding human behavior in a certain culture. Cultural attributes may create distance by influencing consumer choice and preference for certain features while comparing products and their substitutes. At times product even touch the so-called consumer's nerve by associating themselves with the identity of a community, such as religion for example. (Ghemawat 2001.)

When it comes to administrative and political distance, historical ties and political cooperation greatly affect trade between countries. Common trade agreements, currency or political unions also have a positive outcome on trade volume. Political and administrative distance goes both ways, governments may create barriers, such as tariffs or taxation, of doing business in both the home and host country. Ghemawat (2001) suggest that this usually is the case when a country's market is a large employer, the market is seen as a so-called champion where companies are a symbol for patriotism, it is crucial to national security or the market produces essential products to a country's people. Further cases where a government might take action to prevent outside competition of securing market share through barriers are if the market and its firms produce basic human essentials such as health care, the market uses a country's natural resources or in cases where the market requires large investments to be made such as mining or oil refineries. A country's infrastructure and political system or its corruptness matter a great deal as well, countries with strong infrastructure and working legal system are more attractive to foreign companies. (Ghemawat 2001.)

Geographic distance not only means the actual distance between countries, it also includes the physical size of the country, access to the ocean or rivers flowing through it, thus the topography, transportation and communications infrastructure play a significant factor in assessing distances between countries. Geographic distance has a negative effect on investment and trade flows. (Ghemawat 2001.)

The most important factor when it comes to economic distance is the wealth of a country, more specific the income level of consumers. It affects which countries trade with each other, countries with similar wealth often have higher trade when compared to countries with different levels of wealth. However, in some industries the benefits of economic distance come through exploiting price and cost differences between markets. (Ghemawat 2001.)

3.5.1 Country level analysis

When it comes to country analysis with the CAGE framework, it is hard to imagine a difference between countries that are similar in administrative aspect. However, as usually countries with similar administrative aspect are very close to each other in the other CAGE distances, these other distances are noteworthy since they reflect different challenges and opportunities. Differences can take the shape of bilateral attributes, which are country pair dependent. Many of the frameworks that have been proposed for understanding differences between countries presume that countries may be assessed by looking at a single country at a time (Ricart et al. 2004, 181). Bilateral differences are based on comparing the home country and target country. Unilateral differences on the other hand are country specific, like technology or finance. The third possible country attribute creating differences is multilateral. Multilateral attributes are country specific as well and focus on tariffs and hidden import barriers. (Ghemawat 2007, 39-40.)

Cultural distance mainly refers to differences in societies and is affected by people living in them. Cultural distances often reduce trade between countries and are mostly bilateral. Cultural distances can take the form of differences in language, different religions, different ethnicities, lack of trust or different values. In addition to these, a country's unilateral attributes affect cultural distance through traditionalism where a country is closed to outside trade and investments. Although cultural distance has more often a negative effect on a country pair's trade, exposure to each other's cultures over a long period of times minimizes some differences and makes cultural adjustment easier. (Ghemawat 2007, 40-42.)

While comparing countries, common currencies and colonial ties seem to have a positive effect on trade volume. Administrative attributes are part of a government's action to further be included in international trade organizations and others. Attributes such as colonial ties, shared regional trading blocs, common currency or political hostility all have a positive or negative effect on administrative distance. Ghemawat (2007) suggest that at times the issue for administrative distance comes from the home country in forms of health, safety and environmental standards. Most often although the distance between

two countries is created by the target country, import policies, trade quotas and other restrictions affect administrative distance in a negative way. (Ghemawat 2007, 42-44.)

Geographic attributes affecting country comparison and thus trade activity are mostly based on natural phenomena. However, when comparing two countries, geographic distance includes: lack of a common land border, differences in time zones and climates and the transportation and communication infrastructure. Ghemawat suggest that, when assessing geographic distance between countries, one should not only focus on the actual distance of the target country but also on the additional costs created by good or bad infrastructure, and transportation cost. (Ghemawat 2007, 44-45.)

Economic distance is affected by differences between countries in cost or quality of natural resources, human resources, infrastructure, and information or knowledge. A countries wealth as a bilateral attribute is also noteworthy, since wealthier countries often have less trade with poor countries. (Ghemawat 2007, 45.)

Ghemawat seeks to clarify these CAGE distances through an example, how India and China compare from the perspective of US companies. In this example, India has superior attributes in cultural distance, due to English language and westernized elite, and administrative distance, because of Britain being a common colonizer, law and political friendship. China then again has better attributes in geographic distance outweighing India by being closer to the US, having superior port infrastructure and the East Asia production network. Also in economic terms China seems to be stronger when comparing both countries with each other. Although India has specialized labor and higher profitability for firms, Chinas is a bigger market with higher income, labor productivity and capital availability. Ghemawat suggest that China is more attractive on Economic and geographic values but India then again in cultural and administrative. (Ghemawat 2007, 46-48.)

3.5.2 *Industry level analysis*

Using the CAGE framework for country analysis is good for general comparison and information. However, to understand how the CAGE distances have an effect on managers searching for possible international expansion, countries must be compared from an industry perspective. Hence, differences between countries are affected by the characteristics of an industry and must be taken into consideration in company strategy. (Ghemawat 2007, 49.)

Cultural distance matters most when products have linguistics content, a national or cultural identity, vary in terms of size or standards, or have country of origin quality associations. Administrative distance refers mostly to government involvement. Involvement is high within industries that produce staple goods, other entitlements such as health

care, are large employers, industries that are large suppliers to the government, are considered a national champion, are critical to national security, and industries that exploit natural resources or require large geographically tied investments also called sunk costs. Geographic distance then again plays a greater role when products have a low value-to-weight ratio, the industry's products are fragile or even perishable, and when the industry requires high local supervision and local operational requirements. As for economic distance, it has the biggest impact on industry when demand varies with income levels, achieving standardization and economies of scale is limited, when labor and other such costs are immense, distribution and business systems are different, and when firms must be agile and responsive. (Ghemawat 2007, 50; Ricart et al. 2004, 182.)

While using the CAGE framework for an industry analysis, it can be used for five major applications. As already mentioned, one is to make differences visible. Making key differences visible is valuable due to the fact that many managers making cross-border decisions are confronted with issues unheard of by them before, and therefore their personal experience is not enough. The liability of foreignness, a second application the framework can be used for, suggests understanding all the differences between countries that might handicap a multinational corporation in comparison to local competitors. The easiest way to overcome liability of foreignness is to buy a local competitor, although this might be dependent on the circumstances, partnerships may at times be the better option. The third application the CAGE framework can be used for is assessing natural owners and comparing foreign competitors. Natural owners meaning, which country's multinationals compared to another country's multinationals are predicted to take market leadership in the a target market. Another application of the framework is to compare markets between each other from the perspective of a firm; a closer look was taken in the previous subchapter. The fifth application of the CAGE framework is discounting distance. As mentioned earlier the CPA tool includes measures for market size and others, but ignores many risks the CAGE framework accounts for. One option is to use the CAGE framework for dividing such market size measures. A market, when measured in market size, might not be very lucrative for a company. However, when the CAGE framework's distances are considered and included, the same market may be one of the most profitable ones out there for the firm. (Ghemawat 2007, 54-62.)

3.6 Synthesis of born-globals and market selection

This chapter is meant to gather all the above theory and build a framework for the market selection process of born-global companies. Figure 5 gathers the theory of this thesis and builds a model for internationalization and market selection. According to Etemad (2004) three forces can trigger new venture internationalization from the founding moments of a

company and these forces consist of: the pushing forces of internationalization (push factor), the attractive pulling forces of internationalization (pull factor), and the mediating forces of internationalization which pull, push and intermediate the different forces while internationalizing. (Etemad 2004, 5-6.)

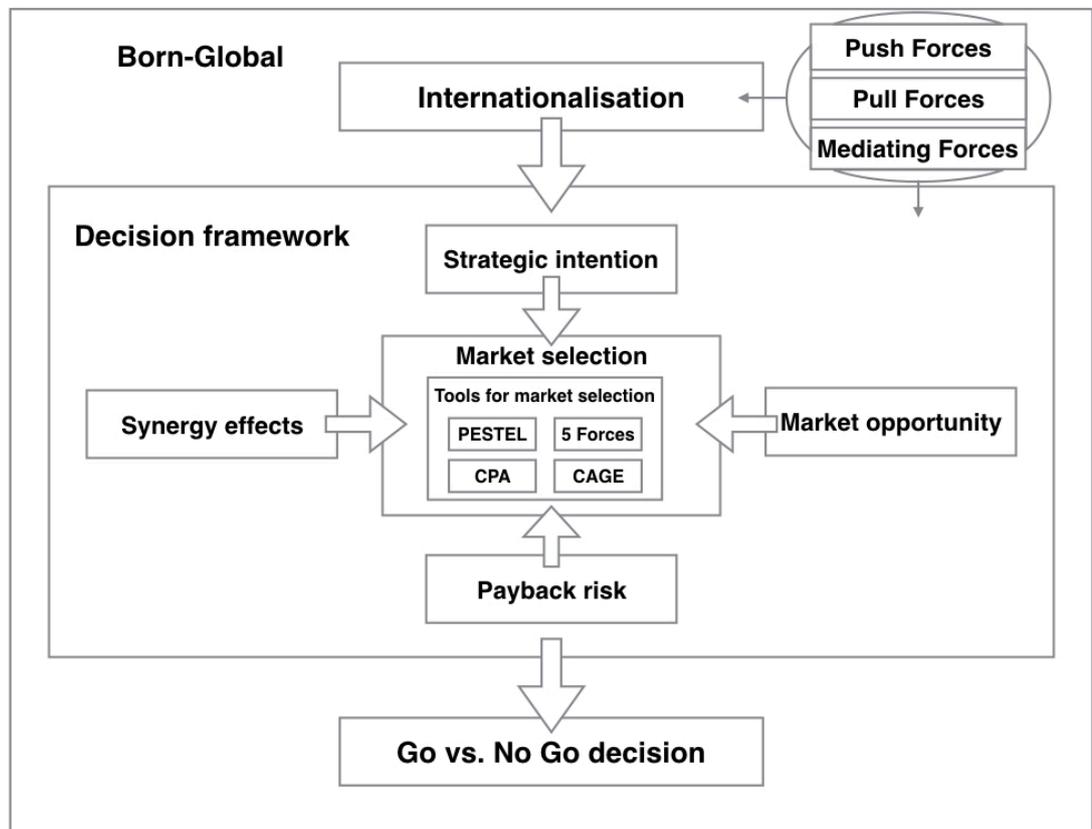


Figure 5 Market selection process of born-globals

Push forces such as business networks or dynamics of the industry, pull forces such as prior experience of the founders and limited home market, and mediating forces influence early internationalization and thus are at the very start of the process in figure 5. After the company decides to internationalize the market selection decision framework comes into play. Here Levy and Yoon (1995, 57) suggest that companies should carefully screen target countries and markets before selecting one and deciding when and how the entry will be executed to achieve a final go or no go decision. Strategic intention, market opportunity, payback risk, and synergy effects should be cross-compared with the market selected to achieve as much information as possible. Thus, market selection is at the center of this framework, as each of the four parts affect which market to select. The push, pull, and mediating forces also have an influence on the market selection process, thus the arrows to internationalization and the market selection process.

Market opportunity and payback risk can be evaluated by using different market screening tools. Tool such as: the PESTEL model, Porter's five forces analysis, country

portfolio analysis, and the CAGE framework. Papadopoulos and Martín (2011) consider international market selection as a limited rational decision by the firm. This includes the decision-maker's cognitive limitations, the limited amount of time spent on the decision making, amount of market information available and the imperfections in decision making models (Papadopoulos & Martin 2011.) This means that using market analysis tools, decision makers can analyze the information available and improve uncertainty within the decision process.

Once the market has been selected and analyzed using the tool, the four parts of the decision framework have provided information as to enter or not, a final decision can be made on when and how to enter the market in question. During this process the push, pull, and mediating forces influence which markets are considered as entry worthy.

4 RESEARCH DESIGN

4.1 Research approach

As earlier described the key elements of this study are to understand born-globals and the decision-making process at the very start of the internationalization process. The main research question of the study is: *How do born-globals select which market to enter?* Derived from this research question, two sub-research questions have been formed.

- How does the market selection decision-making process for born-globals work?
- What market selection tools are available for born-globals to select new markets?

Academics must be cautious when creating the design and doing the case study to overrule the criticism related to these types of studies. (Yin 2003, 1.) Performing a case study is important as it provides access to knowledge that could otherwise be missed. The method used in this thesis is an ethnographic case study. I have been observing the market selection process and the founders of the company during my time at Funzi. Case studies as such are popular amongst researchers, because of the complex business related issues that are involved in the research and the ease of presenting them in an accessible way. One case is sufficient for studying a phenomenon, although this is dependent on the research questions (Ghauri 2004, 109). More cases in the study give more width to it but on the contrary, the depth of the study may suffer. Thus, using more case companies in a study does not necessarily provide more information to the study. (Ackroyd & Fleetwood 2003, 214; Welch et al. 2010, 17).

Often interviews are the primary source of empirical data in business related research. (Eriksson & Kovalainen 2008, 116-125). This also applies to this study. There are two empirical parts to this study, one is the observations and notes that I have written across 10 months. The other part is interviews with the founders of Funzi. Both methods are complementing each other and provide access to information that would not have been accessible otherwise.

While researching Funzi's market selection strategy and the drivers for internationalization of the company, it is crucial to apprehend detailed information that often is not put into readable documents. Hence, interviewing two founders of the company is providing valuable insight that would not be available otherwise. Eskola and Suoranta (1998, 86) describe an interview as a dialogue, where the success of the interview is determined greatly by both sides.

Interviews are a crucial part of this study, and so are my personal notes taken over the course of the past year. According to Alvesson (2009, 158) performing an ethnography has some advantages which make the researcher less dependent on the accounts of re-

spondents. At home ethnography calls for a more reflective approach where data management is regarded as less important than revealing insightful account and interpretations, therefore self-reflection is crucial (Alvesson 2009, 172). Ethnography is a genre of social science where the writer draws from close observations and of the involvement with other people in a particular setting (Watson 2012, 16). Most of my observations have been made in specific settings that would not allow access to outside researchers. The apprehended information could not have been gathered without the ethnographic approach.

4.2 Case company selection

Oviatt and McDougall (2005, 31) define international new ventures as an organization that seeks to derive competitive advantage from the use of resources and sales in multiple countries. For this study, Funzi was selected as the case company. The main points in selecting a company were:

- The company must be in several different countries
- The company must have made new market entries recently
- The company must be a born-global firm
- Oviatt and McDougall's definition must match the company

Funzi was founded in 2014 by Tero Salonen and Aape Pohjavirta. Since then Funzi has created a product that is a mobile first learning platform with the aim of solving the global issues connected to insufficient education. Funzi's platform focuses on topics that are connected between each other, and to the well-being and livelihood of people. Funzi's product is applicable globally and is very easy to scale.

The company has launched its service in several different markets, Nigeria, Kenya, Indonesia, Iraq and the Philippines to mention a few. Funzi has established a market presence in Africa and Asia and Europe, furthermore the company is currently working with partners in North America. Another factor influencing the decision while selecting the case company was that I work at Funzi in the marketing & analytics department. Through my work at the company, I have gained access to the market selection process. This enables a friendly attitude while conducting the interview and allows for much more dialogue that usually could be the case.

Funzi can be described by all four main points that were decided at the early stages of this study. The company is a born-global startup and fits Oviatt and McDougall's definition of a born-global company. It has recently made new market entries and Funzi has been active in several different countries in the past. In fact, Funzi has had users from 194 countries, and only North Korea is missing. The latest market entries have been Jordan and the United Arab Emirates.

4.3 Data collection

The purpose behind a qualitative study and its interview is to find qualitative explanations or descriptions from reality (Kvale 1996, 124). If data collection is not done well, previous work on the study may not be useful, thus making data collection important (Yin 2003, 57). In this study, the data was collected by conducting interviews to both founders of the case company. Also, notes on observation were taken during meetings and generally while at the office. In a company of this size, the founders are the experts on the company's strategies and visions. This means that they are the best source of knowledge regarding the issues presented in this study.

Ethnographic empirical material can be created in a variety of ways, two of which are, planned systematic data collection, and an emergent-spontaneous approach. The planned approach means that the researcher has a clear understanding of what he wants to study, how to plan the work ahead and to some extent the research interest must be decided in advance. The second option is to apply the emergent-spontaneous approach. This approach has its start when something interesting happens. This approach increases the likelihood of finding interesting material. (Alvesson 2009, 164-167.)

For this case study, I am using meeting notes, memos, bullet point lists and general notes created during my time at Funzi. These documents have already been available as they have been written spontaneously during the process of internationalization and new market selection. They include reasons for market selection, notes on marketing strategy, and observations of the founders. As the thesis progressed to become clearer, notes about the entrepreneurial profile have been added when something interesting has come along. Conversations on market selection and market entry decision making have often included both Mr. Salonen and Mr. Pohjavirta.

Tero Salonen, the CEO and founder of Funzi was selected as one of the interviewees, because he handles all daily business related issues and most of the strategy work in the case company. Mr. Salonen has founded several startups before and knows the ins and outs of the case company and all business relevant issues. On the other hand, Aape Pohjavirta is the Chief Evangelist and co-founder at Funzi, and thus knows its vision and future like no other in the company. Mr. Pohjavirta has gathered a massive amount of experience in the startup world. He has founded several businesses himself and is currently being a mentor to other entrepreneurs. Through working with both, I am able keep the dialogue alive easily and ask further question if need would arise.

Table 1 presents what types of empirical contributions have been gathered from which person. The table includes clarifications on when interviews were held, how long they were, and additional notes on the persons that provide data for this study. As one can see from the table, Tero Salonen and Aape Pohjavirta were interviewed, where as I have been observing and taking notes at the company continuously starting in early June.

Table 1: Empirical data of the study

Name	Title	Empirical Type	Date of Empirical contribution	Interview Duration	Notes
Tero Salonen	CEO	Interview	28.03.2017	33 minutes	Founder
Aape Pohjavirta	Chief Evangelist	Interview	08.04.2017	54 minutes	Founder
Markus Häkli	Marketing & Analytics	Observations, notes, meeting memos	Continuous observations and notes starting from 06.06.2016	No interview	Working at Funzi since 21.03.2016
Funzi marketing strategy		Company document	Created 10.11.2016		Information about market selection
Funzi usage report by country		Company document	Created 3.2.2017 (continuously updated)		Usage information about the platform by country

To conduct the interview, the semi-structured interview method was selected for gathering data. This method makes it possible to ask further questions or to rearrange the order of the questions asked, if there would be a need (Jyrinki 1997, 12). An interview time was set for both interviewees and I made sure that there would be as few interruptions as possible. The interview was divided along the lines of the main research question and sub-research questions, which helped in processing the gathered information.

The themes of the interview were divided along the previously mentioned research questions and can be viewed in table 2. With open and short questions, it was easy for the interviewee to grasp the idea and relay it in spoken words. The interview themes and

questions are built to follow the order of the thesis and they are based on the theory in this thesis. The interview questionnaire is available as appendix 1.

Table 2: The operationalizing table

Research question	Sub-questions	Main interview themes
How do born-globals select which market to enter?	How does the market selection decision-making process work?	Push / Pull & Mediating forces
		Market selection process
	What tools can be used to select new markets to enter?	Country / market analysis & comparison

The interview process started with contacting both persons and setting a date for the interview. Setting a date was rather difficult as both Mr. Salonen and Mr. Pohjavirta need to travel quite frequently on work related issues. Due to frequent travels from both interviewees, we agreed on telephone interviews. The interviews were held in March for Mr. Salonen and in April for Mr. Pohjavirta.

Some of Funzi's staff do not speak Finnish, thus within the company the language is English. Also, the interviews were held in English to not lose anything in translation. All the themes were addressed precisely and answered very thoroughly. As was meant to be, the interviews were both very conversational and provided a great deal of insight into the issues described in this thesis. According to Eskola and Suoranta (1998, 86) interviews are nowadays more conversational than previously. This was also the case in this situation. The data from the interviews accomplish to complete the observations made by me. This means that although I have been observing and taking notes, I could have not gathered as much detailed information without the interviews.

During the interview, Mr. Salonen jumped back and forth a few times and added information to previously asked questions. It was more complicated and harder for me to keep track of the sub-questions and themes of the interview and upkeep some sort of chronological order to get the most out of them. Mr. Salonen's answers were short at times when he answered certain question. Mr. Pohjavirta on the other hand, has done several interviews over the past decade and is very used to giving them. He had very straight forward answers and replies to all questions leaving very little to be clarified. I was able to complete the partially short answers by Mr. Salonen as Mr. Pohjavirta provided extensive answers to the question which is visible in the length of the interview. Mr. Salonen's interview took about 30 minutes and Mr. Pohjavirta's interview took 55

minutes to answer all questions and were very pleased with the presentation of the issues and structure of the questions. Thus, the interviews completed its task of providing empirical information and insights.

4.4 Data analysis

Data analysis summarizes the collected data and the process is used to provide new information to the studied topic (Eskola & Suoranta 1998, 138). Once the interviews were conducted, they had to be summarized and analyzed for the study. After the interviews, both audio files were uploaded and transcribed into separate files. Transcribing the interviews made it easier for me to establish links to theories and filter out the unnecessary parts. This allows for improved focus while analyzing the results of the interviews. The coding method was applied to both text files to further enhance the different themes, even when the interviewee was bouncing back and forth between questions. The coding structure was based on the theoretical themes provided earlier in this study, which also reflect the sub-research questions. Planned systematic coding is used in research that is based on existing theory and while testing or providing new information for a specific theory (Eriksson & Kovalainen 2008, 128).

While coding the interviews I noticed a few areas where follow up questions would have provided more in-depth knowledge and information, however, the theoretical themes seemed to link up very well with the interview questions. As follow up questions could have improved the result of the interviews, the at home ethnography method and notes made by me were able to provide further information into the topics that could have been elaborated more by the interviews. Notes also include answers to some of these follow-up questions that were found to be important later during this study.

The written observations, notes from meeting and bullet point lists were harder to decode as they were on several different platforms. Some of the notes are available in notebooks while others are in an electronic format. Analyzing and adding these notes to the existing theory was rather difficult. As the data collection was performed with an emergent-spontaneous approach, notes and observation were taken only when something interesting came along that was related to this study.

4.5 Trustworthiness of the study

There are four main criteria to assess validity and reliability of a study: credibility, transferability, dependability, and confirmability (Lincoln & Guba 1985, 300). These four are also used in this study to assess the trustworthiness of this study.

Credibility, key points are according to Eriksson and Kovalainen (2008, 294):

- Familiarity with the topic and sufficient data for validating the claim
- String logical links between observations and categories
- Other researchers agree on the claims based on the material provided in the study

While the theory and topics of this research were well studied before the initial interviews, the main goal of the study was to increase knowledge within the theoretical field. At this stage, two interviews were held and observations were taken, which provides proof of sufficient data for this case study. As mentioned earlier, I studied all the theoretical topics thoroughly. Furthermore, I work in the field of international marketing and market selection at the case company, adding to the credibility. Working at the case company provides me an unusual advantage while conducting the interviews. Both interviewees spoke freely about the issues and topics covered. It also opens up an in-depth view into the case company, which otherwise would not have been available in this case.

Transferability is based on the results being transferred to other theoretical and empirical contexts (Lincoln & Guba 1985, 297). The researcher must show that the study is to some degree similar to other studies and to show a connection between existing results (Eriksson & Kovalainen 2008, 294). In this study, the main point of transferability is the theoretical framework. Results of this study are transferable to already existing studies in the field. Information about the case company is presented and the questions are based on the theoretical framework of the study.

Dependability means providing information to the reader (Eriksson & Kovalainen 2008, 294). This study provides the reader with a solid theoretical framework, which is based on the research question and sub-questions. The case company was selected according to the parameters decided before the initial screening of possibilities. The study follows a straightforward vision of deepening the reader's knowledge in the theory used and with the results provided. The interviews were a dialogue and open for further questions if necessary. Both interviewees addressed the questions by providing valuable information to each question asked, and trusted the interviewer through openly communicating. Observations and notes from me are able to extend the information given by the interviewees.

Confirmability is defined as the idea that interpretations and the data provided are real and not imagination (Eriksson & Kovalainen 2008, 294). The data and interpretations in this study are according the rules of confirmability. Notes have been made during the time I have been working at Funzi and follow conversations I have had concerning market selection decision.

There is however, one setback for the trustworthiness of this study. There could be more than one case company, since the amount of interviewees is restricted to only a few in start-up companies. Adding other similar companies and interviewing more persons of interest would provide further information and increase the trustworthiness on this study.

5 MARKET SELECTION IN CASE COMPANY

5.1 Introduction of the case company

Funzi was founded in 2014 and from inception labeled itself as a born-global. The company is headquartered in Espoo, Finland and currently employs 12 people. Funzi's turnover in 2016 was below 100'000 and expected turnover for 2017 is over 800'000. The reason behind being founded was that both Mr. Salonen and Mr. Pohjavirta wanted to do something meaningful in their lives. As they both had been successful entrepreneurs prior to Funzi, they felt that it was time for a change and tackle something meaningful. Without a doubt in mind, the founders decided this company would be globally oriented and using mobile as the platform was clear from the beginning. As they had found the idea of mobile learning and "funzifying" content into small bite-sized learning cards that would be available for free to each user around the globe, they started off by testing the product value in South Africa. After initial testing, the results showed that they had a viable product that would be able to scale on their platform. The official launch of Funzi's product took place at Slush 2015 while being hosted by Facebook on one of the main stages. One of the first projects was to help refugees coming to Finland by educating them about their new home country.

"Funzi was founded because we wanted to create a meaningful job for everyone on our planet, we wanted to give everyone access to information that enables them to lead healthy lives, and we wanted to have a product that makes people happy and thus erases conflict and wars on the planet."
(Mr. Pohjavirta, Chief Evangelist, Phone call, 08.04.2017)

After the initial product launch, Funzi quickly expanded into Nigeria and Tanzania. As these markets have a high percentage of feature phones, Funzi made sure their product would be compatible with non-JavaScript phones. Funzi further expanded into Iraq, Kenya, Indonesia, and later during 2016 the Philippines were added as a new country. Since launch, Funzi has had traffic from over 194 countries and over 4 million people have visited the site.

"When we started, we figured out that the market would be ready for the distribution of learning content through mobile devices. The mobile penetration few years back was really growing fast in Africa and other devel-

oping countries. Currently almost everyone has a mobile device. Our business started from the perspective of how do we get the learning / education distributed to everyone in the world ... free for everyone. “

(Mr. Salonen, CEO, Phone call, 28.03.2017)

While market entries were adding up and usage data was gathering from different countries, Funzi started several bigger projects with non-governmental organization and local companies within the markets they were present at the time. Funzi's newest market entries have been Jordan and the United Arab Emirates. The company has also partnered with Facebook's Internet.org initiative to provide free learning via Facebook's platform in several countries.

The business model of the company rests on two main sources of income and consists of three steps that are included in every project: reach, educate, and complete. Every project aims to reach the target audience, educate this audience, and improve the audience's skill or push for course completion. The “complete” task and its meaning may vary based on the project and organization working with the case company. Although the product is essentially free to the end user, if the user wishes to become certified, he can purchase a certificate from the case company. This purchase is however not required to start learning or progress within the course. The other part of the business model is organizations and private corporations. Organizations may have access to quality courses and wish to reach their target audience. In this scenario Funzi is able to provide the organization a platform with which they are able to reach the desired audience.

Private corporations may be looking for talent from within their own company and they want to further educate or it could be to hire someone new. In this case, the company may use Funzi's platform to create a course and for example base their bonus system on learning new skills via Funzi. One partner is currently using this feature.

According to the empirical data gathered with interviews and observations, Funzi has very specific characteristics that are recognized also in the literature covered in this thesis. According to Tanev (2012) born-globals have distinctive characteristics. Firms are active in international markets from inception, the founders' vision is crucial to early internationalization, use of information and communication technology to gain advantages, and born-globals are flexible in international operation meaning that withdrawal from a market can be done with relative low cost. (Tanev 2012, 6-7.)

Funzi's founding teams vision has been global from the beginning, the company was born global. The case company has been international from the very beginning, early product test was performed in South Africa, and the first markets were entered soon after the initial product test. As the team travels internationally rather often, use of information technology plays a crucial role in communicating and managing ongoing projects.

Mr. Salonen stresses the importance of being born-global as a company. The firm's product is based on the learnings from the Finnish education system and combined with the latest technology to achieve a globally scalable product applicable to most markets. Ease of use and user experience are at the core of the product.

“We wanted to take the learnings from education which is local here in Finland and develop something that is global. We are from the beginning born-global.”

(Mr. Salonen, CEO, Phone call, 28.03.2017)

Born-globals gain significant competitive advantage by coordinating multiple organizational activities and continuously search for new market opportunities. Managers have a special worldview that transforms into competitive advantage. Advantages may include branding, skill in research and development, and managerial processes. (Oviatt & McDougall 2005, 37-38; Gleason et al. 2006, 115.)

The founders of Funzi have gathered themselves with very talented individual co-workers, as the founders themselves are very experienced. The firm has been able to build a platform that provides them competitive advantages via scalability of the system as well as ease of use for the user. The Founders, Mr. Salonen and Mr. Pohjavirta both see the world as their market place and every country or individual market provides certain opportunities that can be targeted now or in the near future. The case company has performed well with its branding especially in the African market place. Feedback from actual users have proven repeatedly that the concept is working. The founding team has gathered plenty of experience from earlier businesses they have founded.

5.2 Internationalization of the case company

5.2.1 Pull forces influencing Funzi's internationalization

Cavusgil and Knight (2015) emphasize the research on born-globals and their networks. Firms leverage their individual networks to improve competitive advantage and identify, get knowledge and leverage market opportunities (Cavusgil & Knight 2015, 8). Pull forces, such as networks, provide good incentives for a firm to find foreign customers as part of their strategy (Evers 2011, 24). Funzi does recognize the importance of the *business networks and alliances*. Both interviewees mentioned that they consider their networks to be extremely international. Mr. Salonen's contacts are mostly from the business development side, meaning he has a large network of mentors and venture capitalist. This

is also the case with Mr. Pohjavirta, he notes during the interview that he has been building his network since the 1980 and describes it as global and extensive.

“Most of my contacts are international, even the people that I worked with in Finland are globally oriented.”

(Mr. Salonen, CEO, Phone call 28.03.2017)

Funzi’s funding was provided via the founding teams existing networks when the company started. Also Mr. Salonen adds that if there is a need to get a connection established to someone outside his personal network, he can always get an introduction to the person via his or the co-founders networks. My observations verify this claim. Funzi has used its networks to find business opportunities in foreign markets and to establish connections with companies outside the founding teams network.

As *global market integration and dynamics of the industry* have been linked to pulling international new ventures to internationalize, Mr. Salonen describes the industry the case company is in as global. He does emphasize the differences of industry. Funzi is in the education market, however Salonen and Pohjavirta both describe the case company as a learning player within this industry instead of an educational player. Mr. Salonen continues to specify that learning is considered to happen from the intrinsic motivation of people, thus learning is global. Education as a market on the other hand is very local.

“Try to take the Finnish curriculum to Tanzania, it's not possible because it's made for Finland. The market is really local. That's why we wanted to take the learnings from education which is local here in Finland and develop something that is global. “

(Mr. Salonen, CEO, Phone call, 28.03.2017)

Mr. Pohjavirta adds that Funzi is in fact creating a new category within the education industry. Traditionally it could be said that Funzi is present in the information communication technology industry, but Mr. Pohjavirta, although recognizing this, quickly deflects and describes that the company is democratizing access and make access to education so simple that it changes the dynamics of the old education industry. He adds that instead of replacing the industry, Funzi creates this new learning sector within the industry.

Funzi has during the years used its *networks* to find opportunities in open markets. Many of the early market entries soon after Funzi’s inception, were initially opportunities that came through their network or they at least validated the opportunity via the founders’ networks. Mr. Pohjavirta adds that through his prior working experience he has had loads of exposure to business opportunities, thus he is able recognize good opportunities that have come along for Funzi. As already mentioned Funzi also uses its network to validate

the opportunities that the company finds or is presented with. Mr. Pohjavirta emphasizes that he constantly bounces ideas and opportunities back and forth between his network, not only receiving opportunities but giving them to others in his network and providing validation to others if needed.

“When you have a new idea, it is easy to reach out and get a good second opinion. It's good because it comes from someone who isn't actually working for you so there are no hierarchy issues. This is something I've been using and still use. There's a constant collaborative element between people and entities that are not directly tied in an earning mechanism. That's the value of my network.”

(Mr. Pohjavirta, Chief Evangelist, Phone call, 08.04.2017)

During my time at Funzi I have noticed that the existing network of the founders is one of the key elements pulling Funzi to internationalize. The data that Funzi has gathered in the past years provides validation that the markets Funzi is active are homogeneous. Even though there are cultural differences between the markets, Funzi has been able to create similar results when entering different markets, providing validation that the learning industry is homogeneous.

5.2.2 Push forces influencing Funzi's internationalization

Limited home market and global niche opportunities have been described to be influential for the internationalization of new ventures. Born-globals perceive international markets as more attractive compared to their home market (Evers 2010, 393; Moen 2002, 166). According to Mr. Salonen the Finnish education market is highly rated and if digitization ever happens, the home market is unfavorable. Mr. Pohjavirta adds to this that the Finnish system works so well there is no need for a solution like Funzi.

“The driver in case of Funzi is the problem we are trying to solve is global. We were born global because what we want to do is everywhere on the planet where people live.”

(Mr. Pohjavirta, Chief Evangelist, Phone call, 08.04.2017)

The empirical data reveals that Funzi recognizes the small market in Finland for its product, as there is no real need due to the very well working education system, the company claims one of the key elements to their early internationalization is the home market.

As Funzi's product relies on scale and educating people for free, it directs them to international markets where the company tries to create new ways to distribute learning and providing it through one platform. Mr. Pohjavirta adds that there is no significant financial value for them in the home market.

The *international orientation and vision of management* is a pushing force in born-global internationalization (Moen 2002, 166). Both founders of the case company are internationally oriented according to their own words. The vision of Funzi has been built around the idea of providing free learning to its users.

"Funzi's vision has been that learning should be free for everyone."
(Mr. Salonen, CEO, Phone call, 28.03.2017)

Mr. Salonen adds that the vision is globally oriented because learning is easily accessible through the internet and the education system in countries like Finland. The emerging markets are the place where the vision is most effective and where Funzi can have an impact by providing learning to its users.

Of the two founders, only Mr. Pohjavirta has prior experience from the industry Funzi is present. He was part of two separate project that both failed, but Mr. Pohjavirta stresses the importance of these prior experiences. During the time, he was working on the projects he got to know everybody in the industry including scientist and researchers, and politicians and decision makers. The prior experience in the industry provided him an understanding of what worked and what did not. Additionally, he was able to grow his network in this industry.

As Funzi has a superior offering that is not suitable to their home market, these two factors, superior offering and limited home market, are important forces pushing Funzi to internationalize. On the other hand, effective use of internal information technology that enables flexible communications even while team members are travelling, can also be counted as a pushing forces in this case. Although this is not one of the key forces pushing Funzi to internationalize, it is still worth adding to the forces. In addition, Mr. Pohjavirta emphasizes his prior industry experience as being important in the early stages of Funzi's internationalization.

5.2.3 *Mediating forces influencing Funzi's internationalization*

Empirical data shows that both founders have unique personalities as well as their alertness to new opportunities is high. My observations at Funzi revealed that as both entrepreneurs are very different in personality, they do complement each other very well. Mr. Salonen recognized the importance of his cofounder's network and ability to find new

opportunities in markets through said network. Mr. Pohjavirta emphasizes his network and connects the importance of his networks to his alertness for international foreign opportunities.

“The network is the number one source for high quality leads. With Funzi gaining more recognition and more visibility we are also starting to receive more inbound communication where we are approached by other players in the industry.”

(Mr. Pohjavirta, Chief Evangelist, Phone call, 08.04.2017)

Both founders are constantly scanning for new international opportunities and the interviews revealed that their networks have great influence when the case company is assessing foreign market opportunities. This is also the case according to Oviatt and McDougall (2005a, 44), networks help founders of born-globals to find international opportunities and are more influential than the psychic distance of the market. Funzi’s markets are very different compared to its home market. This supports the claim by Oviatt and McDougall (2005a). The networks of the founders of Funzi have had a large impact on which markets have essentially been selected for entry.

“There is a lot of influence from the networks. Most of the markets that we find and are matching what we do, are coming from these networks.”

(Mr. Salonen, CEO, Phone call, 28.03.2017)

As the mediating forces are a manifestation of the push-pull forces and how they impact the internationalization of the company, the empirical data reveals the importance of the *individual networks* of the founders, the prior industry experience of Mr. Pohjavirta, and the *limited home market*, have affected the internationalization process of Funzi positively. In fact, all the individual components within the push and pull forces seem to have a positive effect on the internationalization of the case company, however it can be argued that the above mentioned three individual components are key elements starting the process.

5.3 Market selection process of Funzi

5.3.1 Strategic intention

The interviews revealed that the case company always takes their strategic intention into account when selecting new markets. This means that the company reflects its own strategy and goals with the possible markets at the very beginning of the selection stage. Mr. Pohjavirta reveals that Funzi focuses only on markets where the company can have a long-term effect. This statement goes hand in hand with my personal observations about Funzi's strategy while compared to the markets entered. In all market selection conversations, there has always been the factor of strategy added to the selection process.

“We focus only on markets where we can have a long-term impact and do not looking at short term growth. When we enter a market, we want to be in the market and remain in the market.”

(Mr. Pohjavirta, Chief Evangelist, Phone call, 08.04.2017)

From a strategic point of view, Funzi has selected markets that have fit well with partner strategies as well. As the case company recognizes no direct competition from other players in the industry, Funzi can pick and choose markets based on their internal strategy and no competitive pressure is felt. However, the company does feel internal pressure from the strategic point of view to be present in certain markets. Mr. Pohjavirta clarifies that as Funzi is defined by science and its users, the only competition they currently face is from the existing education infrastructure like schools and teachers. The founding team of Funzi is the only team that has had the courage to design something that is made for the global learning market.

“There is no direct competition in the market. There is existing competition which is the education sector, schools and teachers, but in our space, there is none. It is not like Apple vs Microsoft. We are the only team that had the courage to design something from scratch and design it for the global market.”

(Mr. Pohjavirta, Chief Evangelist, Phone call, 08.04.2017)

As mentioned Funzi feels internal pressure to enter certain markets. Both Mr. Salonen and Mr. Pohjavirta, as well as my personal observations, are aware of their strategic approach and the vision they created. In other words, the reasons why Funzi got started in the first place is now providing pressure to deliver learning to people who are living in

areas where they do not have access to quality education. According to Mr. Pohjavirta, learning and education is the only tool to change the way societies work and Funzi believes that mobile is the correct way forward on their mission.

Resource availability is part of the strategic intention of a company internationalizing. How much resources are available to international expansion (Levy & Yoon 1995, 58). For the case company, market entry seems to be a rather light weight task. From my observations, I have found that the company may enter target countries and market with ease. Market entry is not too resource heavy and does not play a crucial role in the selection process of markets. The founders of Funzi agree on this and conclude that during the market selection process, resources used for market entry are low and thus they are not a key element in the selection process. Mr. Pohjavirta adds to this by suggesting that Funzi is one of the easiest products to enter a new market with. He describes the process to be as easy as choosing the market to enter and just create Facebook advertising campaigns.

“Just start a Facebook campaign in a market, choose the demographic, set the ads and run the campaign and you’ll find the exact same user behavior after a few weeks.”

(Mr. Pohjavirta, Chief Evangelist, Phone call, 08.04.2017)

The co-founder of Funzi, Mr. Pohjavirta, continues that he has worked in the mobile industry for a long period, having seen hundreds of mobile technology start-ups, and having discussed this issue with the founder of Supercell, and yet no one has ever heard of anything similar to this. It is in fact interesting how Funzi has been able to create a product that regardless of the market seems to be able to produce similar behavior in any given market.

The empirical data reveals that the case company relies heavily on their strategy and reflect on it when selecting new markets. Every new possible market is compared the existing goals of the company. There is no competitive pressure from direct competition to enter certain markets thus this has no effect on market selection. Market entry into the selected market can be performed swiftly and the process is flexible. Strategic intention in general thus plays an important role in the market selection process.

5.3.2 Market opportunity

Funzi assesses market opportunity by looking at the impact they can provide and how big it can be. Key elements during market opportunity assessment are evaluating the need in the market and the value Funzi can provide. The company looks at both qualitative data and quantitative data and verify the data via the founders’ networks. After initial market screening the company looks at the mobile penetration rate and how people use their

mobile phones. Funzi is constantly searching for partners that have an interest to educate people and that this partner also has the financial means to make the opportunity viable for Funzi. Therefore, expected sales and profit potential are also parts in the equation.

“We think about the need and try to think about the value. We also use a business model where we search for someone else that has the interest to educate people. If there is already a party that is interested in educating the people in an area. We evaluate if we can actually financially do that.”
(Mr. Salonen, CEO, Phone call, 28.03.2017)

The emphasis is however not on the expected sales and profit potential. My observations show that in some markets the emphasis on profit potential seems to be higher than in other markets. I would argue that depending on the strategic intention of the case company there is a difference on how much emphasis is put on profit potential. Mr. Pohjavirta adds that the business model is working quite well, but Funzi is currently in the process of testing its revenue production capabilities.

“We do estimations but they will become better over time, once we have more revenue producing services in markets. It's not the driver of the business or the market selection process.”
(Mr. Pohjavirta, Chief Evangelist, Phone call, 08.04.2017)

Another key element for assessing market opportunity is competitive cost advantage. According to Mr. Salonen reaching people in the market is crucial and so is the need for education. The key question to be asked is how effectively can Funzi reach its potential users in the market. In developing countries, the cost of reaching potential users is a lot lower when compared to western countries. As Funzi is globally oriented, content production is centered on this idea as well. Meaning that every local implementation of a new course is reflected on the global market opportunities. Is a course replicable to the global context? This keeps content production costs low and thus can increase the competitive advantage of Funzi.

Market opportunity and its assessment is a vital element in the market selection process. Funzi recognizes it as one of the most important elements of their decision making when selecting new markets,

5.3.3 *Payback risk*

According to the case company, economic risks do not influence the market selection process. My observations verify this claim as well: Funzi's market selection process during the past year has not taken any kinds of economic risks into account during the market selection process. Mr. Salonen finds that as Funzi is free for its end users, they have no need to rely on the local monetary system of the market as often projects are funded by partners from Finland for example.

The other key element in payback risks are the non-economic risks. The case company describes its most influential non-economic risks being related to markets that are in crisis areas. The case company clearly is aware of the risks that are involved when travelling to crisis areas such as Syria for example.

“There are risks obviously, we also understand that those societies are broken and vulnerable. On the other hand, we remember that mobile internet is there whether other safe factors are there or not. We see the component of trust and importance of hope as crucial. That's one of the drivers behind Funzi's thinking. We are someone who wants to deliver hope so that people can believe. We are there so that we can be trusted.”

(Mr. Pohjavirta, Chief Evangelist, Phone call, 08.04.2017)

Funzi is currently working on several projects that would need part of the team to travel into crisis markets. Two projects worth mentioning according to Mr. Pohjavirta are a project in Syria with travels to Damascus and another project in Iraq with travels to Baghdad. The case company emphasizes the role of trust they want to create and thus they have been planning travels to these markets to meet with the partners and discuss further steps of the projects.

For the market selection process this means that Funzi does not take economic risks into account when assessing new market opportunities, but they do consider the non-economic risks. During my time at Funzi, while this project was in its early stages, there has been an ongoing debate if case company employees should travel to these risky locations. In the normal market selection process where the market is not considered a crisis market, payback risks are not labelled as significant factor influencing market selection. However, the case is different with crisis markets, which is understandable. In crisis market situations, the case company gives more weight to payback risks, especially non-economic risks.

5.3.4 Synergy effects

I have been able to capture observations on the case company regarding the management synergies. Funzi's founders have been working together quite a long time and while at the same location, their experience and characteristics complement each other. Working at the same location enables Mr. Salonen and Mr. Pohjavirta to continuously communicate and share their knowledge uninterrupted, whereas if one of them is not at the office, communication between them is less efficient and synergy effects are lower.

These synergy effects of management experience have, according to Mr. Salonen, an influence on market selection. Often at least one of the founding team has prior experience from the possible market. As both founders have travelled work related quite frequently over the past years and even before founding Funzi, they both agree that their management experience through work and travel is creating synergy that affect market selection.

“There is big emphasis on synergy effects.”

(Mr. Salonen, CEO, Phone call, 28.03.2017)

Mr. Pohjavirta emphasizes that their combined experience, the founding team as well as the board members, comes through seeing so many mobile service cases from all around the world and through this he feels that these business synergies influence market selection. Another aspect to management synergy is the cooperative instances that partners can bring to the table. Mr. Salonen describes that synergies gained from cooperation with partners is growing bigger all the time. There is a lot of emphasis on how Funzi cooperates locally with partners. In the case of Funzi and the United Nations, Mr. Salonen feels that this particular partner is a great cooperative partner in the way of creating synergy effects that influence market selection positively. Mr. Pohjavirta on the other hand describes the synergy effect created by the Facebook partnership on market selection.

“When they go into a market, Funzi is one of the services that they want to see included in the new markets. Now they are going to Russian speaking countries and they have asked us if we have any content in Russian.”

(Mr. Pohjavirta, Chief Evangelist, Phone call, 08.04.2017)

Through working together with the partner, Funzi is able to profit from the synergy created by this partnership. In other terms, according Mr. Pohjavirta, when the partner enters a new market, Funzi is able to enter the same market with almost no cost due to the relationship of the partnership. The empirical data reveals that synergy effects are important in the case companies market selection process. These effects are also gaining more importance in the assessment stage of Funzi's market selection.

5.4 Market analysis and comparison of Funzi

The case company listed three main reasons for entering certain markets, but mentioned there might be more. These three reasons are reflected by different market selection processes which essentially also have an influence on market analysis and comparison. The first reason Funzi is entering new markets is research on user behavior and validation for the product. The second reason why the case company would enter a market is to achieve an objective related to their strategy or the partners want Funzi to enter a particular market. The final reason for market entry is that the company recognizes a need or desire for learning from within the market and thus decides to enter it.

“Market entry can happen to validate a hypothesis, because we want to achieve something, or it could be because the market becomes hungry and requires a solution.”

(Mr. Pohjavirta, Chief Evangelist, Phone call, 08.04.2017)

A crucial part in the market selection process, according to Mr. Salonen, is how can Funzi reach its end users. The company looks at mobile penetration rate, language of the market, Facebook penetration rate, and whether one of the existing distribution partners is currently present in the market. As Facebook is the most effective platform for marketing Facebook penetration rate within the market is one of the key elements influencing the decision to enter a market. Also important is existing networks in the market, while analyzing data from markets the company also tries to find new partners through its network and thus create a financial opportunity during the selection process.

Markets like Nigeria and Kenya were entered to verify the service Funzi is providing to its users. Indonesia and the Philippines were selected to verify the usage behavior on an entirely different continent compared to Africa. Tanzania was entered because there was an existing network that provided assistance in the early stages of the product. On the other hand, Finland was entered because of the refugees arriving in Finland. There suddenly was a need for the case company's service in its home market.

Market analysis can start from an internal recognition of the opportunity, or from someone outside through the network. To analyze any market, Funzi focuses on mobile usage data from the given market. Also, included in the equation is data about networks, demographics and other statistical analysis that might be found helpful.

“Based on this expert data and market data we then form an opinion that we then discuss internally, once we have made that internal decision, then we just do it. It is a process that has not been documented and it's flexible. I think that this flexibility must remain there.”

(Mr. Pohjavirta, Chief Evangelist, Phone call, 08.04.2017)

Essentially both founders suggest that Funzi mixes both quantitative and qualitative data, including policy situation and other research if available, the company then forms an opinion on the market to make a final decision whether to enter or not. Mr. Salonen list four components that he is looking for when analyzing a market. First, he searches for the need to learn within the market. Second, is Funzi able to reach its potential audience within this market. The third component is searching for partners in the market. The last component is the financial side, if there is a partner available in the market, can said partner be classified as a financial partner. Meaning that the partner has the financial means to make entry worthwhile.

Mr. Salonen's approach to market selection is more business oriented than the one used by Mr. Pohjavirta, who likes to focus at times also on product validation as a reason for market entry. From my observations, I have seen the two founders approaches often merge with each other which could be labelled as creating a sort of synergy effect as well.

“The first thing is we analyze is there a need for learning. That's key. The second thing is we see if we can reach the people. Third, can we identify possible partners in the market. Fourth, is there a financial partner in that market.”

(Mr. Salonen, CEO, Phone call, 28.03.2017)

The key elements in market analysis during the market selection process are the impact, financial viability, and the market's potential to Funzi. These two are constantly present in market selection discussions. Every market that has been selected has gone through the selection process and sooner or later market opportunity has been assessed.

“These three components are the biggest part in the equation. The impact, how important and meaningful is this, how big it can become and can we make it so that it makes financial sense.”

(Mr. Pohjavirta, Chief Evangelist, Phone call, 08.04.2017)

When it comes to tools for use in market selection the case company is not using any particular tool. The company is using some models to some extent but continuously applying one or a few tools during the market selection process is not happening. According to Mr. Pohjavirta, the case company uses particular sets and approaches that are in some market analysis tools, however as Funzi is trying to understand markets better, in the future use of some tool might be possible.

The current state of country and market analysis is limited to the above-mentioned components. This approach has led to the case company entering markets that have later been abandoned. Although Funzi still has a presence in markets it abandoned, there is no active search for opportunities. In the future, according to Mr. Pohjavirta, the company might evolve its processes to include more rigorous market analysis using tools and models. However, the company emphasizes the importance of flexibility when selecting markets and analyzing them. Mr. Pohjavirta mentioned that the current models available for companies to analyze market might be outdated for use in the digital business.

“It's possible that those models that you mentioned, as they stem from the analogue world, from the past, that those models need to be changed moving forward into the digital only mobile space of the future. that is one of the areas where I personally am really interested and intrigued about doing more research in collaboration with researchers in the future.”

(Mr. Pohjavirta, Chief Evangelist, Phone call, 08.04.2017)

My observations for market selection and market analysis have found that the case company does do market analysis and as Mr. Pohjavirta suggested part of different models are being used during the selection process to identify for example environmental factors. Mostly the use of some elements in tools is used to assess market opportunity. Although, tools do exist my findings suggest that the current tools available and described in this thesis might be on the verge of being outdated. Easy and fast market entry makes it possible for the company to quickly enter markets or withdraw from them. This means that Funzi has the luxury of testing markets by entering them and thus the market selection process does not require too extensive analysis of the individual markets. However, using a tool or a mix of different tools could benefit the company during the market selection process to understand the situation better. This could therefore lead to better understanding of market forces influencing for example finding a financial partner or predict potential profits within the market. Although market analysis is a key element in Funzi's market selection process, analyzing markets with a particular tool is not. Instead the company uses a mix of different elements from different tools or models.

6 CONCLUSIONS

6.1 Theoretical contributions

The empirical data gathered for this study revealed that market selection process of the case company is fast and flexible. The data confirms the existing literature covered in this thesis, and based on this contributes to merging international market selection literature with the born-global literature. The data provides insight into which forces are considered as important by the case company and thus support the literature of this thesis. The most important pull forces for the case company: the business networks and social ties of the case company and their effect on internationalization are in line with previous findings in the literature. Push forces such as a limited home market, superior high tech market offering, the founders' international orientation, and prior industry experience are crucial according to the case company. These factors have been presented in the literature and match the findings of other researchers.

In the theoretical synthesis, the relationship between the literature of born-globals and international market selection was merged into figure 5. The findings of this study confirm that the theoretical synthesis is applicable to the case company. The push, pull and mediating forces are a key element in the market selection process.

There are some differences between the findings of this study and the born-global literature. The case company's product is very standardized. Knight et al. (2014, 659-661) found that product differentiation is a key factor in the success of born-global internationalization. This claim has been refuted by the case company. The product does constantly evolve but no differentiation strategy is being used. According to Fernhaber et al. (2007, 530) global integration of the industry is likely to pull born-globals to internationalize. The case company described its industry, the education industry, to be very local. Through their approach, they have created a new category within this industry that can however be described as global.

The previous theoretical synthesis figure has been updated to accommodate the findings of the study. As noted in the literature and empirical data of this study, born-globals are global from the start, thus there is no real start of the internationalization process. Figure 6 below shows the start of the market selection process within the internationalization of the born-global. It is arguable that the internationalization is an ongoing process of born-globals. The start of the market selection process is affected by the push, pull, and mediating forces which work within the ongoing internationalization process and are key elements of both internationalization and market selection. The most influential push forces affecting the case company's market selection are limited home market, international orientation and prior industry experience of the founder. These three factors are

considered in every stage of the market selection process. They affect each of the four different parts in the decision framework. Important pull forces according to the case company are the dynamics of the industry, business networks and social ties. Especially business networks and social ties play a crucial role in the market selection process.

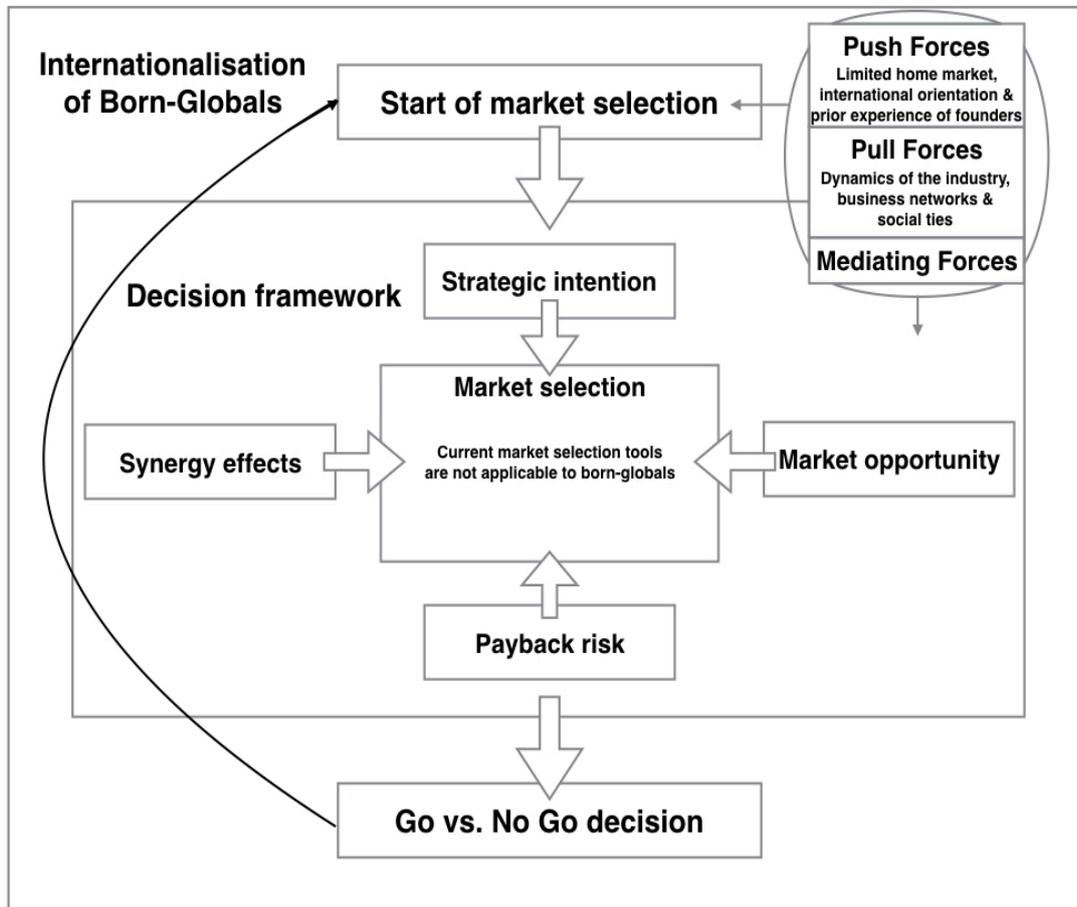


Figure 6 Updated market selection process of born-globals

Another important change in the updated figure is the addition of the arrow from the go vs no go decision to the start of the market selection. This arrow represents the circular process of starting and finishing the market selection process time after time. The case company is evaluating every market individually thus going through the market selection process every time a new market is being considered. Although Funzi is currently not using any tools for its market selection process, the company did however recognize that they are using some part of different models during their selection process. Meaning that the tools themselves are not crucial in the process. The case company did express a possible need for tools in the future.

The empirical data validates the findings of Gaston-Breton and Martín (2011, 282-284), market selection should be a two-stage process: macro- and micro-segmentation. Funzi analyses each market based on market attractiveness, size, potential, and need for

learning. The company also considers elements such as lifestyle and central values of the potential users within a market. These features are shown in the four boxes around market selection in figure 6.

Market opportunity, strategic intention are clearly the two most important factors in market selection according to the case company. Synergy effects can also be labelled as important but it is not as crucial as the previous two. Payback risk was according to the case company not influential in the market selection process. Although social risks are noted, the company prides itself as being reliable and trustworthy, thus viewing non-economic risks as the least important factor in the market selection process.

6.2 Managerial implications

This study provides key information for founders and managers of born-global companies. The findings of this study provide information as to how born-globals select which market to enter, how these decisions are made by the case company, and which tools could be applicable to the market selection process. As internationalization and market selection are key component in the success of born-globals, managers must understand the value of their network, importance of analyzing markets and the potential synergies gained through their networks and partners.

The push, pull, and mediating forces have been found to be crucial during the internationalization and market selection process. Especially business network and social ties, limited home market, international orientation and prior experience of the founders are according to the case company the most influential forces. Therefore, it is important that founders and managers understand how these forces influence strategic intention, market opportunity, payback risk and synergy effects. In the market selection process these different forces influence the decision maker and the markets being analyzed.

Managers and founders of born-global companies should asses their individual forces and find their strengths and weaknesses within these. Figure 6, updated synthesis, can be used as a process guideline for market selection to get a clear view of their process. As is with the case company, the market selection process can often be difficult and partially confusing to the company. Even though there is a clear intention, the process behind it can be difficult to understand when investigated. With Funzi, the prior experience of both founders has made the market selection process effective, but at times not efficient.

In case of Funzi the different parts within the market selection process, strategic intention, market opportunity, payback risk, and synergy effects have been found to be emphasized differently by the company. Strategic intention and market opportunity were the two most important factors influencing the market selection process. The case company continuously reflects its strategic intentions with the market being analyzed. Market opportunity is being assessed by gathering and analyzing both qualitative and quantitative data. Another factor included in market opportunity is assessing potential profits. Currently this part of market opportunity has only little emphasis as the company is still testing its revenue model.

After analyzing the possible market for these two factors the case company takes payback risk into account. Currently there is not much emphasis on this other than non-economic risks. Synergy effects gained from management experience and marketing experience work hand in hand with the other three factors influencing market selection.

Figure 6 aims to streamline the market selection process of born-globals once all the different factors and data have been gathered to get a clear understanding of which forces influence the decision-making process and to get a clear decision on whether to enter the market in question or not. Thus figure 6 depicts the market selection process of born-globals.

6.3 Limitation and further research

This study has some limitations. The market selection process was studied using only one case company. As born-globals are present in several industries and product may vary based on the industry, the transferability between industries is questionable. The qualitative data gathered is based on interviews of both founders and observations made by myself. Meaning that the empirical data, although insightful, is from one company, thus it can be argued that the outcomes of this study are only applicable to this specific company.

Cultural influences from within and outside the company have not been considered as part of the market selection process. Also, analyzing cultural differences of markets are not being considered during the market selection process in this study. The findings are based on a Finnish company expanding quickly into emerging markets from inception, thus born-globals expanding into western countries might find differences in their market selection process.

Further research into the market selection process of born-globals should include studying several companies from different industries to find similarities and differences in the market selection process. Also, it would be interesting to compare born-globals that produce product for sale and companies such as Funzi to find differences in the process. Furthermore, research could include extending this study to further understand how a

systematic approach in market selection can affect born-globals. In the interview, Mr. Pohjavirta suggested that research should be done on Funzi's success using their data and other applicable sources of quantitative usage data, as neither he or other industry leaders have seen such behavior on a platform. I strongly agree with this, as from prior experience I have not seen similar user behavior.

7 SUMMARY

The objectives of this study are to understand born-globals and the decision-making process at the very start of the internationalization process. The main research question of the study is: *How do born-globals select which market to enter?* Derived from this research question, two sub-re-research questions have been formed.

- How does the market selection decision-making process for born-globals work?
- What market selection tools are available for born-globals to select new markets?

This study is a case study of Funzi that provides free learning on their platform to its users. The company has its headquarter in Espoo, Finland. The courses the company provides are based on the themes livelihood and well-being and use a process called “funzifying” to transform the learning content into small, bite-sized learning cards that are gathered in topics and are part of bigger courses. After the initial product launch the company expanded into Nigeria and Tanzania with other countries following quickly. Funzi’s primary market is in Africa and other emerging markets. As these markets have a high amount of feature phone users, the product had to be built for both types of users, JavaScript enabled smart phones and non-JavaScript feature phones.

The company is in the education industry but claims it is a learning player creating a new sector within this very local industry. This new sector is global according to the case company. Prior industry experience of the founders has enabled them to build a product that is suitable for this global sector they are currently in. The company has currently had traffic from 194 countries.

The theoretical framework of this study is based on two sets of theories. First the study examines the literature of born-globals. This includes the different definitions of born-globals from existing literature, the main characteristics of born-globals, and literature on the internationalization of born-globals. The internationalization of born-globals literature is divided according to the forces influencing internationalization. These three forces are the pull, push, and mediating forces. Pull forces include internal and external incentives for a born-global company to internationalize. Push forces on the other hand are factors pushing the company to internationalize and are mostly entrepreneurial in nature. The mediating forces influencing internationalization are a mix of the prior two mentioned forces. The effect of the mediating forces depends on the characteristics of the company.

The second theoretical framework used in this study is international market selection and market selection tools. This literature includes a theoretical discussion on the market selection process and which tools can be used to analyze markets. This study uses four tools for market analysis: PESTEL, CPA, Porter’s five forces, and the CAGE framework.

To complete the theoretical discussion a synthesis of the theory has been built to depict the market selection process of a born-global company.

The empirical data gathered for this study is based on interviewing the founders of the case company and my observations during my time at Funzi. The case company selection is based on several criteria. One big factor in case company selection is the fact that I am currently working for the company. The interviews provided useful insight that my observations could not have found. On the other hand, my observations are validating and adding information to the data gathered from the interviews.

The findings provide insight into the case company's market selection process. Insights are provided on how the company selects its markets, how the selection process works, what the key elements are and how they are affecting the selection process, and whether or not the company is using any tools for market analysis. In the conclusion, figure 6 provides a depiction of the market selection process and explains how each factor influences this process.

This study has some limitations, because only one company was used to research the market selection process. Also, cultural influences that could affect this process have not been taken into consideration. The findings are based on Funzi expanding into the emerging markets, thus applicability of the findings to born-globals expanding into western countries might be questionable.

Further research could include studying several born-globals from different industries to find differences and similarities within their market selection process. On the other hand, studying born-globals that have adopted a systematic market selection and compare them to other born-globals would be interesting.

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APPENDIX 1 INTERVIEW QUESTIONS FOR CASE COMPANY

Theme 1: Internationalization of born-globals

- How would you describe your business network? Is it International?
- How would you describe the industry Funzi is in? Is it globally integrated?
- Have you relied on your business network to find opportunities in foreign markets?
- What key elements would you say are pulling Funzi to internationalise?
- How would you describe Funzi's home market? (Unfavourable?)
- Describe Funzi's vision. Is global oriented?
- Describe your prior experiences in the industry.
- Would you say your prior experience is pushing Funzi to internationalise?
- What is your mindset when working on Funzi? Would you say it is global?
- How do you scan for international opportunities?
- Would you say that you are constantly scanning the global environment for opportunities?
- How influential are your social networks when assessing foreign market opportunities?
- Have any of the previous foreign opportunities come through your social networks?

Theme 2: Market selection process

- When looking at markets, do you reflect the possible markets with the long-term plans of Funzi?
- Have you felt pressured by competitors to select certain markets?
- Is there pressure from a strategic point of view to select a certain market?
- How resource heavy is new market entry?
- How would you assess the market opportunity of a possible new market?
- Is there any expected sales or profit potential taken into account when selecting a new market?
- What about competitive cost advantage; content production and marketing cost. Do these influence market selection?
- Are you associating any economics or noneconomic risks to market selection or the country/market selected?
- What types of risk?
- Do synergy effects of the management experience or marketing experience affect market selection?
- Are there any cooperative instances that affect market selection?

- For what reasons have you entered which countries?
- Which countries have had partners prior or during the selection process?

Theme 3: Country / market analysis and comparison

- How do you analyse country information to decide which country to enter?
- What factors are key to market selection and comparison.
- Have you or the team used any tools for the market selection process?
(PESTEL, 5 forces, CAGE, Country Portfolio Analysis) (also Hofstede)