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INITIATING THE INTERNATIONALIZATION PROCESS OF VIETNAMESE BORN GLOBAL FIRMS.

Master’s thesis in

International Business.

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LIST OF ABBREVIATIONS
BVQI: Bureau Veritas Quality International
ISO: International Organization for Standardization
HACCP: Hazard Analysis and Critical Control Points
GMP: Good Manufacturing Practices.
VCCI: Vietnam Chamber of Commerce and Industry.

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ABSTRACT:
The degree of internationalization of the Vietnamese economy has been steadily increasing since the start of the Open policy in 1986. In this context, Vietnamese born global firms has been increasingly active in the international market. Understanding and following the internationalization process has become essential for these firms.

Theoretically, the firm starts the internationalization process by analyzing the motivation, barriers, enabling factors for internationalization such as previous knowledge, social and business network, resource and capability, and international entrepreneurship. Based on the advantages and disadvantages analyzed, the firm continues the steps of opportunity identification, exploitation, and development. Lastly, the choice of target market and the entry mode to penetrate the chosen market are the last steps of the process.

In the empirical part of the study, the qualitative and multiple – cased research method was conducted to examine and investigate the internationalization process of two Vietnamese born global firms in food manufacturing industry. Finding from the empirical part shows that the rapid internationalization of the firm is driven by the characteristic and the network of the founders. The global mindset of the founders is considered as the initiative of the internalization process of the firms. Besides, social and business network of the founders is the main factor enabling the firm to recognize and choose the potential market entry.

KEYWORDS: Born global firm, internationalization process, network.
1. Introduction.

1.1. Background of the study.

Research on the internationalization of small and medium enterprise (SME) firms has received much attention from international marketing and international business studies (Chandra, Styles & Wilkinson 2012). One type of SME is the born global firm, which has played an important role in the world economy, and the rapid change in the global business environment during the last few decades has had a strong impact on the internationalization processes of most companies in the world.

Born global firms can be understood as “a business organization that seeks to derive significant competitive advantages from the use of resources and the sale outputs in multiple countries” (McDougall & Oviatt 1994). The emergence of a growing number of born global firms that have been international since their inception attracted the attention of some researchers in the 1990s. These new firms did not follow a traditional pattern, such as the Uppsala Internationalization Process Model. Specifically, they followed an early and accelerated process of internationalization which is not explained by traditional theories (Gabrielsson 2005, Evangelista 2005 & Rialp et al. 2005).

Studies published on born global firms in leading marketing journals concerned the emphasis on the importance of managing networks and relationships in the decision making process (Chanra et al. 2012, & Freeman et al. 2010). This research explained that the key characteristics of the born global internationalization is the rapid engagement of multiple national markets, however, the firms are still small. Thus, in order to operate in the global markets, firms require a great use of networks to reach the global markets quickly (Chetty & Campbell – Hunt 2003). Furthermore, Ellis (2000) argues that in the internationalization process of born global firms, firms influenced by network relationships, are encouraged and motivated to internationalize. It has also been found that born global firms are affected by network relationships in the choice of foreign market and entry mode.
Moreover, most traditional research has been focused on established and large multinational companies, and none of the theoretical perspectives fully captures the actual internationalization of SMEs or describes the key role of the key decision makers in the recognition of SME internationalization (McDougall & Oviatt 2000, Westhead et al. 2001).

Therefore, there is a need to understand how the born global firms internationalize at the inception is associated with the network development and the role of the key decision maker in the internationalization process of born global firms. In particular, it is important to understand the motivation, which facilitates the firm in deciding to internationalize; the barriers, which the firm might face; the role of previous knowledge, social and business network, resource and capabilities and the international entrepreneurship during the decision making process of the firm; the opportunities that are actually beneficial to the firm; and market selection and market entry.

1.2. Previous research and research gap.

There have been many researches about the internationalization process of born global firms in the world. In this thesis, the research will focus on the firms in emerging and small economy. The roles of the entrepreneur as well as the role of networking in identifying opportunities and foreign market entry is also the main point that needs to be considered in this thesis. These core issues have been discussed and analyzed in different researches.

Yanto, Styles, and Wilkinson (2012) have made a study on 15 SMEs Australian case companies in order to have a better understanding of patterns of rapid internationalization by applying the emerging international entrepreneurship paradigm. This involves (1) taking an opportunity – based view (OBV) rather than just the firm as a focal point of analysis, (2) focusing on dynamic entrepreneurial processes and (3) stressing the importance of history. Findings show that most of entrepreneurs do normally delay the time to establish their own companies until the opportunity has
reached a certain maturity. Moreover, the accumulation of prior knowledge, resources, networks, and entrepreneurial internationality over time influences the firm’s willingness, and ability to discover, develop, and exploit international market opportunities.

Knight and Cavusgil (2004) studied that young companies seldom have sufficient resources to expand internationally. However, they found that youth, and lack of experience, as well as lack of financial, human and tangible resources are no longer the major impediments to the successful internationalization of the firm if the manager of the firm begins with a global vision and implements a strategy which gives rise to the early adoption of success in a broad range of foreign market.

Ellis (2000) studied 133 foreign market entries from a sample of highly internationalized manufacturing firms and found that the awareness of foreign market opportunities, which is identified as the critical antecedent of foreign market entry, is commonly acquired through existing social ties. In other words, the knowledge for foreign market opportunities is commonly acquired through existing personal links rather than collected systematically through market research.

Moen (2002), Arenius (2005), and Gabrielsson (2005) have also conducted research on internationalization. These studies concern small economies, economies with small domestic markets, and knowledge intensive economies that seem to favor the presence of born globals.

Mort and Weerawardena (2006) studied 6 Australian born global firm in high tech industry, which is discussed the role of born global owner / manager in the development of the networking capability in the born global firm, analyzing the following: how the networking capability develop over time, how networking capability enables identification and exploitation of market opportunities, as well as facilitates the development of knowledge intensive products and international performance in born global firms. The findings show that networking capability is built and nurtured by the entrepreneurial owner or managers through fundamental and secondary networks in order to fulfill the strategic vision of reaching global markets. While the fundamental networks are those held by the owner or manager which were inherited by the firm at
the time of inception and helped the born global manager to identify and exploit initial
global market opportunities, the secondary networks are those which the founder built
during the firm’s growth process in order to continue to exploit market opportunities
and respond to market competition. Moreover, the findings also show that network
capabilities change over the evolution of the internationalization process of the firm.
Furthermore, they found that most born global firms do not have financial or human
resources to undertake market research and development such as extensive and regular
market visits and setting up a representative offices in international markets. All of these
above functions, which are critical for the rapid internationalization of the firm, will be
fulfilled through the network partners.

These above researches discuss the internationalization process of born global firms in
small economy as well as the factors determining and influencing this process. The role
of the founder and social and economic networking in the process are the main focus.
This thesis will try to analyze the internationalization process of Vietnamese born global
firms and the relating factors impacting this process in the context of Vietnam economy.

Delimitation: The thesis focuses on the internationalization of born global firms in the
small economy. The role of the founder in the whole process is discussed in depth. A
wider vision in the market of developed countries, also the roles of product types or
market demand in the process, however, is limited. Moreover, the number of practical
cases discussed in this thesis is quite small; therefore they are not ideally representative
for the whole economy of Vietnam or other similar small economy.

Although the knowledge of market opportunities is considered to be the key driver of
entrepreneurial action, there is still little discussion about the ways and means by which
entrepreneur come to identify the information about the market opportunities (Ellis
2000). Furthermore, based on Granovetter’s view (1985), social network analysis
considers information as a social product. Thus, there is a need to understand the
structure of relationships and networks within which the firm and entrepreneur are
embedded in order to understand the way born global firms internationalize.

There are several important decisions which are included in the internationalization
process of the firm and the choice of foreign market entry might be the most important.
Nevertheless, the understanding of how born global firms make decisions concerning to the choice of foreign market and the mode of entry is still unclear (Brouthers & Nakos 2004).

1.3. Literature review.

Some previous researchers have mentioned that it is preferable to focus on the resources, which the firm possesses to determine in which industries they would be best deployed rather than looking into market characteristic to infer which resources are required by a firm to succeed. In 1991 Barney refined this logic and encourages managers to consider the firm as a bundle of resources, and that different firms are endowed with different resource bundles. These bundles can provide the basis for the competitive advantage for the firm. Therefore, this has been referred in the literature as a resource based view or resource based theory (Barney 1991, Peteraf & Barney 2003).

The resource - based view is one of the most important business perspectives for the success of born global firm. The resource based perspective assists firms to identify potentially important resources and capabilities, which can be used to create and sustain competitive advantage in order for firms to vie with competitors in the marketplace (Rialp & Rialp 2007). Moreover, the opportunities for the firm to enter into the international market quickly from its onset depend on the availability of the resources (Galbreath 2005).

When the small firms attempt to do business in the international market, they may face many barriers, such as lacking economies of scale or scarcity of resources and capabilities (Freeman 2006). Small firms then attempt to find solutions to resolve those barriers by collaborating with their partners and suppliers. Networking is considered to be a learning perspective from the partner relationship in order to help the firm to overcome these obstacles (Daniel et al. 2002).

Furthermore, Lee et al. (2001) has argued that network theory can complement the resource -based view of the firm, as the network theory emphasizes the external
relationships, while the resource-based view emphasizes internally accumulated resource. In particular, the research of Johanson and Mattson (1987) mentions that “through its activities in the network the firm develops the relationships that secure it access to important resources”. This signifies that the firms do not need to own a resource to gain access to it. The network then provides opportunities for the entrepreneurial venture to overcome the liabilities of the smallness and the newness in the way which the firm can leverage resources from other network actors. (Coviello & Cox 2006).

For example, when studies about the internationalization of the firm were new, research analyses started from the Uppsala model (Johanson & Vahlne 1977), which implies incremental learning and increase in international presence. In the 1980s, research found that a majority of firms made use of different networks to smooth the progress of internationalization activities, which brought forth the rise of the network mode (Johanson & Mattsson 1987).

Furthermore, the entrepreneurship theory shows that prior knowledge and work experience reduce the psychic distance to specific market and minimize the risks and uncertainties. In addition, the entrepreneur’s ambition toward the international market has an important influence on the behavior of born global firm as well (Madsen & Servais 1997).

Johanson and Vahlne (2003) later argued that the Uppsala model was obsolete, as it is necessary to have a model, which better describes the internationalization process. As a result, new streams of research within the categories of born global firms, high technology firms, service firms and also small business have reached this conclusion. The major theories explaining the born–global phenomenon taken into accounted in this study are mainly analyzed based on the resource–based theory, network theory and entrepreneurship theory.
1.4. Research questions and objectives.

According to the theory of entrepreneurship, the internationalization of the born global firm is considered an entrepreneurial act driven by the discovery of market opportunities by the entrepreneur embedded in a network enveloped by the environment. Although previous research shows that market opportunities, which the entrepreneur comes to identify the information about, are considered a necessary condition for entrepreneurship, information is not a sufficient factor. Information about new market opportunities must come to the person who has the capacity to take advantage of the opportunity (Andersson 2000). In other words, the motivation, previous knowledge, attitude and perception of the entrepreneur play an important role in helping the entrepreneur discover the foreign market opportunity. From this perspective, the motivation, previous knowledge, attitude and perception of entrepreneur should be analyzed in the case of internationalizing born global firms to find out how these factors affect the internationalization process, especially in the context of Vietnam.

Nowadays, born global firms play an important role in the international business context. Advancing technology aids firms in possessing sufficient information about their international market (McDougall & Oviatt 2005). The main reasons born global firms pay attention to their international process are the ability to diversify their portfolios and reduce risk when they internationalize with limited resources. Therefore, it is necessary to understand which resource is needed in order to help the firm overcome the resource’s limitation.

In the process of foreign market entry, the choice of market and the mode of entry are important decisions. Firms can choose the market through a reactive approach, in which the firms can respond to appearing opportunities in new markets. This method is also referred to as a passive approach and, according to some previous researchers, this approach has been prevalently connected to the internationalization of small firms. On the other hand, the firms also can follow a proactive approach, in which the firm can choose their market of entry in a formal manner (Albaum et al. 2005). However, there is
still a lack of understanding concerning how born global firms enter into foreign markets and how they choose the market for entry.

Based on the previous discussion, the theoretical objectives of this thesis are:

To analyze the way the network of the firm and the entrepreneur affect the internationalization process of born global firms.

To analyze how the previous knowledge, the attitude and perception of entrepreneur affect the process of internationalization of born global firms.

To understand which resources are needed for the born global firm when internationalizing.

To analyze how born global firms select the foreign market and which entry modes are most prevalently utilized in this kind of firm.

Moreover, as mentioned earlier, most of the research on born global firms has been conducted regarding high tech industries and in developed countries. Therefore, the objective of this thesis is to examine if the theory found is actually applicable in the Vietnamese context or not. Thus, the empirical objectives of this thesis are:

Based on these objectives, the research questions of this thesis are as follow:

Which resources are needed for the born global firms when they internationalize, especially in the case of Vietnamese firm?

How do the networks and perception of the entrepreneur affect the process of internationalization of Vietnamese born global firms?

How born global firms select the foreign market and which entry modes are most prevalently utilized in this kind of firm?
1.5. Keywords.

Born global firms: born global firms are also called International New Ventures, Global Start – ups, or Early Internationalizing Firms. All of them have been defined in various ways and there is no certain agreement in the literature which explains clearly explains what makes a firm born global. (Dib, Rocha and Silva 2010). Despite the lack of agreement on a definition (Rasmussen & Madsen 2002, Dominguinhos & Simoes 2004), there is reasonable consistency among authors in the understanding of what a born global is. When definition the concept, the following criteria have been adopted:

Date of foundation: Time spans between the foundation and the beginning of international activities. Various researchers have many different definitions about the time between foundation and the beginning of international activities. It is seen to range from up to two years from inception (McKinley & Co., 1993) to three years (Kipnig & Cavusgil 1996), to six year (Zahra et al. 2000).

Relevance of international activities to the firm: The percentage of international activities in the firm’s revenues is also one of the factors which help to understand which company is called born global. Based on the finding from the previous research regarding to the amount of turnover derived from international markets, in order to become the born global firms, the amount of turnover from international market should be from 25 percent of the total turnover of a firm. (Madsen et al., 2000 & Moen 2002).

Geographic scope of international operations: Another factor which concern researchers about the “born global” is the extent to which a firm serves one or more international markets and the location of these international markets, such as: one or few international markets, markets in the same region of the world, markets in different regions of the world (Gabrielsson et al. 2004).

Network: the term ‘network’ is a metaphor, which is used to represent a set of connected actors. These actors can be either organizations or individuals, and the relationships which tie them together may take many forms, such as those between customers, suppliers, service providers, or government agencies. It means that network
ties may occur between firms, between individuals or between firms and individuals (Coviello & Cox 2006).

Internationalization process: The internationalization of the firm could be explained as “the crossing of national boundaries in the process of growth” (Buckley & Ghauri 1999: ix). It is a process of adapting the operations of the firm such as: strategy, structure, resources, and so on, to the international market. (Calof & Beamish 1995:116).

1.6. Structure of the study.

The thesis is divided into four main parts: the introduction; the literature study, which includes the theoretical foundation and model building for the case study, the research methodology; the empirical part and the summary; the discussion; and some suggestions for further research. The study can be illustrated in figure 1.

First, the introduction part introduces the overview of the topic in order to have a deep understanding of the internationalization process of born global firms. There is a short discussion to highlight how the study of this thesis is related to previous studies. Then the literature review and the research gap are also discussed in this part. The specific focus of this thesis is then expressed through research questions and objectives. In addition, at the end of this part, the key terms of the study are also defined.

The second main part in this thesis is the theoretical part. This part introduces the reader the motivations, which motivate the firm internationalize at the inception. At the next stage, the barriers, which the firms are facing during the internationalization process, are mentioned. Following, these factors, which may influence on the making decision process, are expressed through the enabling factor. Lastly, the process of identification, exploitation and foreign opportunity development, as well as the foreign market entry, are discussed.

Next is the methodology part. This part starts by explaining why interpretivism is chosen as the philosophy of this thesis. In the next stage, the research approach and
strategy are presented. Particularly, the choice of the food processing industry and selected case firms is then discussed, followed by a description of the method choice, and the procedure of collecting the data through interview. The validity and reliability of this thesis are taken into consideration at the end of this chapter.

The empirical part presents the findings from the two case companies. First, the reader is introduced to some background information about the company and the industry, to which the company belongs. Following the overview of the internationalization process of case firms into the Taiwanese and African markets is presented by analyzing the five dimensions from the theoretical framework. Finally, the founding of the case companies will be analyzed on the basis of the proposed theoretical framework. Then in the last part, a summary of the study as well as the conclusions from the empirical results will be presented. In addition, a brief suggestion for the further research will also be addressed.
**Chapter 1: Introduction to the study**
- Background of the study
- Previous research
- Literature review
- Research gap
- Research questions and objectives
- Key words
- Structure of the study

**Chapter 2: Theoretical Part**
- Internationalization motives
- Barriers at the initial stage
- Enabling factors: previous knowledge, social and business networks, resource and capability, international entrepreneurship.
- The process of identification, development, and exploitation of international market opportunities.
- Foreign market entry: foreign market selection, and mode of entry.
- Conceptual framework

**Chapter 3: Research methodology**
- Research philosophy
- Research approach
- Research strategy: selection of industry, selection of case companies.
- Research method choice
- Technique and procedures: data collection and data analysis.
- Validity and reliability

**Chapter 4: Empirical part**
- Case company 1 and case company 2:
  Background of the industry and the case company
  Internationalization motives
  Barriers at the initiating stage
  Enabling factors
  The process of identification, development, and exploitation of international market opportunities.
  Foreign market entry: foreign market selection, and mode of entry.
- Comparison of cases.

**Chapter 5: Summary, discussion, limitation and suggestion for the further research**

**Figure 1**: Structure of the study.
2. Theoretical part.

In this part, the theoretical framework for the study is presented. This chapter introduces the reader to the research field of internationalization of born global firms. First, it starts with the study about the motivations, which aid the firm to internationalize at the inception. In addition, the internationalization of the firm involves a high degree of risk and uncertainty, as small firms have limited resources to deal with adversity. Therefore, it is important to understand the main barriers, which the firm may face when they internationalize early and at a rapid pace. Therefore, in order to help the firm decide to internationalize at the beginning, it is necessary to understand the previous knowledge of the founder, the social and business networks, which the firm and the founder may have, the resources and capabilities of the firm, and lastly international entrepreneurship. These mentioned factors are called enabling factors. In the next stage, based on the results from analyzing the barriers and the enabling factors, which the firm may have, the identification, exploitation and the development of foreign opportunities are investigated. Then the chapter ends with a study about foreign market entry of the firm.

2.1. Internationalization motives.

A variety of factors can affect firms’ decision to venture into international markets. These factors may provide stimulants for the company to investigate development in foreign markets. However, in most business activities, a single factor rarely interprets any given actions. It is usually a combination of factors, which facilitates firms in taking steps toward international markets (Czinkota & Ronkainen 2009: 278; Hollensen 2011).

Czinkota and Ronkainen (2009: 278) and Hollensen (2011: 51) explain that the fundamental reasons for internationalization could be separated into proactive stimuli and reactive stimuli. Proactive motives represent those that stimulate change or market
possibilities. On the other hand, reactive motives indicate that firms respond to changes and pressures in home and international business environment.

2.1.1. Proactive stimuli.

When the small firms are at the initial stage of the internationalization process, the desire for short-term profit is especially important to the new venture. In addition, the short-term profit, the motivation for growth of these small firms may also be of particular importance for the rise of the firm. Therefore, profit and growth goals can be considered as the strongest motivations to become involved in international business because management perceives international sales as a potential source of profit.

The managerial urge is also considered one of the important motives, which pushes firms to internationalize. According to Hollensen (2011), the managerial urge to internationalize is a reflection of general entrepreneurial motivation and also of a desire for continuous growth and market expansion. In this respect, the characteristics of the founder or manager in the firm play an important role in the decision-making process.

Another motive is the ability of the firm to create its competitive advantage. The competitive advantage of the firm can be seen as whether or not the firm owns the products or services that are not widely available from international competitors. Competitive advantage could be seen as the presence of a technological advantage in a specialized field. In general, many firms are more likely to receive enquiries from foreign markets if they can produce a unique or superior product.

Furthermore, the opportunities in the foreign market can create the motivation for firms to internationalize. It is evident that market opportunities act as stimuli when the firm has the resources, which are necessary to respond to such opportunities. If the firm owns limited resources, the decision maker can decide to first explore those overseas market opportunities which are perceived as having some similarity with the opportunities in their home market. Later, when the resources of the firm increase, the company can expand worldwide. In particular, the resources, which are imperative to the firm in the
internationalization process may be knowledge about the foreign customer, market places, market situations, and so on. Such special knowledge can be found from a firm’s international research, special contacts a firm may have, or simply being in the “right place at the right time”, for example, recognizing a good business situation during a vacation trip.

2.1.2. Reactive stimuli.

A prime form of reactive motivation is reaction to competitive pressures. Small firms may fear losing domestic market share to their competitors who have benefited from economies of scale gained by global marketing activities. Additionally, firms may also fear losing foreign markets to domestic competitors who decide to focus on these markets. Therefore, it has been suggested that the simplest way for firms to obtain the most market share is to become the first mover into that market.

Another reactive motivation is based on the sales potential of the domestic market. If the potential of the domestic market is under expectation, the firm must internationalize. Therefore, excess capacity can be considered as a powerful motivation for firms when they want to expand internationally. Furthermore, going abroad is the best solution for high inventories when the domestic market is down. In other words, when stable or declining domestic sales appear in the business cycle, firms can extend the life of the product by expanding the market.

In addition, many small firms have become aware of opportunities in foreign markets as their products generate enquiries from the foreign market. These enquiries are called unsolicited foreign orders, and these orders can result from advertising in trade journals through exhibitions, advertising in trade journals, and by other means. Proximity to customers or ports is referred to as physical closeness to the foreign market, which allows firm to internationalize. For example, most European firms automatically become international marketers simply because their neighbors are so close, an
European firm operating in Belgium is located within a one hundred km radius of multiple foreign markets.

**2.1.3. Other stimuli.**

In addition to proactive and reactive stimuli, a characteristic of born global firms is also the presence of certain advantages when entering foreign markets compared to large firms. For example, born global firm possess the natural advantage of small firms, such as greater flexibility, adaptability to foreignness, quicker decision making process and time saving (Bell et al. 2001).

Moreover, the global mindset or the global orientation of the entrepreneur also plays an important role in the successful internationalization of the born global firm (Nummela et al. 2004). Andersson and Wictor (2003) mention that organizational learning is the key factor when explaining incremental internationalization in the traditional model, while in born global firms, the key factors are the globalization trend towards technological innovation, industry characteristics, importance of entrepreneurial behavior and the importance of international business and social networks.

<table>
<thead>
<tr>
<th>Proactive stimuli</th>
<th>Reactive stimuli</th>
<th>Other stimuli</th>
</tr>
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<tbody>
<tr>
<td>Profit and growth goals</td>
<td>Competitive pressure</td>
<td>The flexibility of the small firm</td>
</tr>
<tr>
<td>Managerial urge</td>
<td>Overproduction or excess capacity</td>
<td>Global orientation of the entrepreneur.</td>
</tr>
<tr>
<td>Unique product</td>
<td>Decline in domestic sales</td>
<td></td>
</tr>
<tr>
<td>Foreign market opportunities</td>
<td>Unsolicited foreign orders</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Proximity to customers or ports</td>
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**Figure 2:** Internationalization motives (Czinkota & Ronkainen 2009: 279; Hollensen 2011: 51).
2.2. Barriers at the initial stage.

Westhead, Wright and Ucbasaran (2002) argue that internationalization involves a high degree of risk, and the manager or founder of the small firm are less able to manage uncertainty and risk than larger, more financially secure, and experienced firms. Moreover, small firms have limited resources to deal with adversity. In particular, in the context of emerging countries, which are a group of countries that play increasingly important roles in the global economy, Khanna and Palepu (1997) suggest that “the most important criterion is how well an economy helps buyers and sellers come together”. They point out three main constraints, which most small firms are facing when internationalizing, including the lack of reliable institutions, the lack of resources and the capabilities of small firms (Khanna & Palepu 1997, Knight & Cavusgil 2004).

2.2.1. Institutions in emerging markets.

Khanna and Palepu (1997) define that the most important criterion in the emerging countries is how well an economy helps buyers and sellers come together. Additionally, they argue that in comparison with the developed countries, most developing countries are lacking proper institutions, which makes these markets in these countries more inefficient and incomplete. In particular, there are some problems, which mostly occur in developing countries such as: problems in relaying information, misguided regulation, and inefficient judicial systems, which may render communication between buyer and seller inefficient and ineffective (Etemad 2013:92).

Moreover, the unstable policy environment in the emerging markets also puts the small firms in a position to be reactive rather than proactive in making business plans for their international activities if they do not have insider information. Additionally, small firms
are also further limited in their opportunities because the government gives state – run enterprises better access to government loans, contracts, and land rights. Therefore, state – run enterprises have more power to implement their international strategies than the small firms.

Furthermore, one of the most serious problems, which small firm are facing, is weak law enforcement in the emerging countries. Most of the small firms are relying on social norms and using non-government forces to resolve the conflicts when dealing with domestic business. However, these norms and forces do not work when handling international problems. While foreign business relies on the legal system in doing business, small firms in emerging markets are so accustomed to using relationships to handle any arising problems.

Lastly, the ownership structure is considered one of the key characteristics of small firms in emerging markets. This structure includes a small number of people who usually share friendships or family ties. Therefore, the key positions in the firms may not be filled by professional managers with a no equity involvement in the company. Lack of managerial expertise can lead to information limitation about the international market of the firms (Etemad 2013:94).

### 2.2.2. Resource and capability.

One of the greatest barriers to the internationalization of small firms is the lack of knowledge about foreign markets (Johanson & Vahlne 1978). In particular, lack of knowledge about foreign markets can be understood as firms lacking sufficient information about the new market, or the existence of cultural differences, which can also affect the communication and customer demands in such markets. Moreover, lack of foreign market knowledge implies lower performance and difficulties in overcoming barriers, which are associated with cultural distance (Eriksson & Chetty 2003).
According to previous research, the lack of foreign market knowledge can be considered as lack of knowledge on the networks of business relationships. Though their networks, firms obtain knowledge, such as marketing, technology, culture and competitive information, which enhances the success of the firms. Additionally, knowledge on the network of business relationships is different from generalized market information. While generalized market information is gathered through market research and country reports and can be easily transferred, the knowledge of business relationships in a network is gained through practice and is difficult to transfers. (Eriksson & Chetty 2003).

Furthermore, Knight and Cavusgil (2004) argue that the small firm faces financial problems that impose an additional limitation on their international activity development. Moreover, such a small firm also lacks expertise or specialist executives to identify opportunities or manage international operations. In addition, the research of Arbaugh et al. (2008) suggests that the support from outside investors or agencies is also an important factor when the firms try to overcome barriers in the global marketplace. If the firms cannot have strong financial capital, the internationalization process can be slowed down and insufficient financial capital can limit the creation of entrepreneurial firms in the foreign marketplace.

2.3 Enabling factors.

Most researchers argue that the success of the internationalization process of born global firms depends on how these firms develop their competitive advantages. This enables the use of resources possessed by the firm and the ability to create, extend, and modify these resources to match their needs. In particular, one of the intangible resources, which plays the most important role in realizing lacking of foreign market knowledge and aids firms in discovering opportunities in the international market, is previous knowledge. Previous knowledge is considered the basic of a cumulative process, also defined as the internationalization process. Additionally, most of the early internationalization research found that the global mindset of the entrepreneur plays an important role in the successful internationalization of born global firms. Therefore,
there is a need to understand the international entrepreneurship of the firm in order to have success in the internationalization process. Moreover, in the context of internationalization, especially in the initial stage of the small firm, an effective use of networks aids companies in overcoming barriers such as a relatively small company size, lack of internal resources, and long distance between international markets, gaining knowledge about foreign markets, and so on.

Furthermore, Shane and Venkataraman (2000) argue that internationalization can be thought of as the process of opportunity identification, development, and exploitation across national borders. Lastly, after analyzing these above factors, in order to sell the product in the international market, firms need to make decisions on which market they should enter and which mode of entry is used at the initial stage of the internationalization process. Therefore, the internationalization process is the combined outcome of previous knowledge; the resource and capabilities of the firm; the role of the network, which includes business and social network; international entrepreneurship and foreign market entry.

2.3.1. Previous knowledge.

Eriksson and Chetty (2003) mentioned that internationalization is a cumulative process, in which previous knowledge creates the basis for an ongoing business. In this research, they also found that the absorptive capability, which is defined as “the ability of a firm to recognize the value of new, external information, assimilate it, and apply it to commercial ends” can be used to explain the ability of a firm to turn experiences into useful knowledge in the internationalization process of the firms. In particular, the more experience the firms have, the more absorptive capacity the firms will develop. The greater the absorptive capacity of the firm, the more realistic the perception of the need for the foreign market knowledge has, which can help firms in realizing the lack of foreign market knowledge.
Oslo and Frey (2002) mention that new ideas do not arise from nothing, but rather come from the combining and recombining of existing ideas in new ways. Firms are based on prior knowledge to discover the development of opportunities for firm to internationalize (Yanto, Styles, & Wilkinson 2012). In particular, previous knowledge can be found through the former business ties of the founder. Based on the experience, which the founder has on the previous firm, he or she can provide a strategy, which can help firm go early internationalize. Effort towards early internationalization of born global firms can be preceded by many years of R&D, experimentation, product research, and previous international work experience of entrepreneur or top management. All of these factors shaped the learning process, the appetite for internationalization, and the early identification, development and exploitation of firm opportunities.

Previous knowledge which influences how entrepreneurs comprehend, extrapolate, interpret and apply new information in ways that other entrepreneurs do not own cannot be duplicated. In addition, prior knowledge influences the entrepreneur's willingness and ability to make new connections among pre-existing knowledge and ideas. As a result, prior knowledge allows entrepreneurs to recognize opportunities. On the one hand, the more previous international experience and knowledge a firm has, the more likely a firm is to deliberate its vision for international opportunities, as the firm has established clear objectives for itself as well as comprehends its own strengths and weaknesses (Chandra, Styles, & Wilkinson 2009).

2.3.2. Social and business network.

In the context of internationalization, an effective use of networks enables companies to overcome barriers, such as relatively small company size, lack of internal resources, and distance from international markets. In particular, networks can aid businesses in gaining knowledge about foreign institutions so that they are aware of current rules and regulations. Moreover, networks can also assist firms in reducing risk when entering
other markets. In addition, networks can help in overcoming size inconveniences, as the social linkages allow new firms to build relationships with established firms. Connections with others allow firms to gain knowledge about foreign markets, and access to required resources and capabilities, as well as assisting the new business in reducing entry barriers (Senik et al. 2011). In addition, using networks also helps in building international contacts and finding suitable agents. Therefore, it can be concluded that the network affects foreign market entry of the firm in certain ways (Johanson & Mattsson 1988).

Networks might benefit the new small firm through their capacity to act as a source of new resources that may be acquired and internalized by the firm. Moreover, due to the liabilities of the newness and smallness, the born global firms may not have the means to acquire all necessary resources. In this regard, networks can be valuable in providing access to partner resources (Coviello & Cox 2006). Additionally, a key resource of born global firms is their access to international networks, such as distributors, subcontractors, buyers, and sellers. These kinds of networks supply market and experienced knowledge, from which born global firms may benefit instead of accumulating the knowledge by themselves (Chetty & Campbell–Hunt 2004).

In general, networks consist of set of actors, which are linked by some set of relationships, and these networks can be classified into social and business networks. In the context of entrepreneurship literature, social networks are defined as “a collection of individuals who may or may not to be known each other and who, in some way contribute something to the entrepreneur, either passively, reactively or proactively whether specially elicited or not” (Gilmore & Carson 1999: 31). In other words, within the social relationship, the individual is the actor and the relationships between other individuals would not exist without the involvement of this principal individual. Indeed, social networks have an important impact in the internationalization process of the firm (Ellis 2000). For example, the employee’s social network has an important role in the firm’s acquisition of market knowledge, market opportunities identification, and market entry.

However, in the context of business studies, the business network is defined as the relationship between a firm’s management team and employees with customers,
suppliers, competitors, government, distributors, bankers, or others who help the firm internationalize its business activities (Zain & Ng 2006). In other words, the actors within these business relationships are an organization. This type of relationship does not depend on specific individuals. As a result, such relationships have been reported to influence the selection of international markets and entry modes. Moreover, the previous research mentioned that business relationships are more influential in internationalization market selection than social relationships (Chetty & Agndal 2007).

Social and business networks extend the eyes and ears of a person or a firm. They provide a means of access to new and different types of information and ideas which benefit from the internationalization process of the firm. Moreover, social and business networks are also a means of assessing and co-producing resources and capabilities, which are required for further development and opportunity exploitation. Lastly, they are also a means of spreading and managing the risks and uncertainties, which are involved in the internationalization process (Wilkinson & Young 2005). Therefore, social and business networks play a critical role on the internationalization process of born global firms. These networks also assist firms in achieving the opportunity of discovery and development, resources for opportunity exploitation, and managing risks and uncertainties in the process (Yanto, Styles, & Wilkinson 2012).

Furthermore, social and business networks comprise both strong and weak ties. Both kinds of network ties play important roles in the internationalization process of the firm. While strong ties lead to the passing on of information entering a network, weak ties are the potential bridges across structural holes between networks with different ideas and knowledge (Burt 1992 & Granovetter 1973). According to Granovetter (1973), “the strength of tie depends on the combination of the amount of time, emotional intensity, intimacy and the reciprocal services”. On the other hand, ties between diverse set of people with non-affective contact, such as friend, or friend of friend, casual business contacts, scientific community contacts, and association memberships are called weak ties.
It can be concluded in this thesis that the weak ties play a role as a source of the entrepreneur’s international opportunity recognition, as they link a firm to diverse source of information leading to the identification of international opportunities without deliberate search. Moreover, weak ties act as “local bridges” to parts of networks, which would otherwise be disconnected, and they present new opportunities for the firms (Sigfusson & Chetty 2013). Furthermore, weak ties are more likely to link members of different small groups than do strong ties (Granovetter 1973).

It is prevalent in emerging countries that most of the firms have limited access to the quality of international market information; the founders of the firm sense the degree of internationalization in an industry by evaluating the density of internationalizing Vietnamese business in the industry. The more the founders of Vietnamese born global firms similar to their internationalized counterparts, the more they are motivated to do the same. If they decide to enter the international market, they are most likely to adopt the same internationalization models as do the other born global firms in the same industry they have seen. The influence of weak ties and strong ties of business and social networks to the founder during the decision-making process concerning about international opportunity is summarized in figure 3.
Figure 3: The relationship between the network and the process of opportunity’s identification. (based on the author’s view).
2.3.3. Resource and capability.

In general, resources can be defined as either assets or capabilities of a firm. Assets are divided into two categories including: tangible and intangible assets which are owned and/or controlled by the firm (Galbreath 2005). The tangible resources of the firm are the factors, which can be observed, are financial in nature, have physical properties and can be recorded on the firm’s balance sheet. On the other hand, the intangible resources of the firm are non-physical factors that are used to produce goods or provide services or are expected to generate future economic benefits for the firm. The capabilities of the firm are considered the intangible resources of the firms, such as skills, experiences, reputation and accumulated knowledge of the firm. These capabilities are developed and/or acquired through organizational routines and business activities. It can be seen that the intangible resources can either be the assets or capabilities, which are value creation (Galbreath 2005).

According to the resource based perspective, the resources which the firm owns can provide the firm a general explanation of competitive advantage of the firm over competitors in the market. Effective use of existing resources and acquired additional resources are the primary perceptions to the growth of the born global firm in the competitive marketplace (Helfat & Peteraf 2003). A significant number of recent research seems to shift the attention to a firm-specific driver of early internationalization. According to this perspective, the knowledge accumulation, organizational capabilities, financial resources, equipment, and other physical resources of the firm, are considered to be the most important drivers that enable the born global firm to perform in the foreign market of born global firms (Zucchella et al. 2007). Some of these factors are described below.

Human capital: Galbreath (2005) termed human capital as a key the intangible resource which is the needed for the born global firms in their internationalization process. Specifically, existing international experiences, knowledge, motivations and skills of entrepreneurs, managers, and employees are the main inspiration for the internationalization of born global firms (Westhead et al. 2001).
Financial capital: the financial capital is a tangible resource of the firm (Galbreath 2005). Most of the born global firms are lacking strong financial resources. It is necessary for the firm with the poor internal financing to take external funds. In this regard, entrepreneurs can rely on their network ties, venture capitalists and external support agencies for external financing. The personal credit records of the entrepreneur and the business plan can represent the credibility and identity of the born global firm when acquiring external funds. Moreover, born global firms can also get the external funds from strong extended families, which can provide inter-generational capital flows. (Ostgaard, Birley 1996, & Casson 1997)

Intellectual capital: the intellectual capital of the firm is generally considered an intangible resource of the firm when it comes to recognizing the financial wealth of the company (Galbreath 2005). In addition, Cohen and Kaimenakis (2007) argue that the intellectual capital of the firm includes knowledge, skills and synergy that can help the firm create the value and the intellectual capital, which manifests as patents, licensing and goodwill.

Social capital: social capital is the key component of entrepreneurial networks and it is defined as the outcome of successful contacts, in which the entrepreneur is held. In other words, social capital refers to the combined resources people acquire from their relationship with others (Sigfusson & Chetty 2013). Therefore, social capital plays an important role in the internationalization process of the born global because the more social capital the firm own, the better the access to resources and international opportunities. In addition, social capital also provides a means to overcome liabilities of newness and foreignness, as well as helps firms to overcome the liabilities of being outside the relevant network in the foreign market (Arenius 2002, Johanson & Vahlne 2009).

International knowledge: the international knowledge is an intangible resource of the firm. It plays an important role when attaining the competitive advantages in the foreign market. International knowledge can be any information, belief, or skill which the company can apply in its internationalization process (Galbreath 2005, Fernhaber et al. 2009). There are two sources in obtaining international knowledge. The primary source has been termed as the human capital of the firm. In the other words, international
knowledge in this case can take the form of international experience of the management team. On the other hand, a secondary source of external international knowledge can be included in the social capital of the firm. In particular, the external knowledge can be gained through the strategic collaboration with partners in the marketplace. (Fernhaber et al. 2009).

Prange and Verdier (2011) mention that the exploitation of existing resources of the firm and the exploration of new opportunities are considered the sources for creating organizational capabilities. Moreover, organizational capabilities are the main source of a firm’s performance advantages (Grant 1991). Other authors define firm specific advantage as the unique capability of the organization, such as the product, process, technology, marketing and distribution skills. Therefore, in order to be successful in the international market, the firm needs to possess a certain number of these capabilities which are necessary for the firm to develop (Etemad et al. 2013).

In conclusion, the internationalization of the firm is based on the study of value creation through development and transfer and use of resources within and across the countries. Moreover, in the international entry phase, the firm needs to have certain capabilities to test as well as to learn the suitability of its existing resources within the context of the new market.

2.3.4. International entrepreneurship.

International entrepreneurship is defined as “the discovery, enactment, evaluation, and exploitation of opportunities – across borders to create future goods and services” (Oviatt & McDougall 2005). Most early internationalization research paid a special attention to entrepreneur – specific factors, as they play a major role in leading infant firms to internationalization. Decisions of born global firm are often concentrated in the hands of one or a few persons, and the entrepreneur specially has a unique and crucial role in the organization (Westhead, Wright & Ucbasaran 2001).
Moreover, Chetty and Holm (2000) argue that the characteristics of the decision maker have an affect on how a firm will react to initiatives from its network relationships. In particular, in born global firms, the manager plays an important role in identifying the opportunities for internationalization. For example, based on the prior international experience and extensive international personal and business networks, the managers of born global firms can easily see opportunities in the global market more than the managers of traditional firms.

Furthermore, Nummela et al. (2004) found that the global mindset of the entrepreneur plays an important role in the successful internationalization of born global firms. The study also found that the international market experience and market characteristics were the important factors in developing a global mindset and the success factors for the entrepreneurial firm in internationalization process. Moreover, effective collaboration in new markets would help overcoming the limitations of born globals in the international market.

There is a positive relationship among the entrepreneurs’ international attitude, orientation, experience, networks, and positive international development (Westhead et al. 2001). In particular, the personal characteristics of the entrepreneur in the internationalization of born global are also taken into account. These personal characteristics are personal life experiences, which are foreign education, international work experience, travel, foreign birth, and knowledge in foreign languages (Ditch, Kondo, Koglmayr, & Muller 1984).

According to the definition of Hollensen (2011), the international experience of the founder is the experience, which relates to the direct experience of the firm’s manager in international markets and adds to the probability of firms dedicating resources to the foreign market. Moreover, the perceived risk and uncertainty of the manager in entering the foreign market will influence the choice of which market to enter. In addition, the international experience of the firm’s manager may influence the extent, to which his or her personal social network is international. For example, in the case study of Zain and Ng (2006), it was found that the firm that employed the staff with significant international experience and networking are likely to use their expertise and network to
help the firm expand internationally earlier than those case firms that did not hire personnel with these types of experiences.

Additionally, firm managers are at the heart of their own network compared to other actors in the network, which provide them information. Therefore, they try to make extensive use of personal contacts in order to collect business information efficiently and effectively in the internationalization process (Birkley et al. 1991).

2.4. The processes of identification, development, and exploitation of international market opportunities.

Yanto, Styles, and Wilkinson (2012) found that firms classified as born globals do not enter geographically close markets initially so much, as they followed the opportunities revealed through their existing networks. Existing networks can help reduce the psychic distance between the firm and the foreign market.

Furthermore, Shane and Venkataraman (2000) argue that internationalization can be thought of as the process of opportunity identification, development, and exploitation across national borders. According to other previous research, there are some key factors, which influence opportunity identification, development, and exploitation as the important factors of prior knowledge, social and business networks, firms skill and resources. Lastly, from the opportunity perspective, the firm identifies and responds to smaller opportunities in the initial stages and gradually shifts to larger opportunities over time when its capabilities, resources, networks, and international entrepreneurial intentionality develop.
2.4.1. Opportunity identification.

Opportunity identification is considered as a process of entrepreneurial learning. In this learning process, entrepreneurs can develop and expand their knowledge and ideas over time, thereby identifying and developing enhanced and diverse opportunities as experience and knowledge increase (Yanto, Styles, & Wilkinson 2012). Such knowledge and ideas may come from the feedback stemming from entrepreneurial activities. Therefore, it can be concluded that the establishment of relationships may transform into business relationships and help entrepreneurs gain credibility in the foreign market.

In the network’s aspect, although the entrepreneur perceives both weak and strong ties as important in identification of the foreign opportunities, weak ties play a dominant role. This is explained that when the entrepreneurs want to internationalize, they need weak ties to provide confidential information about business opportunities (Sigfusson & Chetty 2013).

There is also evidence of a deliberate search for international opportunity identification through engagement in international activities and information search such as conferences, and trade shows (Sigfusson & Chetty 2013). Moreover, the lack of domestic opportunities drives firms to seek new opportunities in the foreign market in order to survive in the market.

2.4.2. Opportunity development and exploitation.

Traditional internationalization model (Uppsala model) mentioned that the gradual increases in foreign market commitments resulting from internationalization activities may help the firm in developing international opportunities (Yanto, Styles, & Wilkinson 2012). From the point of view of Yanto, Styles, and Wilkinson (2012), this aspect can be taken into account for the research on the internationalization of born global firms.
For example, initial internationalization is more like experimentation, and initial, small successes lead to greater intentions to develop and to exploit international opportunities such as greater international entrepreneurial intentionality. Therefore, over time, the knowledge, networks, and resources are developed more substantially in order for the firm to seek more opportunities.

From the perspective of born global firms, the founders believe that international markets provide opportunities rather than risk and the uncertainty, which are associated with international markets in the stages model (Chetty & Campbell – Hunt 2003). Moreover, the founders are willing to develop and exploit these opportunities because they think that the firms in foreign markets are less risky and less costly than the other traditional firms.

2.5. Foreign market entry.

The internationalization of the firm involves many decision, however, the decision to enter into a new foreign market is perceived as that of the utmost importance (Reid & Rosson 1987). According to Root (1998), the choices of target market and entry mode to penetrate the chosen market constitute the market entry strategy of a firm. Other decisions encompass the goals and objectives in the target market, the marketing plan and the control system to monitor the performance of the firm. In conclusion, the market entry strategy is highly important for any international strategy of the firm.

Furthermore, in order to succeed in the international market, it is generally necessary for firms to consider the cultures and institutions of foreign markets while the small firms tend not to have sufficient internal resources to mobilize relevant knowledge. Therefore, these small firms have to depend on external sources, which come from the firms’ existing relationships or networks. (Chetty & Agndal 2007).

Chetty and Agndal (2007) found that in some instances social relationships can be transformed into business relationships and vice versa. For example, when employees leave an organization, his or her relationships (social relationships) often survive in
another firm. In this respect, he or she can bring the relationships from the previous company to the new or present firm and transform these individual relationships into business relationships. On the other hand, the business relationships with distributors can also turn into social relationships. Firms foster social relationships as they value the knowledge and resources of distributor and customer. In general, it can be concluded that social relationships help in creating closer business relationships. Moreover, the more experience and knowledge the firms acquire, the less risk and uncertainty the firms have to face when they enter into foreign markets.

It has been suggested that foreign market selection and mode of entry should be regarded as two important factors in the market entry strategy. Market selection and mode of entry choices are referred to as a fundamental part for the firm in developing an effective competitive strategy to achieve objectives in the foreign market (Douglas & Craig 1992).

2.5.1. Foreign market selection.

According to the normative literature, the foreign market selection is considered as a result of a rational response to market conditions. In the theoretical framework of Root (1998), decisions are believed to be made on the basis of systematically gathered objective information. However, Ellis (2000) emphasizes that there exists significant evidence which contradicts the claim that the traditional approach, or the Root’s approach, to market selection is the most commonly used approach, particularly by small firms. In the study conducted by Ellis (2000), the effects of network relationships and the use of business and social networks could at least provide some explanations to this finding.

As in most of the previous research about the internationalization of small firms, it has been proven that network relationships have an important effect on the internationalization process of the small firm in general and in the foreign market selection in particular. According to Albaum et al. (2005), there are two approaches
which firms use when they choose the entry market as the reactive and proactive market selection. In the reactive approach, the firm passively chooses the market, for example, the firm enters into foreign market by following unsolicited orders or awaiting initiatives by foreign buyers or representative. On the other hand, in the proactive approach, the firm actively selects the foreign markets and the selection is systematic and formalized. Lastly, there exists another approach which functions as an intermediary approach to the reactive and proactive approach in finding the new markets. For example, the manager can choose the market based on recommendations from business acquaintances or through opportunities found by the manager whilst traveling.

Therefore, there are some factors, which influence how social and business network might affect the internationalization process, such as the international experience or professional experience of the manager or decision maker and the proactive versus reactive approach in foreign market selection (Chetty & Holm 2000). Furthermore, the logic of psychic distance continues to apply to the born global firms when they undergo their first market selection (Chetty & Campbell – Hunt 2004). Psychic distance is defined as the differences from the home country in terms of language, culture, political systems, business practice, industrial development, and educational systems. (Johanson & Vahlne 1977). However, although the first market is chosen as the country with the close psychic distance, when the firms have begun to internationalize, the psychic distance does not make the great impact in the market selecting process.

2.5.2. Mode of entry.

Albaum et al. (2005) argue that the mode of entry is that which is used to enter and penetrate a target market. The choice of entry mode is important, since it determines the degree of resource commitment and the level of control in the target market. Moreover, Luostarinen and Welch (1998) argue that foreign operation modes are used for organizing and conducting international business activities, and these operation modes can be divided into three main categories such as: exporting, contractual, and investment modes.
In general, the main purpose of the exporting mode refers to the market entry modes, which are used for selling and ordering products globally. The exporting modes can be divided into two categories, which are indirect and direct modes. On the other hand, the contractual mode concerns the transfer of technology or human skills from one country to another. The contractual mode can be categorized into sales subsidiaries, which can be licensing, franchising, as well as management contracts. Lastly, the investment modes are used when a firm wants to either fully or partially acquire a foreign firm. These acquisitions can be minority owned, majority shares, and fully owned subsidiaries (Luostarinen & Welch 1998).

Exporting modes are suitable for born global firms because exports are considered to be the most common mode for initial entry into international markets. These exporting modes do not require much expertise and experience in foreign operations (Hollen sen 2011: 334-350). The easiest operation mode, with which a company can start, is an indirect mode, because it requires less financial and managerial commitments than direct modes. The firm can incorporate, for example, a broker who is to bring a buyer and seller together. Moreover, a trading company, which plays a central role in such diverse areas as shipping, warehousing, finance, planning and resource development, is also one of the most common modes in exportation modes. In brief, the essential role of a trading company is to quickly seek a buyer for the products that have been taken in exchange. In addition, piggybacking is another example, which firms can use when it wants to enter to foreign market through indirect modes. In piggybacking, the exporter, an experienced small firm or the rider, deals with a larger company (the carrier), which already operates in certain foreign markets and is willing to act on the behalf of the rider (Hollen sen 2011: 334-350).

Direct export occurs when a manufacturer or exporter sells directly to an importer or buyer who is located in a foreign market area. When an exporter grows more confident, he/she may decide to take his/her own exporting task. This involves building up overseas contacts, undertaking marketing research, handling documentation and transportation, and designing marketing mix strategies. In direct export, firms can sell their product directly to importers through foreign-based agents and distributors. Specifically, distributors buy the product from exporting companies with their own
accounts and have substantial freedom to choose their own customers and to set the conditions of sales. On the other hand, agents represent an exporting company and sell to wholesalers and retailers in the importing country. An agent is an independent company that sells to customers on behalf of the manufacturer. The agent will normally not see or stock the product. The firm profits from a commission paid by the manufacturer on a pre-agreed basis. (Hollensen 2011: 334-350).

2.6. Conceptual framework.

To summarize the most important concepts from the literature a conceptual framework is developed as follows. First of all, in order to start the internationalization process of the firm, the motivation for the firm to internationalize at inception should be analyzed. According to Czinkota and Ronkainen (2009:278) and Hollensen (2011: 50), there are two types of internationalization motives which help in pushing or pulling the firm to international markets such as: proactive stimuli and reactive stimuli. Additionally, in the context of born global firms, Nummela et al. (2004) suggest that the global mindset or the global orientation of the entrepreneur, which are other stimuli in this thesis, also plays an important role in the successful internationalization process of the firm. Therefore, in this thesis, three types of stimuli mentioned above will be studied.

After analyzing the motivation, the firms will clearly understand the motivation, which influences their desire to expand into the international market right at the inception. Analyzing the barriers, which the firm may face during the internationalization process should be taken into consideration right after analyzing the motivation of the firm. In this stage, there are two kinds of barriers, which the firm may face, such as institution in emerging markets, and lack of resources and capabilities of small firms. Firstly, the limitations of emerging countries such as misguided and relaying information, and so on, may influence the communication between buyers and sellers. Moreover, the unstable policy environment, weak law enforcement, and ownership structure of the emerging markets are considered constraints, which small firms may face. Secondly,
lack of foreign market knowledge, lack of knowledge on the networks of business relationships as well as insufficient financial capital may limit the internationalization activity development of the firm.

In the next stage, it is necessary to understand the factors, which help the firms develop their competitive advantages in the internationalization process. There are four factors mentioned at this stage, such as the previous knowledge of the founder, the social and business networks, resources and capabilities, and the international entrepreneurship. First of all, the internationalization process is considered a cumulative process, in which the previous knowledge form the basis for an ongoing business (Eriksson & Chetty 2003). Moreover, the previous knowledge, in some ways, may influence the way entrepreneurs comprehend, extrapolate, interpret and apply new information in a way, which the other entrepreneurs who do not own previous knowledge cannot do. As a result, previous knowledge will help entrepreneurs in establishing clear objectives for the firm and recognizing opportunities in foreign markets. Secondly, due to the effective use of networks, the firms can overcome barriers which most small firms in emerging markets may face in an effective way. There are two kinds of networks which are presented in this thesis named: social network and business networks. Both kinds of networks help in extending the eyes and ears of the entrepreneur or a firm. In other words, they provide a means of access to new and different types of information and ideas which benefit from the internationalization process of the firm. Even though, the previous knowledge and the network play a very important during the making decision process on the internationalization of born global firms, there is a need to study the role of resource and capabilities, which the firms have. According to Helfat and Peteraf (2003), the resources, which the firm owns, can provide a general explanation of competitive advantage of the firm over competitors in the market. Using existing resources effectively and the ability to acquire new resources are the primary perceptions of growth of born global firms in competitive advantage. There are five small factors of born global firms, which seem to enable firms to perform well in foreign markets, analyzed in this thesis: human capital, financial capital, intellectual capital, social capital and international knowledge. At the end of this stage, a study on international entrepreneurship is discussed. Decisions of born global firms are often concentrated in the hands of one or a few persons and the entrepreneur has a unique and
crucial role in the organization (Westhead, Wright & Ucbasaran 2001). Therefore, the personal experiences, characteristics and the networks of the founder will have to be analyzed at this stage.

After analyzing all the enabling factors above, the firms will have a background on their advantages, they can then find which market can expose their opportunities at the beginning, and how they can exploit and develop these markets in the future. Therefore, there is a need to study the process of identification, development and exploitation of international opportunities right after analyzing enabling factors. At the last stage of the internationalization process, the decision to enter to the new foreign market is discussed. The choice of target market and entry mode to penetrate the chosen market constitutes the market entry of the firm.
Figure 4: conceptual framework.
3. Research Methodology.

The research onion refers to a clear framework for the most suitable methods and strategies to address the research. There are six different layers in the research onion which will explore the knowledge to answer a research question. In particular, each element in each layer is discussed in order to answer how and why the research method is chosen.

Figure 5: Research onion (Adapted from Saunders et al. 2009:138).
3.1. Research philosophy.

The research philosophy is an overarching term which is related to the development and the nature of the knowledge. There are four categories in the research philosophy, including positivism, realism, interpretivism, and pragmatism. Positivism concerns the research for the truth and considers the world as external and objective while interpretivism considers reality and knowledge as subjective, and understanding the differences among humans in their roles as social actors. Thirdly, realism relates to the enquiry of the scientist, and the philosophy of realism is that there is an independence of the mind. This means that in realism objects exist independently of people’s knowledge. Lastly, pragmatism argues that it is possible to work within both positivist and interpretivist views. (Saunders et al. 2009: 109-119).

A set of circumstances and individuals are considered the most important area of focus in the context of business (Saunders et al. 2009: 109-119). Regarding the context of this thesis’s research, the answers to the research questions of the study are related to the role of the founders and the reality of the business environment on the decision making process. In addition, from the author’s point of view, decision making is a complex and dynamic process. Therefore, only an in-depth understanding of the case company can provide the solution for the research question in this thesis and interpretivism allows the researcher to involve both the role of human beings and that of reality of the current business practice in order to obtain more detailed knowledge. As a result, interpretivism is found to be relevant and is employed in this thesis.

3.2. Research approach.

The second layer of the research onion refers to research approach. The research approach is considered a connective link between the literature and the empirical portions of the study. There are two different approaches in this layer named deductive
and inductive approaches. In line with the purpose of the study, a deductive approach is used. The deductive approach emphasizes the use of existing theory to shape the approach which is adopted to the qualitative research process and to aspects of data analysis (Saunders et al. 2009: 489). Additionally Yin (2003) argues that in the deductive approach, existing theory is used to formulate the research question and objectives.

The theoretical findings from previous chapters are applied and tested on Vietnamese born global firms. The deductive approach is implemented in order to seek an explanation of causal relationships between variables, such as motivation, previous knowledge, social and business networks, resources and capabilities, international entrepreneurship, the opportunities in foreign markets and foreign market entry.

3.3. Research strategy.

A case study is defined as “a strategy for doing research which involves an empirical investigation of a particular contemporary phenomenon within its real life context using multiple sources of evidence” (Robson 2002:178). The case study is considered to be an appropriate method for use by a researcher who desires to gain a rich understanding of the context of the research and the processes being enacted. Moreover, the case study also allows an opportunity to generate answers to the questions “why”, “what”, and “how” (Saunders et al. 2009:150). This strategy fits well with the author’s intention to investigate the current stage of the case company and current market situation of both case companies in the food manufacturing industry through a variety of data collecting methods.

According to Yin (2003), there are four case study strategies which are based on two discrete dimensions, such as single case vs. multiple case and holistic case vs. embedded case. In this thesis, the multiple case is applied because there is a need to establish whether the findings of the first case occur in the other cases and therefore, to
generalize from these findings in these cases. In addition, by using a multiple case company method, the focus is on finding a common pattern among the case companies. However, the findings from the case study methodology cannot be representative in a large population. The criteria of choosing the case study are based on the analytical theoretical generation and a saturation point, meaning that the existing theory is used as a template to choose the case companies in the empirical part in order to compare the results which stem from the empirical part and existing theory.

3.3.1. Selection of industry.

Vietnam is the most eastern country in the region of Asian encompassing Indonesia, China, Thailand, Cambodia, Laos, and Myanmar. Vietnam is considered an important part of the Mekong region. The country has 3,000 kilometers of coastline and 4,000 kilometers of land borders in which 2,000 kilometers are shared with Laos, 1,000 kilometers with China and 1,000 kilometers with Cambodia. The Mekong River that flows from China then through Laos, Thailand, Cambodia, and Vietnam dominates the geographical landscape and the economy of the whole area. (www.vietnamnews.vnagency.com.vn). There are two large cities in Vietnam: Hanoi which is located on the Red River in the North of Vietnam and Hochiminh which is located on the Mekong River in the South of Vietnam. Both rivers support the agricultural production of the country.

There are many agricultural products in Vietnam which are currently exported such as: rice, maize, sweet potatoes, peanuts, soybeans, coffee, tea, coconut, sugar cane, as well as tropical and subtropical fruits. Vietnam is the second largest rice exporter in the world with most of the production occurring in the Mekong river delta.

The industry consisting of agricultural products of this nature is the food industry. There are two kinds of food industries which are developing in Vietnam, those being the service food industry and food manufacturing industry. The two cases focused upon in this thesis are in the food manufacturing industry. This is explained in that the food
manufacturing is expected to grow dramatically in Vietnam at this time. The dramatic
development of this industry will not only seize advantage of the opportunities of the
country but also allow for export to other countries both within the ASEAN area and to
the rest of the world. (www.vietnambusinessforum.org).

In addition, the food processing industry entails the transformation of agricultural
commodities as part of the preparation for human consumption. This definition
encompasses related simple activities such as cleaning, grading and storage as well as
though the emphasis in industrial development before “Doimoi” or “renovation” had
traditionally been on heavy industries, now with the increasing importance of a market-

economy system in recent years, lighter industries producing consumer products, like
the food manufacturing industrial sector, are large and rapidly growing industries
and play an important role in Vietnam’s economic development. This is explained as
follows:

The food manufacturing industries primarily process agricultural raw materials to
provide new products for human consumption and simultaneously help in raising
income for farmers, who are generally less wealthy than other members of society.
Secondly, food processing industries normally create more employment than other
manufacturing sectors because it is relatively labor intensive. This means that if food
manufacturing companies are located in rural areas, they generate employment for
villagers, who are located where poverty is often concentrated. Lastly, food
manufacturing industries contribute to the added value of agricultural products prior to
export and thus this industry contributes to economic development.

Moreover, the Vietnamese government continues to highlight the role and importance of
the agricultural and rural economies in the national economic growth of Vietnam,
particularly in the country’s processes of industrialization and modernization. Many
economic experts commented that “agriculture is the blessing of Vietnam” because it
not only helps to stabilize the economy, domestic politics, agriculture also helps
Vietnam in building its image in international market. (http://visimex.com/news/5867_vietnamese-agricultural-products-recovered-
Therefore, the food manufacturing industry has then been selected for internationalization analysis for the purpose of this thesis.

### 3.3.2. Selection of case companies.

In order to select the most appropriate case company for the study, non-probability sampling was used. The basic for this choice method is the suitability in answering the research questions as well as the subject requiring in depth research with a specific purpose. This was based on comprehensive information generated from the data collection (Saunders et al. 2009:233).

According to Yin (2003a), the research question, objective and theoretical bases play an important role in setting the criteria for choosing the appropriate case company. The case company was selected from a general list of agricultural production companies within the food processing industry. The case company should internationalize within two years from inception and must fall within the definition of small and medium sized enterprises.

### 3.4. Research method choice.

There are two kinds of research method choices: qualitative and quantitative methods. Both methods are different from the aspect of data collection techniques and data analysis procedures. Quantitative methods, like surveys and experiments, concentrate on that which can be measured. In other words, the quantitative method involves collecting and analyzing objective data which can be organized into statistics. On the other hand, qualitative methods, such as interviews, focus groups, and observations, aim to gain a deeper understanding by concentrating on the perceptions of people involved (Ghauri & Gronhaug 2010, 104).
Both qualitative and quantitative methods have been used extensively in business management research. Researchers can choose either to employ a single (mono method) or several (multiple method) data collection technique and data analyses to answer the research question. For the practical purpose of this thesis, the qualitative method is employed to obtain a depth of understanding of the actual practices inside the case company.

In addition, there are three techniques which are mainly used in the qualitative method such as focus group, observations and interview. When the possible respondents are very small in number, for example, should there be only one respondent for each case company, a group discussion and observation are unsuitable. Particularly concerning in this thesis, only the founder or key executive of the case company are involved in the research. (Saunders et al. 2009, p 324). Therefore, the interview technique, more specifically, semi structured interviews were the chosen technique in collecting information for this thesis.

3.5. **Technique and procedures: data collection and data analysis.**

The purpose of this thesis is to investigate how Vietnamese born global firms internationalize at the initiating stage. In order to fulfill the purpose one key manager in one of the two case companies was selected as the respondent. In the other case company, there was little opportunity to communicate directly with the founder of the case company, however there was a chance to discuss with a previous sales manager of that company.

In both case companies, the interviewees were conducted by personal interviews through Skype which allowed access to important information aims. The respondents have shown a preference of being interviewed compared to answering questions through a survey in general and particularly when the subject of the interview is concerned to
the work of the interviewee as was the case in this thesis. Interviews are considered one of the most important methods in data collection for a case study (Yin 2003b), and qualitative interviews make it possible to collect valuable and detailed information for the research (Saunders et al. 2009).

The interviews were designed as semi-structured interviews, which entails the interview covering a list of questions of the topic in question, and the possibility to ask additional questions and change the order of the questions when necessary (Bryman & Bell 2007). In addition, semi-structured interviews also make it possible to analyze the data in a qualitative manner and it is suitable when using a case study strategy (Saunders et al. 2009). Nevertheless, in order to generally avoid bias and facilitate comparisons between the cases, the interviews were kept as structured as possible, particularly, when using a multiple case study, a certain degree of structure is necessary to allow the possibility of comparison (Bryan & Bell 2007).

Emails were sent out to the respondents in advance of the interview to confirm their participation and the conditions of the interview. The interviewees were also asked to prepare short facts about the internationalization process such as year, market and the entry mode for international establishment. The theoretical framework was the basis for a greater part of the interview and the questions were designed to be clear and straightforward. Two interviews are conducted by an interview draft and checklist mainly divided by two broad statements as follows.

First, describe how the company was set up by focusing on the major events at the inception and the people involved in setting up the firm, as well as the role of the founders and their backgrounds, such as business and international experiences. Second, discuss the resources that the case company needed in the internationalization process from the case company’s inception and in understanding the choice of the foreign market and entry mode most prevalently used by the firms.

Yin (2003b) suggests that multiple sources of data should be collected but all rather depend on the researcher’s identification of the issue of what sources are the most suitable. The interview is considered the most major source of information in this thesis. However, in order to obtain comprehensive data from the case company, secondary data
was collected. The company's website, brochures, and annual reports are some examples of the secondary data, which the researcher can use as secondary data. Information from the secondary data has various functions. First, it was used as a guide to discuss the international patterns of each firm with the respective interviewees prior to the interview. This encourages the interviewer to engage in in-depth discussions with the interviewees. Secondly, the data were used to gain a deeper understanding of the firm's development. Furthermore, it was used as a checklist, from which to compare and analyze the information collected during the interview.

The interviews lasted around 60 minutes, with the two interviewees agreeing to digital recordings and notes being taken. The interviews took place in quiet areas, so as no outside noise or distractions could occur and the interviewees could be in a comfortable environment. While an advantage of the interview is that the researcher has the possibility to be flexible in the questioning, disadvantages that may arise are the technique of the interviewer and the way of formulating and expressing the questions (Saunders et al. 2009).

3.6. Validity and Reliability.

A research design must represent a logical set of statement (Yin 2003: 33). Therefore, reliability and validity of the research have an impact on the quality of the study as they lead to trustworthiness and credibility. Reliability refers to the extent to which the data collection techniques or analysis procedures create consistent results (Saunders et al. 2009:156). In other words, reliability concerns the question of whether or not someone who would try to repeat the procedure from the case study at the same time should end up with unchanged results. Saunders et al. (2009) argues that there are perceivable threats to reliability.

The first of these is subject or participant error which occurs when the interview takes place at different times. Similarly, the second of these is subject or participant bias, for
example, the interviewee may not answer the question honestly for some unknown reasons. Thirdly, there may be observer error, such as the different ways of conducting research among researchers in one study. Lastly, the bias in observation can be considered a threat. (Saunders et al. 2009: 159). However, in this thesis, the data are reliable as the threats to reliability are eliminated, for example, all the interviews are convened at a suitable time, an evening during the weekend, in which the interviewees felt more comfortable in answering the interview questions. In addition, the interviewees are voluntarily involved and try to support the research to their best of their knowledge in accordance with the interview questions. Moreover, all the secondary data were collected directly from the company’s website and reliable business reports.

Validity refers to whether the findings are in actuality as they seem (Saunders et al. 2009: 157). Yin argues that using multiple sources of data is important to increase evidence and validity. In this thesis, a multi–method which consists of primary research methods, such as interviews and of secondary sources such as companies’ websites was applied. This aids in minimizing perception bias and increases the reliability and validity of the conclusions. In summary, the following figure demonstrates the research onion in this thesis.

![Research Onion Diagram](image-url)

**Figure 6.** Research onion in this thesis.
4. Empirical Part.

Empirical results obtained through a case study will be addressed in this chapter. Two case companies will be introduced, respectively. In each company, the background about the industry and the company will be introduced, then followed by the description about the whole internationalization process of the firm according to the five steps from the theoretical framework. The summary and analysis of the findings from two companies will be analyzed on the basis of the proposed framework.


4.1.1. Background.

Industry and environment background.

The vegetable growing area of Vietnam consists of 1,685,000 hectares (ha), of which 910,000 ha yields vegetables, and 775,000 ha produces fruits. The productivity for the year of 2007 was 17.6531 million tons. The breakdown of the total year is 10.9693 million tons in vegetable production, and 6.5 million tons of fruit production (2007 data of the Department of Agricultural Crop and Rural Development). Every year, Vietnam exports about 300 million USD worth of fruits and vegetables in around 30 countries in Asia, Europe and North America.

Vietnamese vegetables are produced in tropical environments, are delicious and rare, and are only grown in Vietnam and its neighboring countries (e.g. Thailand, Malaysia, Indonesia). The climate and land quality of Vietnam is extremely diverse. As a result, the vegetables selection produced in Vietnam are also quite varied, with many different species, and are harvested year-round to meet domestic and export requirements.
Moreover, Vietnam has a large, diligent labor force and has had extensive experience in fruits and vegetables production. In addition, the processing factories for the fruit and vegetables in Vietnam are equipped with modern technology from Europe, United States, and Japan and the main products are canned, frozen, dried, or processed into concentrated fruit juice. Furthermore, the main export products are pineapple, jackfruit, rambutan, dragon fruit, mango, coconut, grapefruit, and so on, which are mainly exported to the EU, U.S., Japan, China, Taiwan, Russia, Singapore, and Hongkong.

Vietnam has signed some international agreements which facilitate Vietnamese company in having more opportunities in doing international business. Some examples are explained: Vietnam bilateral trade agreement- approved in 2001, assists Vietnamese companies having more opportunities to do business in the U.S market. Implementation of AFTA (Asian free trade area such as between Japan, China, Korea) is an agreement drafted in order to reduce imports – export taxes for vegetables and fruits in ASEA communities in the coming years. In 2005, Vietnam joined the WTO. Vietnam adheres to the Policy of national trade promotion, which focuses on important products such as fresh and processed fruits and vegetables. In addition, Vietnam has the fastest economic growth in South – East Asia and is a propitious country in which to conduct business. The economy has been growing more than 6% for the past several years and this trend is expected to continue.

The background of the case company 1:

Case company is a food wholesale company, which started exporting at the same year of inception in 1991 in Binh Duong city, Binh Duong province. Currently, the firm has 50 percent of its total sales being exported to several Asian countries, North America and Europe. According to the company website, the mission of the company is “the desire to create opportunities and greater abilities for farmers and agriculture in Vietnam and also to introduce health products to the market”. Additionally, the most important objective of the case company is to promote and develop the Vietnamese fruit industry to be among the most successful industries in Vietnam as well as to establish a firm positioning among world leaders in the international fruit market.
Nowadays, the firm builds purchasing stations and cold storages across the country to ensure quality assurance and that all fruits are always fresh. The firm has applied the heating, sublimation and vacuum drying technology of Taiwan and U.S in their production processes, and the company is monitored by quality control systems, such as HACCP and ISO: 9001. (company website). The dried fruit of the case company are advertised as delicious, crunchy, and nutritious. From 2005, the products have been continuously voted as “the best of Vietnam’s goods by the Vietnamese consumer”. In addition to the dried jackfruit, (the signature product of the case company), the company also offers dried bananas, pineapples, mangoes, carrots, sweet potatoes, taros, papayas, bitter melons, prunes, pumpkin seeds, lotus seeds, and green beans.

The company is currently setting up a 10,000-hectare material zone in Binh Duong and Binh Phuoc provinces and another covering 20,000 hectares in the Central Highlands together with a processing factory in Daklak Province. Case company 1 boasts a 90% market share for fried fruits and vegetables and also exports its products, with about 65% of its shipments bound for China, Taiwan, Malaysia, Laos, Cambodia, Thailand, the U.S. and Japan. The company is expanding exports to European and North American markets.

Internationalization has been a matter of necessity for this firm since its inception. In fact, the initial emphasis of the company’s business lay on the Taiwanese market according to the suggestion of his professor at university where he studied (explained below in section 4.1.4 – social and business network). The firm has been exporting at the very inception since it was established in 1991, its early sales were channeled abroad to wholesalers in the Taiwanese market, then to supermarkets in Taiwan. As the business cooperation went further, the firm gradually penetrated and involved in local network, and even reached other foreign markets through the Taiwanese market.

Generally, by crossing the barriers of the home market early and by means of developing an increase in business and cumulative demand in foreign market, production and supply have become more attractive, profitable, and even allow for potential further growth. In addition, as the internationalization of the company has not been limited to any particular geographical area, the company has always had the possibility to find new markets. Normally the company begins with the identification of
possible market opportunities, and thereafter, the mode of entry is examined. The export markets of the firm for dried fruit are mainly in Asian such as Taiwan, China, Japan, however, the case company has later expand into Europe, and America.

4.1.2. Internationalization Motives.

Proactive stimuli:
Assisting Vietnamese farmers to gain in profit is the strongest motivation for the founder in setting up the firm. “The product life cycle is so short and if we do not have any modern technology to increase product longevity, farmers have to sell their product as soon as possible. This then makes the price go down as the demand is less than the supply”, notes founder of the case company. “I started to do research on fruits because this could be seen as the peak of the fruit season in Vietnam is now. However, I see the farmers did not gain much profit because as the farmer had harvest plans but none for trading, and product surplus resulted, which makes the farmer unable to sell the product at higher prices. Therefore, I think that the fruits need preservation. That is the reason why I opened a company to preserve the fruits by dehydration”.

Furthermore, given the diverse land and climate conditions in Vietnam, Vietnamese fruits are very diverse, with many different species and are harvested year-round to meet domestic and international requirements. In particular, the main product of the firm can be only grown in Vietnam. As a result, this aids firm in having its competitive advantage in the market. Additionally, Vietnamese farmers are able to use resources in a more effective way. “In addition to added value, drying fruits for export was one of the best ways to make the most of off-season fruits and prevent a price drop which always happens in a bumper crop”. (company website).

Reactive stimuli: The demand for vegetables and fruits in Taiwan is quite high compared to the other importing countries in Asia.
Other stimuli: It is evident for that company that the global mindset of the case company plays an important role in deciding to internationalize the firm. The founder of the case company observes that “the most important objective is to promote and develop the Vietnamese fruit industry to be among the most successful industries in Vietnam as well as a position among world leaders in the international fruit market”.

4.1.3. Barriers at the initiating stage.

The barrier which the firm faced when it first exported to the Taiwanese market is the language. Differences in language result in difficulties for the firm to meet customer’s demands, the customer’s willingness to engage in business, and also in obtaining information from its partner. “In 1986, when I did business in my previous company, I lost lots of money in a deal with a Hongkong business man, due to the language difference. So this pushed me to learn Chinese language. And my Chinese skills later helped me to do study the business culture of this country” comments general director of the company. Due to this reason, the founder decided to learn at least the basic language of which country that my company is going to enter. During the time he studied at a Taiwanese university, he had a chance to learn basic Taiwanese language but it was still not enough to avoid the language barrier when beginning to enter into the market.

Trademark registration is very important when a company wants to expand its business overseas, but many Vietnamese firms still do not understand its importance. For example, in 1997, the case company started to export its product to the Chinese market under the brand name “A”. “Brand name “ A” was registered for intellectual property in Vietnam while the name in Chinese was left unregistered. The Chinese distributor then seized the opportunity by having “A” registered as a Chinese brand name while producing a similar product as the case company, and thus dominated the same market previously held by case company in China” notes the founder of the company. As a result, the case company ended up losing the market share in the Chinese market.
However, the founder of the company did not accept the loss of the Chinese market. Rather, he took the Chinese company to court, in which the case company won the dispute. From the founder’s experience, he recommends that Vietnamese businesses should penetrate the Chinese market particularly with a Chinese brand name and concerning the international market in general, should immediately register for intellectual property rights.

It can then be concluded from the case company that the most important barrier for Vietnamese company is the risk of losing trademarks to potential partners in the international market, especially doing business in Chinese market. As a result, the founder of the case company suggests that “Vietnamese businesses must be resolute in registering trademarks from the very beginning in both international and domestic markets, both in international language and in the domestic language, and must not let the foreign partners register the trademark for them”. The mode of payment is also one of the barriers in doing business with developing countries, especially in Asia, as customers in these countries do not want to make payments by letter of credit or through a bank.

4.1.4. Enabling factors.

Previous knowledge.

Prior to establishing the case company, the founder worked for the planning division of a state farm as an officer and then its head. After that, he joined a handicrafts export company in Hochiminh city. In 1985 he established the company to export bamboo and rattan products. However, two years later in 1987, he noted that the bamboo and rattan were not inexhaustible. He then decided to switch the company’s focus to diversifying its inventory to include other products and was quickly able to rise to the challenge of helping to meet the world’s growing demand for organic fruit and nutritional health products.
The founder of the case company decided to create his own business partly because of his ambition toward bringing Vietnamese products to the international market. From the wealth of experience about international market gathered from previous companies, and his strong ambition and motivation towards the international market, the company’s market orientation is quite multinational.

**Social and Business networks.**

A customer acquaintance suggested that the founder go to Taiwan to explore the Taiwanese market. Prior to establishing the company, the founder ran another company engaging in hand made products, particularly the rattan leaf. However, there was a shortage of the rattan material as a raw resource to produce a sufficient quantity of goods. Thus, the founder decided to find another opportunity to develop.

“At that time, one of my friends from Taiwan was also one of my old customers when I did business in the rattan leaf company. He worked in the ministry of economy of Taiwan. He saw my interest in engaging in agricultural products, so he suggested that I come to Taiwan to study. According to him, Taiwan owns the most technology about processing agricultural harvesting technology and as this was my field, I figured it was my destiny” declared the founder. In another instance of inspiration, a university professor, with which the founder studied, introduced him into the market.

After graduating from a Taiwanese university with commendable marks, the case company founder’s professor acknowledges the former’s aptitude and ambition in introducing Vietnamese products into the international market. It was then the encouragement of this professor that helped the founder develop his idea and introduce his product into the Taiwanese market.

**Resources and capabilities.**

According to Galbreath (2005), resources can be defined as either assets or capabilities of a firm. Assets are divided into two categories including: tangible and intangible assets, which are owned and controlled by the firm. Moreover, the exploitation of existing resources of the firm and the exploration of new opportunities are considered the sources for creating organizational capabilities (Prange & Verdier 2001). Therefore,
in this case company, the author decides to analyze the resources and capabilities according to two main categories, tangible and intangible resources.

**Tangible resources.**

The company promotes its own technological advancements and vacuum dryer, which are imported in the United States and Taiwan and which preserves the product’s nutritious value and taste quality. There are more than 600 full time employees, 300 part-time employees, and 500 specialists in distributorship, manufacturing, and customer service. The company also has factories in Binh Duong province, which focuses on around 31 industrial clusters and has approximately 30,000 migrant workers annually, and recruits other companies and easily attracts a workforce. As the rural labor supply in abundant, labor costs will decrease. As a result, the firm will generate a competitive advantage as well.

Contracts with farmers insure their ability to deliver fresh products all year. This provides the case company with an important competitive advantage, as it has demonstrated its ability to meet production requirements in addition to consumer’s demands in the every market that it is serving. Moreover, the company purchases the product directly either from the farmer or the producer, and there is no additional cost accrued from intermediaries. Therefore, the exporting product price is rather competitive in the international market.

**Intangible resources.**

The company website is written in both Vietnamese and English. It is easy for foreign customers to have a chance to study about the firm before doing business with them. Moreover, quality focus refers to the system of the firm’s resources, which is especially devoted to creating superior products and enhanced customer satisfaction, leading to increased customer loyalty in both international markets and the domestic market. The company emphasizes the high quality of its products, which it uses to strengthen and improve its competitive advantage. For example, the case company has received international certificates for quality products, such as HALAL, BVQI, ISO, HACCP, GMP.
The case company received many benefits from the founder's network both in social and business circles. For example, an individual relationship gave the founder the inspirational direction to go and study in Taiwan. Therefore, such happenstance situations opened up new opportunities in his business life. Moreover, the individual relationship also creates a business network in helping case companies set up the distribution channel. For this case company, weak ties generally still play a more important role than in strong ties.

The internationalization of the firm can be explained by the crossing of national boundaries in the growth process. Moreover, several authors have mentioned that the firm grows internally through the process of learning by doing, especially by managers, as they learn how to reconfigure and use the resources of the firm, and then utilize these assets in order to capitalize on perceived opportunities to neutralize the threats emerging from the environment (Etemad et al. 2013). The case company effectively supplies raw materials to factories in addition to utilizing modern heating, sublimation and vacuum drying technology, in which the case company is the exclusive owner in the domestic market. Therefore, the case company has strengthened its own capability in order to archive a competitive advantage in both domestic and international markets.

**International entrepreneurship.**

The founder of the case company is the person who determines the routes, in which to drive the company into international markets when setting up establishment. Moreover, from his educational background, the founder of the case company has good technological knowledge. Additionally, he has also had the previous knowledge regarding international trade and business prior to establishing the case company.

Furthermore, as he was living in the host market while studying there, he is quite familiar with the living routine of the Taiwanese, consumer habits, preferences, and expectations as well as requirements for the products. This advantage aids the firm in manufacturing needed in order to meet the product requirement in the host markets.
4.1.5. The processes of identification, development, and exploitation of international market opportunity.

Opportunity identification.

In 1987, the founder discovered the raw material for his company at that time was exhaustible so he decided to switch the company’s focus to diversifying its inventory to include other products. In 1986 Vietnam started implementing open door policies, whereby the government has gradually reduced the barriers which restricted Vietnamese citizens from travelling abroad and contacting those in former enemy countries, especially Vietnamese refugees. Therefore, Vietnamese entrepreneurs were then able to exploit some international information sources through Vietnamese communities, foreign market visits, trade fairs, and the internet.

Moreover, this is also around the time the heating, sublimation and vacuum drying technology appeared. Coincidentally, and quite fortunately, Taiwan was the only country in Asia licensing this technology. Based on these internal opportunities, and combined with the suggestions from his old customer, the company founder decided to go to Taiwan to study the means of operating this modern technology.

Opportunities in exploitation and development.

With the ambition to help Vietnamese people in reducing poverty during the open door period of Vietnamese economy coupled with the desire to introduce Vietnamese product into foreign market, the founder of the case company decided to study about jackfruits, a popular and delectable fruit in Vietnam.

This fruit is ubiquitous in Vietnam and it is easy to grow. However, the jackfruit is a seasonal product, which cannot keep for long term. As a result, the selling price of the jackfruit is quite cheap. Therefore, farmers receive relatively little to no profit from harvesting the jackfruit.
After studying about vacuum drying technology in Taiwan in addition to jackfruit knowledge, and with the encouragement of his former professor, the founder decided to go into business with this product and likewise, chose Taiwan as the first market.

Moreover, case company also belongs to the Vietnamese fruit industry (vinafruit). This organization conducts many regular activities like trade promotion which includes organizing trade fairs and international study tours. These events are a source of supplying information about new markets for the case company.

4.1.6. Foreign market entry.

As mentioned in the theoretical part that the choice of target market and the entry mode to penetrate the chosen market constitutes the market entry strategy of the firm. Therefore, the foreign market entry of the case company is also analyzed according to two categories such as: the selection of foreign market and the mode of entry.

The selection of the foreign market.

The first exporting market right at the inception of the case company is Taiwan. The manager chose Taiwan as the first market because he was studied there and did a research topic on his company's products. After graduating, his professor proposed that he introduce his products to the Taiwanese market.

After entering to Taiwan market successfully, in 1997 founder decided to bring the products to Chinese market which is neighbor with Taiwanese market. The owner decided to choose this market for a number of reasons: The transportation cost to China is low because it is a neighbor country with Vietnam. The economic growth of Chinese is high which considered as the potential of market for many countries including Vietnam because the climate of China does not provide good conditions for cropping jackfruit.
At this time company introduced four types of products to China: jackfruit, taro, banana and the combination package of these. However taro and banana were consumed slowly, as China had resources to produce these products. The tendency of health was concentrated in China, before that, the consumption of the snack was quite high. Lately people started to care about their health and dried fruits became a choice instead of snack.

Before deciding to integrate to Chinese market, case company had investigated number of consumers in some supermarkets and the number showed that 70% of these people would want to buy dried jackfruit. After doing some market assessment, the founder decided to enter the Chinese market. According involved decided to enter the market is one part and other important parts are mergers and building distributed systems.

**Mode of entry.**

From the time the first product was conceived, they were brought directly to wholesale markers in Taiwan to sell. However, this scheme was not successful initially, and the manager had no choice but to sell the products on the sidewalk. During Taiwan’s Lunar New Year, a busy time for shopping, the company’s portion of sidewalk attracted attention. Dealers saw this scene and did not want to miss the chance at a bargain, so they decided to buy case company’s product. Finally the company’s products penetrated to the Taiwanese market through wholesalers.

The first step into a foreign market is considered as the first success of the case company. However, in order to survive in the Taiwanese market, the case company needed to expand its market in the host country. In order to succeed in the international market, the firm needed to consider the cultures and institutions of the foreign market and the case company was still small, it did not have sufficient internal resources to mobilize relevant knowledge. Therefore the case company needed to depend on external resource stemming from the firm’s relationships (Chetty & Agndal 2007). In this regard, based on the relationship which the founder had when living in Taiwan, he was introduced to a large government – run company in Taiwan which had a closed partnership with national railway. This relation helped the case company expand its product into the retail sector via Taiwanese’s railway. After a short time entering in this
manner, the case company received many orders from traders and wholesalers and became known by many consumers especially young people.

From then onwards, the case company product has been known in the host market, and has also accumulated resource and capabilities. The company made a survey about the demand in the supermarket. The case company found that the supermarket want to find new products to sell and about 70% of shopper preferred to buy the case company’s product. As a result, the new distribution was established.

The third channel was through promotion market which was organized by government, the manager of case company choose to promote company products at this event because its reputation generated a high chance to attach more participants to include in commercial business. From the manager’s point of view, Taiwanese people love to try product samples and at this event there are hundreds of people involved and could easily spread information about the product to their family members by word of mouth. The last distribution channel was hiring Taiwanese students who were working and studying in the area of business and marketing in Vietnam, which was perceived as one of the most effective ways to sell company products.

In 1997, the founder of case company was introduced to a large government company in China, which had a close partnership with Chinese rail companies. This relationship helped the case company enter to the retail system of Chinese railway. According to the survey of founder, it is routine for Chinese people, even businessmen, to travel by train. After 3 months entering to this channel, the case company received many orders from traders and wholesalers in China, and was known by many consumers, especially young people.

The second channel is the distribution directly to supermarkets, according to a survey of Chinese supermarkets, firstly these supermarket also wanted to find new products to sell. Secondly, 70% of shoppers preferred to buy case company products and the new distribution was established. The third channel was through a promotion market which was organized by the government, the manager of the case company chooses to promote company products at this event because of the company’s growing reputation and a high chance to include more participants in commercial business. He said Chinese people
love to try product samples and at this event there are hundreds of people joined and if they knew one particular product then they would spread the word to at least family members.

The other distribution channel focused on a crowded province of China, in which Hoa Nam was selected. Here, people liked to eat snack foods and the population is huge. Once products could be sold at one province then the ability to sell to other provinces would be done by Chinese - speaking people, such as those living in Taiwan and Hong Kong. The last distribution channel was hiring Chinese students who were working and studying in the areas of business and marketing in Vietnam, which he thought was one of the most effective ways to sell company products. The case company was not intend to change the way penetrate the Chinese market. His thinking was that the company should not build a factory in China. From the experience of his Taiwanese friends, although the company will get more support from the Chinese Government, foreign investors would face difficulty in taking money out of the country.

4.2. Case company 2.

4.2.1. Background.

Industry and environment background.

Over the past two decades, Vietnam has shown the developing world that agricultural exports can play an important role in the development of the economy. Vietnam is now ranked first in the world in pepper exports, second in rice and coffee, third in processed cashews and fourth in rubber. This contributes greatly to the development of the country, for example, agricultural exports create millions of jobs, increase the income of farmers, and earn the foreign currency which is needed to import foreign products into Vietnam as well.
In particular, Vietnam is primarily a rice-based agricultural economy. Rice is cultivated on 82% of the arable land and provides 80% and 40% of the carbohydrate and protein intake of the average Vietnamese, respectively. Most of the rice grown in Vietnam is in the two rich deltas of the north and the south such as the Red River and Mekong delta respectively. About 52% of Vietnam’s rice is produced in the Mekong River delta and another 18% in the Red River Delta. The Mekong River and its tributaries are crucial to rice production in Vietnam. A total of 12 provinces constitute the Mekong Delta, popularly known as the “Rice Bowl” of Vietnam, and about 80% of Vietnamese in Mekong Delta are engaged in rice cultivation. (Wikimedia).

According to the database on ‘Food and agriculture organization of the United Nations’ website, rice is a staple food of almost half the population of the world but very little of the total production is sold in world markets. There is currently around 95 percent of production and about 80 percent of trade in rice. Most of the rice is consumed in the countries where it is produced. Only three to five percent of rice produced is traded on the world market.

**Background about the company.**

The case company is located in Can Tho province, South West of Vietnam. Can Tho is famous for its high quality agriculture and seafood products, especially rice. It takes about 4 hours to reach Can Tho province from Hochiminh city which is a big port city. Case company is a trading-manufacturing company which has its own milling which produces rice from the paddy and then exports to foreign markets. The case company currently ranks fourth in total enterprises exporting rice from Vietnam, the total value of the turnover from exporting rice contributed significantly to the country’s development. Throughout the year, the development of the rice export activities of the case company to the African market is based on volume and value. The case company also expanded their market to nearly all the countries in Africa.

Revenue from exports of rice to the African market in total accounted for a large rice export turnover of the company to the whole market, to which the company has exported, for example Asia, and Europe. Africa is a large market potential in the future,
but the company has yet to be fully exploited in the continental market. The export activity of the company is mainly focused on the traditional key markets of the continent such as Senegal, Ghana, Zamobique, etc. However, the company is unable to expand or even out the development within markets. Rice to these countries are mostly low - quality rice, with facts and figures ranging from 15% broken, to 25% broken, and even 100% broken rice.

**4.2.2. International motives.**

In the mid 1980s, Vietnam had to import rice and request international food aid many times in order to prevent famine during the decade. However, in 1989, due to the policy reforms Vietnam has changed from an importer into an exporter of rice. In addition, during that year, Vietnam had become the third leading exporter office, following the United States and Thailand. In 2000, when the case company was established, through information from state - owned enterprises (SOEs) and Vietfood, the company's founder noted that Africa and the Middle East were considered the second and the third largest continents in importing rice after China. However, the case company still sought Africa out as the first market because the rice quality of the case company at that time could not compare with Thai rice in the Asian market. Therefore, the founder of the case company decided to export directly from the inception in to the African market and then gradually to Asia, Europe, Australia, and America.

Exporting right from the beginning has been the main factor in the director’s mindset in determining the firm’s development. The company first started its foreign sales by selling its product to the African market through big Western brokers. According to the head of the company, there are very few rice traders who have a strategy for the sale of rice. Rice traders generally offer a favorable quality matched with a fair price, precise weights, on time delivery, discounts for large volume purchases, and are hospitable toward customers when negotiating. Providing credit is very important instrument for sale rice and another important point, as the seller will normally receive compensation
one or two weeks after the sale. Furthermore, traders have no separate sales strategy for their own businesses, respectively. Therefore, in the case of rice traders, the volume of rice is sold based on the trust and reputation of both sellers and buyers. From the personal experience of the founder of the case company, he recognized the advantage of the company as the ability to supply a large amount of rice for export, as the case company is located in the Mekong delta where 80% of Vietnamese is engaged in rice cultivation.

4.2.3. Barriers at the initiating stage.

The percentage of illiteracy in Africa is high, therefore, the case company faced difficulties in negotiation concerning the price, terms and conditions of the sales contract. As a result, the language differences are considered one of the major barriers of the case company in entering the African market. There are many impediments to understanding the African market, as Vietnamese enterprises face many limits, such as the growth of commercial fraud in the African market on a daily basis. Trust and long term cooperation between the buyer and seller are greatly affected, and as a result, the case company, for instance, has felt hesitant in forming relationships with new potential customers who may offer lucrative business propositions.

The payment system in Africa is somewhat unstable. African customers are typically unable to fulfill contract payments in full and upfront. There is usually a 90 day delay from when the cargo is sold before the receipt of payment. Small Vietnamese enterprises are greatly affected as the flow of finance capital of the firm becomes heavily congested. In addition, there is difficulty in directly implementing big sales contracts in Africa. Therefore, small Vietnamese enterprises conduct business with African customers through some large and trustworthy organizations, such as the Vietnamese embassy, brokers, and through the third party guarantees with the most prestigious banks in Africa.

Currently, the case company cannot promote commercial and marketing campaigns in Africa because the geographical distance from Vietnam to Africa is too far. The typical
contact methods that the case company utilizes in contacting customers in Africa are through email, fax or phone, and are rarely by face to face interaction. Case company has difficulties in controlling the quality of the paddies because the firm must purchase them from different suppliers. This influences the quality of rice exports in difficult markets. For example, export companies and traders always buy rice directly from farmers with different kinds of rice grains mixed together. Therefore, they cannot ensure the homogeneity of the rice and this, inadvertently, leads to low rice quality.

Vietnamese infrastructure and loading system ports in Vietnam still have many limitations, especially in small and medium ports. For instance, when big vessels arrive in Vietnam the anchorage distance is quite far between the port and the firm, and transport ship are necessary in order to ship cargo from the port to the vessel. As a result, delivery time as well as company cost are affected.

The case company recently has not had any representative office or branches in the African market. Thus, the company was unable to sell the cargo directly to the end customer. The founder of the case company has said that e – commerce is not an ideal way for a Vietnamese enterprise to establish new trade relations with African businesses because of the inadequate technological infrastructure and different business customs. Therefore, in order to gain better insight into the African market in the near future, case company must establish a representative office or branches in this market. The mode of payment is considered one of the biggest barriers which most Vietnamese exporters discuss when they decide to export their product specifically into the African market and generally into other international markets. In practice, the Vietnamese government is trying to find a way to solve the problem concerning payment, however, the issue currently poses great concerns for Vietnamese exporters.

Currently, Vietnamese rice still has a limited market share in Europe and the United States compared to Thailand although Vietnam is considered the second biggest supplier of rice in the world. Vietnamese companies fall short in this respect, as they have not put their attention towards branding Vietnamese rice to increase their competitiveness. Another reason is that the global mindset of the founder is also a key factor to be considered. The head of the company is the chief decision maker, thus the
key individual who drives company growth. Most Vietnamese entrepreneurs steer the company towards international expansion in ways with which the company has been traditionally familiar or based upon the business founder's previous experience. From the perspective of this case company, the founder did not want to risk entering a new market, but rather enters upon receiving an unsolicited order from a foreign customer, as he was reluctant to be the first leader in exploring the new market.

Furthermore, Vietnam rice exports are mainly controlled by a state-owned monopoly enterprise. The reason for such control is to provide policymakers with a mechanism to stabilize the domestic prices of the rice. However, in practice, the operation of the Vietnamese rice export enterprises has actually destabilized domestic prices, which hurts both farmers and the consumers. The only beneficiaries of this policy are the enterprises themselves. Their monopoly control of export licenses, access to domestic rice supplies and financing mechanisms are very profitable for the enterprises, but it comes at high cost to the reputation of Vietnamese rice enterprises as reliable and efficient rice exporters. This leads to the consequence that the rice from Vietnam must be sold at a discount price. There then arises the risk of dealing with Vietnamese exporters as an unreliable exporter, thus the cost of Vietnamese rice is kept low to attract customers. Despite being one of the world's biggest rice exporters, Vietnam has failed to promote its brand name. For example, there are many kinds of rice in Vietnam but when each is sold abroad, it is packed under the name of the importing country.

4.2.4. Enabling factors.

Previous knowledge.

Before establishing the case company, the entrepreneur and management had experience in working in the same industry in several companies. In particular, he worked as a vice import–export director in a big state-owned company. In that company, the founder of the case company observed that there were many management limitations, so the founder was not satisfied with the company. In addition, the founder had an ambition to set up his own company. As a result, the case company was formed.
In the early stages, the firm mainly responded to the orders from Western brokers for the African market through social networks with shipping companies and the business networks of the founder in previous careers. Once the initial market position was well established and further cooperation with the middleman was established, the firm desired to turn its attention towards other markets such as Asia, Europe and the United States.

**Resources and capabilities.**

- **Tangible resources.**

A staff of more than 298 workers in possession of professional qualifications and many other unskilled workers contributed to the sustainable development of the company over time. In 2012 the company had 3 employees and 93 graduate level staff achieving a university degree, which accounted for 32% of the total number of company employees, a university degree accounted for 31% and 1% of high level school education. In addition, employees with lower education degrees accounted for 20% of total employees of the case company, the remaining received upper secondary school level education. In conclusion, the number of high level employees in the case company is quite high, accounting for 52% of the total number of the company employees. The focus on the workforce of the case company is at a high level therefore, this workforce assisted the case company in growing and achieving success in the past.

**Table 1.** Human capital in the case company.

<table>
<thead>
<tr>
<th>Level</th>
<th>Number of employees</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Master’s</td>
<td>3</td>
<td>1%</td>
</tr>
<tr>
<td>Bachelor’s</td>
<td>93</td>
<td>31%</td>
</tr>
<tr>
<td>College/intermediate</td>
<td>59</td>
<td>20%</td>
</tr>
<tr>
<td>Upper secondary</td>
<td>143</td>
<td>48%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>298</strong></td>
<td><strong>100%</strong></td>
</tr>
</tbody>
</table>

*Source: Human resource in case company (year: 2012).*
When establishing the case company, the founder decided to set up the case company as a manufacturing company, not merely as a trading company. This entailed case company needing to have its own factory in order to turn production from the farmer’s paddy into rice. Currently, the case company owns 3 factories working at high capacity.

- **Intangible resources:**
  As part of the “Doimoi” (renovation) policy reform program commencing in 1986, the Vietnamese government began to allow markets to play a greater role in the allocation of economic resources. For example, from 1988, the domestic rice market was liberalized. Rice traders were free to deliver rice out of the province (no checking points existed anymore at the border of the provinces). Moreover, in September 2000, the government decided to eliminate the transaction tax for rice traders. This policy encouraged most rice traders to enlarge their business in many market places in the Mekong River Delta. In 1989, the Vietnamese Food Association (VFA) was established in order to help and support both state and private rice traders. Another strong support for the rice trade is provided by the Ministry of Trade. In 2000, the new department of Trade Promotion (Viet-trade) was established. Viet-trade performs important functions such as creating healthy relationships with foreign companies, obtaining suitable information about international markets, providing up-to-date information to those involved in the rice business. (The Saigon times Vol. 31 September 2000).

**Social and business network.**

The founder of case company has been quite aware of the role of the niche market. When he was working in the previous company, he observed some overseas customers in the international market. From this experience, he also noticed in which market the company should focus on the quality of rice and in which market the company should take the advantage of low price as its competitive advantage. For instance, there are many kinds of rice, such as 5% of broken rice, 10% of broken rice, 15% of broken rice, and so on. The higher the percentage of the broken rice in rice product on the whole, the lower the price is. Additionally, the case company mainly exports the higher percentage of broken rice into Africa and this kind of rice is considered the competitive advantage
of the case company. This is so, mainly because regarding this rice, the case company can enter into select markets that mainly focus on the low cost of the product. The founder of the case company has the connection with customer, and broker of African markets in which the low price of rice is considered as the competitive advantage when the African customer chooses a seller. This was considered a main driving force for the head of the company to set up his own business as in this case, since the company was able to keep relative stable business volumes in the African market due to the founder’s previous business relations. In addition, the founder has his own network with reliable farmers to secure enough raw material to manufacture rice for export markets. Using this strategy, the firm in the early stages overcame the limited source disadvantage.

Moreover, the founder maintained amicable relations with shipping companies. From these relationships, the company head retained the information on the consignee from the bill of lading of familiar customers. Concerning the rice business of case company, informal networks can be considered the most important factors in helping the case company to obtain necessary information about the source of the paddy purchase and to exchange experiences with new milling technology in order to increase the product quality. These informal networks are normally based on family members, the networks among assemblies, and also among private transporters. Other business networks which assist case company in obtaining the necessary market information is the relationship with the SOEs and other traders. Before setting up business, the case company founder used to work in a government – run company. From this experience, he obtained information and knowledge about foreign markets through informal channels, such as working relationships with local and foreign trading partners (exporters and importers) and foreign market visits arranged by their foreign partners.

**International Entrepreneurship.**

The case company was founded by the key entrepreneur, who is the driving force behind the rapid exporting growth of the company. The founder of the case company attained business experience concerning rice before finally establishing his own business. He worked almost 5 years in rice exporting company. He was first employed in an accounting department, and subsequently moved on to an importing/exporting department. He later gained experience in product planning and prior to leaving the
exporting company, he was vice director overseeing the process of rice export. Moreover, he received an MBA degree in international business at a Vietnamese university with the knowledge from the university assisting him in gaining a basic knowledge, among other things, of international trade with foreign companies. During the time spent working in the previous company, he set up wide social networks, including both personal and business networks. In particular, he was familiar with many domestic and oversea businessmen, suppliers, international brokers, and forwarding companies. The founder of the case company decided to set up his own business partly because of his ambition toward expansion in international markets, as he witnessed the rapidly growing rice exporting situation in Vietnam. Another reason for entrepreneurship was the knowledge and experience he garnered from his previous career about the market demand.

4.2.5. Opportunity identification, exploitation and development.

Simultaneous to firm establishment, the founder noted that the demand for rice in the African market is huge. However, African customers mainly imported their rice from Thailand. However, at that time, the output of Thai rice had decreased because of the natural disasters which lead to inadequate supply and thereby a high export cost. International buyers are currently looking to have some other rice supplier in order to relinquish dependence merely on Thai suppliers. These buyers are also interested in placing the competitive cost advantage in sourcing. These buyers find Vietnamese suppliers to be the best possible alternative to the Thai suppliers. Concerning international expansion, Vietnamese suppliers mainly concentrate on upgrading their capabilities by installing newer and more efficient technologies than those presently in use and making the organization and management of their operations more efficient and responsive to international demand.

Vietnam has organized programs in sponsoring importers from the UAE and the Middle East to visit Vietnam. This factor creates opportunities for Vietnamese enterprises. In
addition, Africa is a huge market, case company in particular and small Vietnamese firms in general have not exploited this market completely. Some suggestions are listed as follows in order to improve the situation:

The case company should open a new branch, or representative office in main African markets which are in a strategic geographical location and stable political situation. In order to enhance the potential for new markets, the case company should be in contact with Vietnamese trade organizations in Africa to find partners and new customers. The development of opportunities is mainly based on a market analysis stemming from the information on the demand forecast, the demand supplied by the broker’s network, and an unsolicited order from the foreign customer. The unsolicited orders may come from an order on a website, such as Alibaba, whereby the company advertises its product. The order may also come from the foreign customer directly visiting the case company. Another source is the Vietnamese people living in a foreign country who introduce to the foreign distributor the possibility of exporting Vietnamese rice to that international market.

4.2.6. Foreign market entry.

Foreign market selection.

The case company gained information about the potential customer in the foreign market through its business partners, to whom it has already been exporting to. Information about the potential market also comes from the paddy’s suppliers who have already supplied paddy to the other rice exporting company. Furthermore, Viet trade promotion, or state owned enterprises, is also a very useful source of information, which helps the case company getting information about potential markets. “Although our suppliers do not directly provide the name of the buyer, still we can get information about market from them, such as their sales to that countries each year, the quality of paddy they supply, and other similar information, which allows us to estimate the market differently” notes the founder.
Furthermore, the founder also received information about potential market though the internet; trade promotions, which are usually organized in order to help entrepreneur in gaining all needed information about the rice quality; and price in the world market. However, as mentioned above, even though the entrepreneur identified the potential market through various sources of information, the entrepreneur still needed to develop his networks in order to gather information about foreign markets during the evaluation of international opportunities and to decide which market is suitable as the first entry market. In this specific case, the founder heavily relied on his individual network both in the social and in business contexts. He explains “information about the target market is very important. We use all possibilities for getting it. We acquired the information from friends, friends of friends, trade promotion, internet, and so on to get as much as information about the rice demand in international market”.

After evaluating the raw information, some basic information about the foreign market is determined. Based on the strength and weakness of the firm, the founder decided the first market, which the firm can internationalize at the inception. After gathering all outside information, the advantage of the case company is analyzed. The quality of rice: most of the raw material to produce rice is bought from farmers, all of whom utilize differing cultivation methods. This results in difficulty of obtaining rice qualities of the same quality because of differing initial raw materials. This factor generally influences export activities of case company and specifically influences the decision making process concerning price and customers of the case company.

In general, there is a broad range of rice qualities available in the market place in the Mekong delta of Vietnam. The differences in the qualities are based on the variety of rice, the way of milling the rice influences to what extent the grains are broken, the period of rice has been in the storage, and the purity of rice. Depending on the market demand, millers can mill paddy into different rice qualities (broken levels). The type of milling leads to a differing rice qualities and to a different percentage of loss, which is reflected in the price. The difference in the quality of rice also depends on the time of paddy storage, for example, older paddy coming out of the storage is considered to have a higher quality than the paddy coming fresh from the field because old rice is able to absorb more water than new rice when cooked.
After analyzing and gathering all needed information, the founder recognized that Vietnamese rice could not compete with Thai rice in the Chinese market. However, at that time the demand in African market was quite huge, so he decided to first try to enter to this market. In many African countries, agriculture still plays a key role in economic activities but this sector often suffers due to adverse weather such as drought and floods. Thus, agricultural productivity on the continent has been greatly affected.

Moreover, Africa is quite economically poor, resulting in the best interest of the country to import rice in this area based on price. Vietnamese rice cannot compete with Thai rice in terms of quality but can compete in terms of price. It has then become advantageous that the founders decided upon the African markets as the first market of entry into the international market for case company.

![Pie chart showing rice export to African countries](image)

**Figure 7.** The amount of export rice to African market of the case company in the first six months of 2013.

In the first six months of 2013, the case company exported to some major African markets in general. Specially, Ghana was the market leader in volume and value for the rice export company, with shipments to this market being quite high with 15,370 tons in
volume and 6,613,090 USD in value. Senegal stands in second place in the first half of this year, with shipments to this market reaching 11,114.4 tons. Ranked third with 4,400 tons is the Mozambique market, then the Ivory Coast, Angola, and Togo. Guinea’s rice import market is quite low in the first quarter of 2013, with import volume reaching only 126.5 tons, and a turnover of 95,001.9 USD.

Entry mode.

The foreign market entry mode defines the way for the firm to enter into the foreign market. In other words, a foreign market entry mode is considered an institutional arrangement necessary for the case company’s product entering into the foreign market. (Hollensen 2007:291). Therefore, understanding the variety options for case company to enter to foreign market is extremely important and will be discussed, especially in the case of Vietnamese born global firms internationalizing into the African market.

Almost all Vietnamese enterprises in the rice sector choose to enter foreign market through traders or brokers. Other modes, such as directly selling to the end customer and establishing representative offices are not used. This is explained in that at the early stage of entry, establishing a representative office is not feasible due to the high cost of renting office space and paying a salary for the employees. Moreover, African customers are considered unreliable in making payments so the option of direct selling is excluded as a mode of first entry when sellers have not clearly understood the customer.

Exporting through a trader or broker is favorable when the case company wants to enter into the international market in the early stage. This is considered one of the easiest and safest approaches for doing international business. The case company has to offer the trader a competitive price, which is considered the lowest price consistent with the quality compared to the other competitors in the market. The traders then sell the rice to African customers. One more important function of the trader is to take the title of the product and provide support activities which are necessary to move products from Vietnam to Africa.
Base on experience from the previous company and the individual networks of the founder with the shipping companies, the founder can get the name of the consignee on the bill of lading. The consignee in this case is considered a trader. From that information, the founder can evaluate how trustworthy the trader is in the market prior to making an offer. In addition, the role of networks in internationalization has been emphasized as traders usually aim at building long relationships with the customer. As they may have broad relationships with others in different countries, traders can perhaps bring business opportunities for the case company in the future. Moreover, traders are those who take care of the payment from buyer’s side.

Moreover, in Vietnam, especially in the rice sector, there are some supporting programs, which are purposely established in order to encourage firms to internationalize. These are export agents, the Vietnamese government, and chambers of commerce and industry. Through these programs the entrepreneur can get more information about which kind of entry mode is better for the case company, who is the reliable broker in the market.

4.3. Analysis and comparison of cases.

In this sub‐chapter, the internationalization process of each case company will be analyzed based on the conceptual framework described in sub‐chapter 2.6. Practical conditions for and the context of internationalization of each case company are described and compared with the conceptual framework. From these analysis and comparison, which motivation the firms have, which barriers the firms face to, which enabling factors determine the process entering foreign markets, as well as which markets will be chosen and which mode of entry the firms will follow in the whole internationalization process will be identified. The comparison between two case companies is also made to figure out their similarity and difference in each step of the process. Each step of the process of two case companies will be analyzed in the following sub – headings:
4.3.1. Internationalization motives.

The stimuli to internationalize of born global firms are classified into two main types: proactive and reactive ones. Besides, other stimuli such as global mindset and the ambition toward international market of the entrepreneurs also play important roles in motivating the firm internationalization process. To Vietnamese born global firms, finding out the main stimuli to go international should be taken into more consideration in order to provide more resources as well as more opportunities in the internationalization process. The stimuli of each case company will be identified and analyzed in this part.

**Table 2. Internationalization motives.**

<table>
<thead>
<tr>
<th>Case company 1</th>
<th>Motivation</th>
<th>Discussion</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>- The product life cycle is short in nature so the producer has to sell the product as soon as possible. The product’s price will go down if the demand is higher than the supply, resulting in less profit for farmers.</td>
<td>- The founder set up case company with the intentional objective of increasing profit for farmers. So it can be inferred that the founder is proactive in setting up case company.</td>
</tr>
<tr>
<td></td>
<td>- The founder wants to promote and develop Vietnamese fruit products in the international market.</td>
<td>- The founder gives priority to the foreign market and is willing to bring products to the international market.</td>
</tr>
<tr>
<td></td>
<td>- The strategy of the firm is to create high quality products to be able to meet the international demand.</td>
<td>- The founder is proactive in seizing the foreign market opportunity.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Case</th>
<th>Motivation</th>
<th>Discussion</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>- The entrepreneur found that</td>
<td>- The domestic market is small</td>
</tr>
</tbody>
</table>
From the point of view of case company 1, the increase in profit for farmers and the goal of international growth are considered the strongest motivations for the founder to set up and sell the product in the international market. Previous research shows that while having a competitive advantage relative to the other firms in the same industry, both in the domestic and the foreign market, the demand in the foreign market can motivate the firm to go international (Czinkota & Ronkainen 2009:278; Hollensen 2011). Additionally, these factors do not seem to be the motivation for the founder of case company 1 in his decision to enter international markets. From case company 1, we can see that in developing countries, the attitude and behavior of the entrepreneur is the most distinguishable factor in setting up the firm and allocating the firm’s resources to go either in the international market or domestic market. If the international market is chosen, the entrepreneur is allocating most of the firm’s resources to meet international market demand. In conclusion, born global firms in developing countries seem to be more proactive in seizing the opportunity to enter into international markets than in the domestic market.

In contrast to case company 1, the strongest motivation for the case company 2 to enter into the international market is the small size of the domestic market and the high demand in the international market. The founder said that while the small domestic

| Company 2 | while the domestic demand of rice is lower than total rice production and there is a surplus of about 2% in rice volume every year, the rice demand in world market is huge. - Located at the center of rice production, the entrepreneur found that the case company has an ability to supply a large amount of rice for export | and there is a high demand in foreign markets. - The location of the firm is a plus in motivating the firm to go abroad. |
market pushes the firm to go international to find profit and survive in the business environment, the huge demand internationallypulls the firm to supply the product to fulfill the demand. In order words, the firm is proactive in finding profit. On the other hand, it is also reactive in fulfilling the demand in the international market. Moreover, it is similar to case company 1 in that when the international market is chosen, the entrepreneur chooses the location which can enrich resources and the capability of the firm during the firm’s development process. Thus, by being proactive in realizing opportunities in the international market, and the founder’s decision to focus on doing business in the international market, this is considered the main strategy during the development of the firm.

These findings show that entrepreneurs have a positive impact on the internationalization of born global firms in developing countries in two ways. First, the mental orientation such as the willingness, behavior and attitude of the entrepreneur in doing business in the international market make them decide to go to international market. Secondly, the condition in the domestic environment helps the entrepreneur in being able to realize the opportunity prospects in the international market.

4.3.2. Barriers at the initial stage.

According to the previous researches on the internationalization process of born global firms in emerging countries, two main constraints faced by most firms are the institutional barriers and the lack of resources and capabilities of emerging markets. Whether the case companies in this thesis confront the same barriers or not will be identified and discussed in this part.
<table>
<thead>
<tr>
<th>Case company 1</th>
<th>Barriers</th>
<th>Discussion</th>
</tr>
</thead>
<tbody>
<tr>
<td>-</td>
<td>It is difficult to meet customer’s demands, as well as meet customer’s willingness in obtaining information from the partner.</td>
<td>- Lack of language knowledge</td>
</tr>
<tr>
<td>-</td>
<td>The firm does not know that trademark registration is important in doing international business.</td>
<td>- Misguided regulation</td>
</tr>
<tr>
<td>-</td>
<td>Most Asian customers do not want to make payment by letter of credit.</td>
<td>- Limited financial capability</td>
</tr>
<tr>
<td>Case company 2</td>
<td>- There is a poor command of English language which result in a difficulty for contact negotiation.</td>
<td>- Language barriers in international business.</td>
</tr>
<tr>
<td>-</td>
<td>Growth of commercial fraud in the African market affects trust and long-term relationships. The founder felt hesitant in forming relationships with new potential customers in this market</td>
<td>- Unsafe investment environment.</td>
</tr>
<tr>
<td>-</td>
<td>The payment system is unstable, and normally African customers prefer to pay 90 days after the cargo is sold.</td>
<td>- Influence on the flow of capital of the firm.</td>
</tr>
<tr>
<td>-</td>
<td>Most African firms cannot use</td>
<td>- Limited financial</td>
</tr>
<tr>
<td></td>
<td>LC as a payment mode in doing international business because African banks do not agree to open LC for them.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>- The firm cannot promote commercial and marketing campaigns in Africa. Most business negotiations in Africa are done through indirect methods such as email, fax, and so on.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>- Long geographical distances between the firms and loading ports makes goods transportation and delivery costly and time consuming.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>- Most Vietnamese rice is sold under the name of the importing country.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>capability</td>
<td></td>
</tr>
<tr>
<td></td>
<td>- The geographical distance between Vietnam and African is too far, resulting in high costs when making face to face negotiations, and marketing campaigns.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>- A limitation in Vietnamese infrastructure affects extending opportunities in doing international business.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>- Failure in building brand name.</td>
<td></td>
</tr>
</tbody>
</table>

The empirical part shows that most of the barriers, which both case companies are facing also the ones which most firms in emerging economies are facing. The strength of the economy plays an important role in helping the buyers and sellers come together. From the situation of both case companies and due to the limited financial capability of the African and Asian bank systems, most importers do not require letter of credit as the mode of payment. As a result, it is very difficult for Vietnamese sellers to do business with new buyers who do not have any contact in the seller’s network. Moreover, in case company 2, indirect communication methods used while in contract negotiations, such as email, fax, and a poor command of foreign language by sellers and buyers can create misunderstandings or even mistrust among parties. Such inadequate communication between sellers and buyers easily inhibits their international business...
cooperation processes. In the emerging economies, the decision about the internationalization of the firms considerably depends on the surrounding and institutional environments.

The notable findings from both these case companies are that both firm do not seem to be influenced by the lack of resources and capabilities which most other born globals in developed countries are facing. There are just some limitations, such as lack of foreign language, and the limitation in infrastructure in both cases result in constraints during the internationalization process of the firm. However, a big influence does not seem to be present compared to the other barriers such as misguided regulations and unsafe investment environment.

The result shows that case companies do not seem to be facing the barriers which are caused by the limitation of the Vietnamese market. For example, the unstable Vietnamese policy environment and weak law enforcement do not have any influence on the internationalization process of the firm. In contrast, limitations from the buyer countries influence the process of extending foreign markets in the future. Therefore, it can be concluded that in emerging markets, the firms will be affected by the surrounding and institutional environments of foreign countries during the internationalization process. Moreover, the findings from both case companies show that in emerging countries, the barriers, which the case company has, always depends on the market, in which they are located.

4.3.3. Enabling factors.

It is necessary to understand the enabling factors which help the firms develop their competitive advantages in the internationalization process. These factors are previous knowledge, social and business network, resource and capability, and international entrepreneurship. In this part, the influence of these factors on the internationalization process of each case company will be analyzed.
Table 4. Previous knowledge.

<table>
<thead>
<tr>
<th>Case company 1</th>
<th>Previous knowledge</th>
<th>Discussion</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>The founder gained experience in making business plans for international businesses during the time he worked in diverse positions in his previous company. The experience in planning business helps the founder obtain broad networks with suppliers, buyers, and so on.</td>
<td>These experiences provide the founder with the skills and the initiative necessary in order to bring new products to the foreign market.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Case company 2</th>
<th>Previous knowledge</th>
<th>Discussion</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>The founder and management had experience in working in the same industry in several companies, thus he clearly understand the foreign demand</td>
<td>The situation helps in creating the right strategy for firm development from the beginning of the internationalization process.</td>
</tr>
</tbody>
</table>

New ideas do not arise from nothing, but rather come from the combining and recombining of existing ideas in new ways. In case company 1, the experience creates ambition and motivation of the founder to move towards international market. Moreover, previous knowledge can help founder in choosing which kind of products he should bring into international market. For example, he closed the previous company because there is no enough raw material to commence production, hence when he set up the new firm, the first priority was that the product's raw material source is stable. In case company 2, from the very beginning, due to previous experience, the founder decides to first focus on the market where the quality of the firm's product is not highly demanded and is not the priority of the firm. As was mentioned before, one barrier facing the firm is that the homogeneity of the rice is not ensured. Thus, it is difficult to control the quality of the rice. This constraint, therefore, increases the risk for entering
the demanding market of the firm. It is clear that the previous knowledge of the founder helps him in creating the right strategy at the inception.

In the two cases, the founders, based on their previous knowledge about the industry and international market, realize the opportunities in the international market and help the firm establish clear objectives and comprehend its own strengths and weaknesses. In previous research, Eriksson and Chetty (2003) found that the more experience there was in the past, the more absorptive capability the firm has in order to explain how the firm turns experiences into useful knowledge in the internationalization process. In these two case companies, the absorptive capacity of the firm can be referred to as the absorptive capacity of the founders. The founder is the one who turns his own experience into the useful knowledge in the initiating stage of the internationalization process. As a result, it is concluded that in small and emerging markets like Vietnam, the previous knowledge of the founder can be considered as the key factor, which motivates and provides the initial strategy for the firm to internationalize.

Table 5. Resource and capability.

<table>
<thead>
<tr>
<th>Case company 1</th>
<th>Resource and capability</th>
<th>Discussion</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>- The firm owns the most modern technological manufacturing systems compared to other domestic competitors.</td>
<td>- Technological advantage</td>
</tr>
<tr>
<td></td>
<td>- The firm does not need employees with a high educational level</td>
<td>- Saves labour cost</td>
</tr>
<tr>
<td></td>
<td>- The firm has contracts with raw material suppliers in order to ensure the source of raw material</td>
<td>- Controls the quality of raw material</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Case company 2</th>
<th>Resource and capability</th>
<th>Discussion</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>- The firm does not need too many employees with a high educational level</td>
<td>- Saves labour cost</td>
</tr>
<tr>
<td></td>
<td>- Many supporting organizations were set up in order to help the firm get information about foreign demand.</td>
<td></td>
</tr>
</tbody>
</table>
In the case company 1, owning the modern technological manufacturing system helps the firm in producing a unique and competitive product in both the domestic and international market. However, owning the competitive technique is a plus in the internationalization process of the firm, it is not the main reason, which drives the firm go international at the inception.

According to Galbreath (2005), the capabilities of the firm are considered the intangible resources of the firms such as skills, experiences, reputation, and accumulated knowledge of the firm. However, in both case companies, the capabilities of the firm did not help the internationalization of the firm at the initiating stage. Moreover, the resources the firm owns can provide the firm a competitive advantage over competitors in the market, but at the beginning, the firms did not have much resources. All the resources and the capabilities, which help both case companies are the resources and capabilities of the founder, not the firm.

**Table 6. Social and business network.**

<table>
<thead>
<tr>
<th>Case company</th>
<th>Business network and social network</th>
<th>Discussion</th>
</tr>
</thead>
</table>
| **1**        | - An old customer from the previous company suggests the founder to explore the Taiwanese market.  
- A university professor encourages the founder to continuously develop his ideas and sell that product into the Taiwanese market | - Opportunities in the foreign market comes from individual networks.  
- Strong ties in this individual network help the entrepreneur find opportunities to develop business from his ideal |
| **2**        | - The firm has social connections with customers and brokers in the first potential market due to the previous network. Good and long term relationship with reliable paddy’s | - The business network of the founder helps in overcoming the limited resource disadvantage. |
suppliers.

- The firm starts to build the relationship with the shipping company from the previous company.

- The firm develops strong networks with farmers based on friends, family, private transporters.

- From this network, the founder can find more potential customers.

- Weak ties in this individual’s network is a potential bridge to help in ensuring the source of raw material.

According to Granovetter (1973), there are two types of ties in the relationship: one is strong ties and another is weak ties. While strong ties lead to the passing on of information entering a network, weak ties are the potential bridges across structural holes between network with different ideas and knowledge. In case company 1, the individual relationship of the founder helps him in realizing the potential market for the first market of entry of the case company. In addition, the same kind of relationship, which the founder had with his former professor, inspires him in developing his idea into business. The tie to connect these relationships in order to create a fundamental network for founder is called strong ties.

One advantage of the case company 2 is the ability to supply a large amount of rice to the international market as the company is located in the area where their product obtains about 80% of the total amount of rice in Vietnam. Based on the previous job, the founder of the case company had a chance to build the relationship with most of the suppliers in the Mekong delta. Moreover, most of paddy’s suppliers are farmers who are used to the individual relationship. It means that farmers merely know and keep in touch with people who are directly in contact with them. In this case company, when the founder creates the relationship with farmers during the time he worked in the previous company, he can maintain this relationship when he moves to a new company. The tie between the founder and the farmer in this case is the strong tie. This relationship is gradually extended with other people such as founder’s friends, and family, farmer’s
friends, and so on. In addition, through this network, the founder can be aware of the names of the rice buyers or rice markets in some foreign countries. The ties is created by the networks of friends of friends are called weak ties.

In conclusion, both weak ties and strong ties help in connecting all the individuals who may or may not know each other, and, in some certain ways, contribute to expanding the entrepreneurial network. The network, in which the individual is an actor, is called a social network. This network helps in ensuring the source of raw material for the firm, realizing the potential market for the first market of entry, and so on. Therefore, it can be concluded that social network has an important impact on the internationalization process of the firm.

There are two kinds of networks in the international business context, including social networks and business networks. As mentioned above, the social network is the individual network between the founder and the farmer in order to help the firm in ensuring the source of raw material of the firm. On the other hand, there are other networks between the founder and the organization, such as the shipping companies, buyers, and brokers which have a good relationship with the founder when he worked for previous company. These provide the firm with current and potential customers in the international market. Thus, based on these networks, the firm does not need spend a lot of time and money in doing research about foreign demand. Born global firms are the firms, which enter the international market at the inception, thus, they do not have enough resources and capabilities in doing international market research. As a result, such networks can help the firm overcome the liability of smallness and newness at the initial stage of the internationalization process. According to Zain & Ng (2006), social contacts with the organization are called business networks. Therefore, it can be said that the business network helps the case company in entering into the international market in an efficient and effective way.

In both case companies, the personal networks can act as a source of information, a necessary component for starting internationalization. The actor in the networks of these case companies is the individual. In theory, the individual can be the employee, or the entrepreneur, however, in these case companies the individual networks, which are needed in the internationalization of the firm, are only the networks of the entrepreneur.
In some situations, the employee’s network may help the firm during the internationalization process but not at the beginning. Furthermore, employees in these case companies are not totally involved in the decision making process of internationalization because Vietnam is a hierarchical society. In this society, the people in lower ranks (the employee) normally do not want to do the task belonging to people in higher ranks (the entrepreneur) because people in lower ranks do not want to take the responsibility they have not been given. Therefore, employees are just accustomed to doing what they are told and prefer not to interfere with their bosses. It can be concluded from the above reasons that in Vietnam individual networks of the founder help the firm acquire all necessary resources as well as reduce the barriers, which the firms may have due to the smallness and newness of the firm.

**Table 7.** International entrepreneurship.

<table>
<thead>
<tr>
<th>Case company 1</th>
<th>International entrepreneurship</th>
<th>Discussion</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>- The founder is an engineer and thus has good technical knowledge.</td>
<td>- He is sensitive with high technology, applies the high-tech knowledge in manufacturing to provide high quality products.</td>
</tr>
<tr>
<td></td>
<td>- The founder has experience in international trade in previous company. Moreover, he also had a short experience living in Taiwan (the market of first entry).</td>
<td>- He can easily analyze the market demand, the weaknesses and strengths of the firm, and basically understands the needs at the initiating stage in order to achieve a successful internationalization process. This helps to integrate to the first market effectively and efficiently.</td>
</tr>
<tr>
<td></td>
<td>- The founder is willing to bring the Vietnamese product to the international market</td>
<td>- He posseses a global mindset</td>
</tr>
</tbody>
</table>
| Case company 2 | - The founder has a MBA degree in international business  
- The founder has 5 years experience in a rice exporting company, ranging from work as an accounting officer, import-export officer, product planning officer, and vice director.  
- The founder has an ambition in setting up and developing his own company globally | - He has a good knowledge related to international business  
- He has a wide network in the same industry.  
- These contribute to the global mindset. |

In both case companies, most of the important decisions are made by the founder. Moreover, previous studies show that the characteristics, experience, networks and attitude of the founder do particularly have an influence on the decision-making process of the founder (Nummela et al. (2004), Westhead et al. (2001), Hollensen (2011)). Therefore, in order to deeply understand the influence of the founder on the internationalization process particularly of this case company in particularly and born global firms in emerging markets in general, these above factors should be discussed.

First of all, in case company 1, the founder has knowledge of high technology because he has a technological background. As Taiwan is a country producing a lot of high technology products, he decided to study in Taiwan. Furthermore, through his network with old customers, Taiwan is recommended as a potential market for small firms with high quality products. Moreover, the founder has an ambition to do business in the international market. Studying in Taiwan considerably contributes to the creation of the founder’s global mindset. Therefore, it can be concluded that the global mindset of the founder is created from the combination between the founder’s characteristics and the founder’s experience. In addition, the personal life experience of the founder during the time he was living in Taiwan is also helping to create the motivation for the founder to bring the firm to the international market.
Secondly, in case company 2, the broad network of the founder has with shipping company and the farmer creates sustainable resources for the firm’s start to internationalize. However, the most important factor in this case is still the ambition and global mindset of the founder toward the international market. In conclusion, the global mindset of the founder is considered as the starting point in the internationalization process of the firm.

4.3.4. The process of identification, development, and exploitation of international market opportunities.

After analyzing enabling factors, it is vital to study about the process of identification, development and exploitation of internationalization opportunities. According to other previous research, there are some key factors such as prior knowledge, social and business networks, resources and capabilities of the firm that influence the process of opportunity identification, development, and exploitation in foreign market. However, how these factors actually help Vietnamese born global firms, particularly two case companies in this thesis, in identifying, developing and exploiting the international market opportunities needs to be discussed.

Table 8. The process of identification, development, and exploitation of international market opportunities.

<table>
<thead>
<tr>
<th>Case company</th>
<th>Identification of opportunity</th>
<th>Exploitation and development</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>- In 1986: an open-door policy was implemented. Thus, the barrier of studying abroad for Vietnamese students was removed. Vietnamese have a chance to go abroad. In addition, they have a chance to be able to exploit some international information sources like trade fairs and the internet. Coincidentally, this was the time when the heating, sublimation and vacuum drying</td>
<td>- Poverty is overcome and the desire to introduce Vietnamese product to international market creates motivation for the founder to exploit the opportunities.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- The presence of the new modern machine in</td>
</tr>
</tbody>
</table>
technology appeared.

- In 1987, the founder closed the previous company and had to look for another opportunity to develop.

In conclusion, during the time the founder was looking for another opportunity to develop, and the attraction of high technology from Taiwan and support from governmental policies. The founder decided to go to Taiwan in order to learn the necessary knowledge to support to the internationalization process of the firm.

<table>
<thead>
<tr>
<th>Case company 2</th>
<th>- During the time he was working in the previous company, the entrepreneur found that Vietnamese rice can totally compete with Thai rice in supplying in world market.</th>
<th>- After realizing the opportunity for the firm in international market, the founder tries to join in as many programs which can help him get as much information about foreign demand as possible. In the mean time, the Vietnamese government has organized many programs in sponsoring importer from middle east and UAE to visit Vietnam.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>- Through information from Viet trade and the internet, the founder found that the rice demand is high in the African market. The output of Thai rice had also decreased.</td>
<td>- Through experiences in</td>
</tr>
<tr>
<td></td>
<td>- Opportunity for Vietnamese rice in international market is determined based on the previous knowledge of the founder and the information from external source.</td>
<td></td>
</tr>
</tbody>
</table>
doing business in the African market, the founder has a basic knowledge about doing business in this market, in addition he has a contact list of old customers.

- The founder decided to exploit the opportunity to develop business in the international market, first especially in African market. Later on, in order to deeper develop this opportunity, the firm should:
  - Open the representative office in main African markets.
  - Keep contact with Vietnam trade organizations in Africa.

With the strong ambition to introduce Vietnamese products to the international market, the founder follows opportunities revealed through existing founder’s network, who is also the founder’s old customers.

Initial opportunity is found based on the previous knowledge, the network of the founder and the information from external source. However, in order to continue to develop the opportunity, the firm in general and the founder in specific should internationally develop and exploit the international market by setting up representative offices in the market, in which the firm wants to exploit, and set up more networks in that potential market so that the firm has a chance to have a deep understanding about the market demand.
4.3.5. Foreign market entry.

At the last stage of the internationalization process, the decision to enter to the new foreign market of each case company is discussed. How the firms select the first foreign market and which entry mode is used at the initial stage are mentioned in the following table. Some explanations about how both case companies select the market entry and entry mode are also presented.

Table 9. Foreign market entry.

<table>
<thead>
<tr>
<th>Case company 1</th>
<th>Market selection</th>
<th>Market entry mode</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Personal experience plus suggestion from personal network of founder aided in the selection of the first entry market.</td>
<td>Direct export to the Taiwanese market through wholesalers, Taiwanese railway, and supermarket.</td>
</tr>
<tr>
<td></td>
<td>After a successful attempt in the first market, the firm started assessments in neighboring markets with the first market. China was the chosen as the second market entry</td>
<td>The entry mode used in the second market is similar to the first entry market</td>
</tr>
<tr>
<td>Case company 2</td>
<td>Through previous knowledge, the founder’s network, and resources and capabilities of the firm, the African market is chosen.</td>
<td>Export through international intermediaries began.</td>
</tr>
</tbody>
</table>

The ambition of the case company 1 to bring the Vietnamese product to the international market makes the founder set up the company, then through the founder’s previous knowledge and the existing network, the first market entry was chosen. The case company has not studied the culture and of the Taiwanese market or even the market demand on the company’s product because company does not have sufficient internal resources to research these mentioned factors. Therefore, the case company has
to depend on the information from external sources, which comes from the existing network and previous knowledge of the founder, to decide which market should be entered first.

The networks discussed in this case company include business and social networks. First, when the founder was working in the previous company, that company has close relationship with Taiwanese customers. This is called business relationship. Later on, when that company is closed, the founder brings that relationship to the new company. Now in this stage, it is the individual relationship between the founder and customer. At that time, a Taiwanese customer introduced the Taiwanese market to him. The first market of entry is suggested by the old customer. Secondly, according to the suggestion from the old customer, the founder decides to go study abroad in Taiwan. During this study, he found out the company’s product. After graduating from the Taiwanese university, his professor suggests that he introduce his product to the Taiwanese market. The first market of entry is suggested by the professor. The combination both suggestions, first market is chosen. Then, as the ambition of the founder was that he wants to introduce his product to all markets in Asia, and China is the biggest country and neighbor to Taiwan, the founder started to do market assessment in China. As a result, the Chinese market is chosen as the second market of entry.

In contrast to case company 1, the first entry market of the case company 2 is chosen due to the analysis of the strength and the weakness of the company, the priority of customer in each market. For example, the first priority of the Asian market is the quality of rice, while the priority of the African market is the low price of rice. All the information about the demand, the priority of the market, and the information to evaluate the strength and weakness of the firm come from two sources: internal and external sources. The internal source, which includes previous knowledge of the firm in this industry and existing networks of the founder, helps the firm analyze its the strength and weakness in order to decide which market should enter first. On the other hand, the external source, which includes the source coming from government organizations, like viet trade, VCCI, and internet, helps the firm understand the priority in the market. Combining both internal and external sources, the first market entry is decided.
It is popular in emerging countries that most of the firms have limited access to the quality of international market information, and that the founders of the firm sense the degree of internationalization in an industry by evaluating the density of internationalizing Vietnamese businesses in the industry. The more the founders found Vietnamese born global firms similar to their own internationalize, the more they are motivated to do the same. If they decide to enter the international market, they are most likely to adopt the same internationalization modes as do the other born global firms in the same industry they have seen. The export mode is chosen as the mode of entry for both companies as this is the most popular used in Vietnam. When internationalizing, most firms follow the most regularly used traditional mode, hence the use of the export mode.
5. Summary, Discussion, Limitations and Suggestions for Further Research.

5.1. Summary of the study.

The aim of this study is to investigate how born global firms in the Vietnamese context internationalize at inception. The theoretical portion of the research concerns the born global firm as it is important to understand the motivations, which facilitate the firm in deciding to go international, the barriers which the firm may face, enabling factors which are important in the decision making process, opportunities which are beneficial to the firm, and the foreign market entry process. More specifically, the purpose of this thesis is to examine how the internationalization process of Vietnamese born global firms in the food manufacturing industry takes place at the initiating stage.

The second chapter covers the theoretical part of the thesis. First, a variety of factors which affect the firm to venture into international markets is discussed. Previous research explains that the fundamental reasons for internationalization could be defined by proactive and reactive stimuli. However, in the context of the born global firm, there still exists other stimuli which are considered a reason in explaining the firm’s motivation in initiating the internationalization process. The global mindset or the global orientation of the entrepreneur of the firm, which plays an important role in the success of the internationalization process of born global firms, is considered another set of stimuli. The empirical results in this study show that there are proactive stimuli, such as the desire to make profit, opportunities in the foreign, and so on, which seem to have more influence on the motivation of the decision maker than the reactive stimuli. In addition, the mental orientation such as the willingness, behavior and attitude of the entrepreneur in doing international business make them decide to go international market.

Secondly, in this chapter, the barriers which the firms face at the initiating stage are presented. Regarding the lack of reliable institutions, for instance, many Vietnamese
firms not understanding the important role in registering trademarks for their respective products, and this is the result of ineffective or misguided regulation. Moreover, Vietnamese firms have found that it is very difficult to obtain information about foreign investments or the demand in the foreign market, as Vietnam is socially hierarchical and information does not flow freely within the business context, but it is rather first perceived by the state-owned companies. Another barrier is the lack of resources and capabilities such as lack of foreign language and the limitation in infrastructure in both cases result in constraint in during the internationalization which influence the decision making process of the firm less than the previous barrier. Furthermore, the empirical study shows that surrounding and institutional environment of the Vietnamese market seems not to have a big influence during the internationalization process of the firm.

The next section covering enabling factors is considered the key focus of this chapter. In this part, the factors which play a critical role in the decision making process at the initial stage of firm expansion are discussed. These factors are previous knowledge, international entrepreneurship, social and business networks and resources and capabilities. Here, the international entrepreneurship of the founder and the business and social network aspect are considered the main factors that influence the decision making process.

The empirical chapter demonstrates that previous knowledge, and the personal relationships of the founder are crucial resources for the company in overcoming tangible resource limitation at the initiating stage of the firm. In addition, the previous knowledge of the founder also plays an important role in helping the firm overcome the barrier concerning the lack of institution. The finding from the empirical study shows that previous knowledge help entrepreneur create ambition and motivation to bring the firm to international market. In the mean time, it also helps entrepreneur in creating the right strategy at the inception. Regarding to the network of the founder, both case companies have been influenced by the individual network of the founder in decision making; however in the case of the first case company, the personal network is considered in the first social context, the relationship of the founder with his professor, friends and so on. In the case of the second company, the individual network is taken into account in the business context, for instance, the network of the founder is seen in
relation to the shipping company, and with farmers with whom the owner had former contact in his previous company. In conclusion, the network which mainly influences the decision making process of Vietnamese born global firms is the individual network, particularly pertaining to that of the founder.

According to Chetty and Agndal 2007, business networks have more influence on international market selection than social networks. However, in the empirical part of this thesis, the results show that the social networks of the founder play an extremely important role in making the decision to enter into an international market. The field of entrepreneurship has made some strides in explaining the internationalization process of born global firms (Madsen & Servais 1997). Research has supported that the characteristics of the decision maker contribute to the decision to internationalize. In particular, the empirical results in this study show that the entrepreneur sees global opportunities where others do not; thus, the entrepreneur’s ambition toward foreign markets is the initial driving force for the internationalization of the company. It can be said that the main driving force for the internationalization of the firm in both cases is the international orientation of the entrepreneur. Therefore, we can infer that the other factors such as previous knowledge, social and business networks, and resources and capabilities are helpful but not a primary reason for entrepreneurs to establish their firms as born global.

The resource based perspective emphasizes that the firm’s foundational resources are particularly important in diverse business environments (Knight & Cavusgil 2004). Resources can be defined as either assets or capabilities of a firm. Additionally, assets are divided into two categories including tangible and intangible assets owned by the firm. Furthermore, intangible resources can either be the assets or capabilities which lead to value creation. The capabilities are developed through organizational routines and business activities. In this thesis, because the case firms are quite small and new, they export into international markets right at inception. Therefore, both firms at the initial stage do not have advantages concerning tangible resource capabilities. The advantage of both firms at this stage is only the knowledge which includes international knowledge and previous knowledge of the founder. In other words, the founder’s knowledge is an important tool for implementing international firm expansion of the
firm. As a result, the intangible resources of the firm enable early international expansion despite the lack of tangible resources. Then, during the international expansion phase, the skills, experiences, and reputation are gradually accumulated, increasing the capabilities of the firm, and helping the firm enter into more difficult markets. Other resources such as finance, technology, and so forth do not have any influence in this case.

Both of the case companies use the export mode for entering into international markets. None of the enabling factors mentioned in the theoretical part have an influence on the decision concerning which mode should be used. The export mode is the most popular used in Vietnam. When internationalizing, most firms follow the most regularly used traditional mode, hence the use of the export mode. There are two alternatives for entry mode. Both options, direct selling to end users and selling through traders, are suitable for the case companies in the early stages. Case company 1 directly supplies the product to the end customer at the initiating stage. A key to success with this kind of entry mode is the quality of the product and effective communication between the case company and its potential final customers. Case company 2 employs a trader to sell the product to the African market. Using the trader is one of the easiest and safest approaches for cross border interaction at the initiating stage. It is evident that the quality of the traders’ abilities and relationships are extremely important. A reliable, honest and accountable trader is critical for success in foreign business. Moreover, employing a trader helps the case company in avoiding the risk of low payments in comparison to asking price from foreign customers.

The research method is discussed in chapter 3. First, the research philosophy is explained and followed by the choice of the appropriate research method. The thesis first considers previously researched theory then applies it to the specific context of Vietnam. Therefore, the deductive approach is used. In addition, the role of the entrepreneur plays an important role in the internationalization process of born global firms, with a specific emphasis on an understanding of the real business context. Thus, interpretivism is applied. After deciding the methodology to be used, the research strategy, here the multiple case based research method, was explained. The method for
the selection of the industry and case company was then discussed. Finally, the validity and reliability of the research was addressed.

The fourth chapter covers the empirical part, which was conducted through case study research. In this chapter the performance of the two case companies is examined based on the conceptual framework developed earlier and under the multiple case study research method. Furthermore, the conclusions resulting from the empirical research and theoretical framework are summarized in the next chapter. In addition, the discussion of the research and suggestions for further research are also mentioned in this last chapter.

Generally, it has been found that entrepreneurs are encouraged to establish a firm based upon their personal international orientation. Subsequently, the founder’s previous knowledge, resources and capabilities, and the networks possessed by the firm help to decide which markets present the greatest opportunity for entry.

5.2. Discussion of the study.

Vietnamese born global firms currently may consider short term profit as the most important strategy in order to survive at the beginning of the development of the firm. However, as evidenced in the empirical part of the study, in order to gain a competitive advantage in the international market, small firms need to shift the emphasis from short term financial objectives to long term goals. By favoring the development of the latter, governments will also establish a useful policy instrument for creating both income and employment, while enhancing the long term competitiveness of the economy. Policymakers can aid small firms in eliminating institutional, legal and financial barriers to obtain important resources such as external financing and technology. (Etemad et al. 2013).

For case company 2, the role of government is an important one in assisting firms in overcoming the barrier of mode of payment and in assisting them to create more competitive advantages in the African market and in other international markets as well. Regarding case company 2, trust is considered one of the most important determining
factors lead to the choice of entry mode of the firm. In practice, the firm does not trust its customer with payment, so the firm must export products through brokers, though firms may not favor this method in the long run. The suggestion is then that, in order to minimize risks, the Vietnamese governments should enact solid policies that require commercial affairs departments in the embassies of different countries to verify trade partners and establish trust in transactions.

Building trademarks is considered a problem for both case companies. It seems that Vietnamese enterprises still lack knowledge of trademarks. Currently, some companies have signed a contract to directly supply rice to the end customer in Africa but case company 2 must still export through intermediaries. In order to build a trading network, particularly with case company 2, the company should frequently attend meetings hosted by trade associations and government agencies. This is explained by trade show visits providing opportunities to look for products the company needs, the price they want and which suppliers have enough resources to fulfill large orders. Through these associations, the case company can offer the trader a better value than their competitors.

For case company 1, after establishing a relationship with customers, retaining that relationship is even more difficult. Every customer in the world is more likely to be a partner with people whom they trust. Therefore, case company 1 should build credibility with their partners along the selling process so that the customer can come to know and trust seller. Moreover, understanding and listening to customer wants, problems they may have with the product, and solutions that are exactly on target with customer’s need are key. Thereafter, when more trust with the company has been established, it will be easier to another market than without the above suggestion.

5.3. Limitations and suggestions for further research.

The key limitation of this research is the small size of the sample. There are insufficient cases to test the relationship between the perception of the entrepreneur and the internationalization of the Vietnamese born global firms. Further research should have more cases companies than in order to have a stronger analysis which can be used to
represent the whole population of Vietnamese born global firms. The entry mode of case companies in this thesis follows the currently applied entry mode of most born global firms in Vietnam. This is also a limitation of the thesis, as there is no suggestion for a change or a modification in entry mode for Vietnamese born global firms.

Another limitation of this research is the products of the two case companies are totally different even though they are in the same industry. Therefore, it cannot be concluded that whether the product category has any influence on the decision making process during the internationalization process of the firm. Further research should study whether there is any relation between the product category and the internationalization process of the firm in small and developing countries.

Based on the finding and the suggestion from the founder of the cases company, further research should study on the role of immigrants, emigrant and others with certain ethnic roots on the internationalization process of the born global firms, especially in selecting foreign market entry.
References


http://lbc.vn/index.php?open=leaders_journey&cate_id=1&viewby=1&lang=en&curPg=4#
Interview.

Case company 1:
- Date of interview: 6\textsuperscript{th} December 2013
- Interviewee: Nguyen Lam Vien – General Director.

Case company 2:
- Date of interview: 7\textsuperscript{th} December 2013
- Interviewee: Ho Thien Nhien – Sales Manager.

Background.

1. Could you introduce yourself and your background (education, position, and international experience)?
2. How long have you been active within this company?
3. How long have you been in this industry?
4. Could you please describe your company background?
   - Who is the owner and what is his or her background?
   - What are the products/services provided by the company?
   - What are the customer segments?
   - Could you describe the target market (domestic and regional and international)?

Internationalization motives.

1. Could you describe your motivation to internationalize?
   - What are the company’s goals concerning profit?
   - What is the shareholder’s interest at the onset?
   - What is the nature of the product (e.g., the global aspects)
   - What is the domestic demand?
   - What is the International market demand?
   - Are there External drivers (such as unsolicited orders from foreign partners or customers)?
   - What is the flexibility of the firm
2. In your opinion, what are the most important reasons for your company to internationalize? For example, do you consider small domestic markets or international products?
Barriers

3. What are the most pressing challenges that need to be resolved prior to the internationalization process?

Enabling factors

4. In your opinion, what kind of resources are needed for the internationalization process?
5. How do you use existing knowledge/resources before internationalizing?
6. Could you discuss and prioritize the essential resources which enable your company to enter international markets and differentiates you from competitors in these markets?
7. When you consider the specific international market in which to internationalize, could you explain what kinds of network types (formal or informal networks) you use? What are their functions? (Examples of formal relationships are customers, competitors, the government, suppliers, universities, or research institutes. Informal relationships may be friends or relatives.)
8. Do you have external support agencies, such as Vietnamese export agencies or governmental organizations? How do you use these external agencies in your internationalization processes?
9. In general, have you as a company been driving the internationalization process or has demand led you to new foreign markets?

Opportunities

10. How does your firm recognize opportunities in foreign market?

Foreign market entry

11. In short, state in chronological order: year, country/market, entry mode (list)?
12. What are your sale channels, e.g. direct sales, sales representatives (agents), subsidiaries, trade office?