

# Digitalization and e-commerce: International growth opportunities for the small firm

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The small life-science company's view on international business opportunities:

*"The competitive situation is entirely international, the biotech industry is entirely international. The Swedish market is only three per cent of the world market and is therefore not sufficient for [the company]. Internationalization is a prerequisite for [the company] to survive."*

Source: Melén, S. (2010) Global från start. Småföretag med världen som marknad Forskning i Fickformat.



# A proactive or reactive approach?

It is most often the foreign customers who contact the company —not the other way around. The company generates about 10–20 new foreign customers yearly via their homepage. Many of these customers discover the company whilst searching for the names of the company's products on the Internet.

Source: Melén, S., & Rovira Nordman, E. (2009). The internationalisation modes of Born Globals: A longitudinal study. *European Management Journal*, 27(4): 243-254.

# Today's presentation

1. Digitalization and globalization: New expansion opportunities for small firms
2. What are the instinctive strengths of the small international firm?
3. An international e-commerce strategy of a small Swedish retailer



# Small life-science firms' view on international expansion

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## KEY ATTRIBUTES

## The small life-science firms

<b>Home market</b>	Limited business opportunities in domestic market
<b>Prior experience</b>	CEOs and founders have prior international experience
<b>Pace of internationalization</b>	Early and rapid
<b>Firm strategy</b>	Internationalization is a central part of firm strategy
<b>Use of ICT</b>	Key role as enabler of global market reach

# The traditional view on small firms' international expansion

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## KEY ATTRIBUTES

## Traditional View

Home market

Domestic market developed first

Prior experience

None expected

Pace of internationalization

Gradual

Firm strategy

Not central to internationalize

Use of ICT

Not central

# The Born Global firm: entrepreneurial start-ups acting on a global market

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*"These firms did not slowly build their way into international trade. Contrary to popular wisdom, they were born global." (Rennie, 1993)*

*"Facilitated in part by globalization, the Internet, and other modern communications technologies, the cost of internationalization no longer seemed to hinder foreign expansion of smaller, under-resourced companies." (Cavusgil and Knight, 2015)*

# Globalization & digitalization:

1. New expansion patterns for small firms
2. Small size no longer a major barrier to international growth



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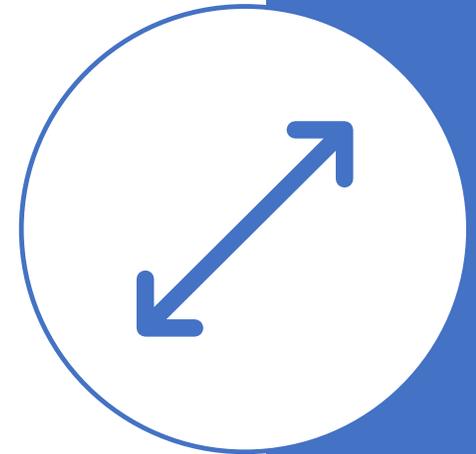


“Smaller businesses are not smaller versions of big businesses”

(Source: Hutchinson and Quinn, 2012)

How do international SMEs differ from larger MNEs in terms of:

- Managerial characteristics
- Financial characteristics
- Operating characteristics



	<b>International SMEs</b>	<b>Large MNEs</b>
Managerial characteristics	Managerial resources are limited; personal objectives of owner/manager influence decision-making process.	Managerial resources; more specialist departments with many layers of management that influence the decision-making process.
Financial characteristics	Limited financial resources	More financial resources
Operating characteristics	Informal central planning, control systems and decision-making process.	More complex organization, structure and decision-making process.

## The strengths of an international SME:

One of the reasons for the company's success is attributed to its innovativeness and speed in making decisions. When asked about the competitive situation for one of the firm's products areas the CEO states:

“They are giants which are 50-100 times larger than us, but we move faster than them. They are like elephants and we are like mice.”

# Key characteristics of SMEs & their international strategy

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Smaller businesses are not smaller versions of big businesses.

Smaller businesses differ from larger companies in terms of managerial, financial and operating characteristics...

...which indicate that the international strategies of small firms may differ from those of larger firms.

(Hutchinson and Quinn, 2012)

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The international  
e-commerce  
strategy of a small  
Swedish retailer

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# The case of DD Design

Irrespective of geographical location, there is a rather well-defined segment of potential consumers interested in Scandinavian design around the world.



# The CEO explains:

It's a retail revolution. The combinations that I have managed to learn after 30 years, I have to let go of and that is really hard. Nothing is like it used to be and that means I have to get a completely different toolbox for exporting.

What you must struggle with is: How can you build a brand that becomes so well known that you can benefit from being online?





# Launching an e-commerce strategy based upon piggybacking on distributors

Source: Hånell, S., Rovira Nordman, E., Tolstoy, D. and Özbek, N. (2019).

Tackle factors related to:  
resource access,  
Institutions, and  
competition in various foreign markets.



# Tackling resource access:

Via their online retail business partner, the small firm can offer global delivery solutions.

- A rapid international entry into many market can be possible.



# Tackling institutions:

The intermediary manages international institutional problems;

- Customers feel comfortable buying from digital platforms and the partnership help to provide legitimacy
- The partner function as a locomotive in creating an online market for the small firm.



# Tackling competition:

The online business partner has access to market data and insights into how competition is structured in the individual markets in which the firm operates;

- Provide the small firm with a fast track in establishing market positions in different markets.
- Facilitates the international positioning of the small firm.



But, the new  
digital  
economy has  
changed the  
conditions for  
learning

- Internationalization via e-commerce implies new possibilities of collecting and processing digital customer data.
- Long term success in the market expansion of the small firm is to some extent contingent upon whether the firm is able to control access to market data in those markets in which they operate.

# Conclusions from today's presentation

1. Small size is no longer a major barrier for expanding the business i foreign markets
2. The instinctive strengths of the small international firm – are often coming from its speed, responsiveness and closeness to customers.
3. Launching an e-commerce strategy based upon piggybacking on distributors can benefit the market entry phase.

# References used in the presentation

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