The Evolution of Born Globals’ Internationalization Strategy – the case of Opera Software –

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Abstract

Firm internationalization has for long been viewed as a gradual process, wherein firms expand internationally in an incremental stepwise manner. In the last couple of decades however, evidence of a more rapid internationalization process started to emerge in certain firms, identified as “Born Globals”. The Born Global firm has received a substantial amount of attention in the last years in regards to its distinctive internationalization characteristics at its startup phase. Yet, knowledge on the internationalization strategy of the Born Global firm once it reaches maturity is still lacking.

Through a longitudinal single case study, this thesis aims to analyze the dynamics of the Born Global’s internationalization process. The focus is to understand in what way does the strategy evolves over time and what is the rationale behind it.

My data shows that the change in the internationalization strategy over the years is influenced by five elements: resources, management, networks, environment (rational factors) and serendipity (irrational factor). For each of these elements, the relative effect on the internationalization strategy is identified and discussed. The findings contribute to the understanding of how and why the internationalization strategy of the Born Global firm evolves over time, from the infant to the mature phase.
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1. INTRODUCTION

The internationalization of firms emerged as a response to the economy’s globalization and can be described as the process of being involved in international operations or as the set of operations concerning international businesses (Welch and Loustarinen, 1988). The strategy that firms adopt when expanding abroad has been a central research topic in the field of international business for many years.

The internationalization strategy of the firm differs depending on the type of entity (Multinational Enterprise vs Born Global firm) and on the level of maturity (infant vs mature phase). Over the years the firm goes through some changes and so does its internationalization process:

![Diagram showing the evolution of the traditional firm (MNE) and of the Born Global firm over time](image)

*Figure 1: Overview of the evolution of the traditional firm (MNE) and of the Born Global firm over time*

In the past, the so-called original theories considered the internationalization of the traditional firm at its startup phase (infant MNE) as a slow, gradual incremental process involving many stages to protect against the risk of foreign markets (Johanson and Wiedersheim-Paul, 1975; Johanson and Vahlne, 1977; Bilkey and Tesar, 1977; Cavusgil, 1980; Czinkota, 1982). Given its limited international experience at the startup phase, the traditional firm accumulates knowledge mainly through operating in the foreign market, starting with a culturally closer market and then gradually expanding to further markets (Johanson and Vahlne, 1977). Original theories’ scholars agree that the internationalization strategy of the MNE can be seen as a learning process and
thus evolves gradually over time: the more knowledge acquired over the years, the lower the risk, and so the higher the commitment abroad. Only at maturity the Multinational Enterprise (MNE) has acquired enough knowledge to carry out its foreign expansion with a higher number of investments and greater commitment. This view is not only present in behavioral studies such as the Uppsala Model but also in studies with an economic approach such as the Dunning Paradigm, according to which the higher certain advantages possessed by the firm, the higher the commitment in foreign direct investment (Dunning, 1981).

Over the years many researchers have criticized traditional theories of internationalization and stages models, pointing out their too deterministic approach and lack of dynamism (Reid, 1983; Turnbull, 1987). However, these studies are necessary as they provide a base for understanding how the internationalization strategy of the traditional firm evolves over time, from a startup to a mature phase. This can be useful for comparison when studying the internationalization strategy evolution of a more recent entity: the Born Global firm.

Literature on Born Global firms developed initially a couple of decades ago, resulting from the critics to the traditional theories and after scholars identified an increasing number of firms who aimed at international markets right at inception and didn’t follow the traditional stages theories (McDougall et al., 1994; Knight and Cavusgil, 1996; Welch and Luostarinen, 1988; Ganitsky, 1989, Brush, 1992). Existing studies on Born Globals focus mainly on the driving forces and on the characteristics of the Born Global firm in specific at its infant stage (Madsen and Servais, 1997). It is largely agreed that the success of Born Globals’ internationalization expansion at inception can be mainly attributed to an innovative product (Sharma and Blomstermo, 2003; Madsen and Servais, 1997) and to the international experience and global outlook of the founder (Harveston et al., 2002; Knight, 2001). Moreover, researchers suggest that the limited monetary resources available are not necessarily an impediment (McDougall et al., 1994), as Born Global firms heavily rely on other types of resources, such as the networks developed (Jantunen et al., 2008; Sharma and Blomstermo, 2003). The internationalization strategy of the infant Born Global firm is therefore
understood as fast, network-oriented and disregardful of foreign markets’ psychic distance.

However, up to date, there are no studies exploring the internationalization process of the Born Global firm once it reaches maturity. There is no longitudinal perspective on Born Globals and insufficient theories following the evolution of Born Globals over time, once they grow from small size to medium or large size businesses. It is unclear why this is the case. Perhaps literature on the topic of mature Born Globals internationalization will emerge in the near future, as the studies on infant Born Globals are quite recent.

Even though no existing study has covered the topic yet, the internationalization strategy evolution of Born Global firms is indeed a topic of interest for both theoretical and managerial reasons. As years pass and the infant Born Global becomes bigger in size, does it simply evolve into a more traditional and bureaucratic organization like the mature MNE or is it still true to its strategy at inception? Looking at the internationalization strategy evolution of the traditional firm (MNE) might give some insights on the topic but it is not sufficient to fully explain the evolution of the Born Global firm in specific. It is necessary to study the internationalization strategy evolution specifically for Born Globals because I assume that they will evolve differently with respect to the traditional MNE, given the different starting characteristics.

The aim of this thesis is to explore the internationalization process of the Born Global firm once it reaches maturity and understand the rationale behind the evolution in strategy. As a result of the reasoning developed above, the following research question emerged:

*How does the internationalization strategy of Born Globals evolve over time?*

I intend to answer this research question by structuring my study in the following way. First of all, chapter 2 reviews the literature on Born Globals and MNE internationalization, serving as the theoretical framework that will guide my research. Second of all, chapter 3 presents the methodology used for the study, explaining how and why the study was conducted in that certain way.
Furthermore, chapter 4 presents and analyzes the case study of Opera Software, using descriptive narrative to show how the internationalization strategy of this Born Global company has evolved over time. Chapter 5 discusses the findings of the case study and links them to available theory. The findings are discussed in relationship to the research question posed in the introduction. Finally, chapter 6 concludes with key findings, managerial implications and guidelines for future research.
2. LITERATURE REVIEW

The aim of this chapter is to provide a theoretical framework to understand how the internationalization strategy of the Born Global firm evolves over time. Because there are no existing studies on the internationalization strategy evolution of the Born Global firm I present the existing literature on the internationalization strategy evolution of the traditional firm, to get insights and to use it as a comparison model when discussing my findings on the Born Global firm in chapter 5. As a result, literature on the internationalization strategy evolution of the traditional firm (MNE) is presented, focusing on the internationalization process of the firm at the startup phase (infant MNE) and at its mature phase (mature MNE). The last section of this chapter presents existing research on the strategy of the Born Global firm at its infant phase, focusing on its driving forces and characteristics.

2.1. MNE Internationalization strategy

Existing literature on the internationalization strategy has investigated how traditional firms internationalize at their startup phase (infant MNE) and how their strategy changes once the firm reaches maturity (mature MNE). Understanding the way in which the internationalization strategy of the MNE has evolved over time can give insight on how the internationalization strategy of companies evolves in general, therefore possibly applying certain patterns also to the evolution of the Born Global strategy.

2.1.1. Infant MNE - Traditional Theories

Expanding abroad is a critical step in the life of a company. Going international means taking important decisions on how to operate abroad, such as how to conduct business activities in the foreign market and how to organize relationships with foreign partners. Over the years, different theoretical models attempted to explain the internationalization process and the resulted literature is quite diverse,
pointing out two main approaches: the economic approach and the behavioral approach.

The economic approach has a strong emphasis on rational decision making and focuses on the effect that internal and external contingencies have on the firm’s degree of control over foreign operations. The international business stream of literature with an economic approach comprehends six main theories listed below, together with its main or one of the first contributors to the topic (Welch, Benito and Petersen, 2007):

1. Market Imperfections theory
2. Internalization theory - Buckley and Casson (1976)
4. Rivalistic and Strategic behavior theory - Knickerbocker (1973)

The behavioral approach, or internationalization process approach, focuses on rationally limited decisions and learning through a process perspective. International expansion represents uncertainty derived from a lack of knowledge of the foreign market and it’s seen as a long risky process where the company acquires knowledge mainly by practicing business in the foreign context. The less the knowledge and the experience in the foreign market, the more the home firm will sense risk and uncertainty and therefore the operation modes will be restrained. As pointed out by Welch, Benito and Petersen (2007) the main contributors to the behavioral approach to internationalization were Johanson and Vahlne (1977), Johanson and Wiedersheim-Paul (1975) and Luostarinen (1979).

To give an overview of both approaches two of the traditional internationalization theories will be described, Dunning’s Eclectic Paradigm and Johanson and Vahlne’s Uppsala Model.
2.1.1.1. **Uppsala Model**

One of the first and certainly one of the most significant contributions to the internationalization process was given in 1977 by the researchers Johanson and Vahlne. Their Uppsala Internationalization Model analyzes the expansion behavior of firms focusing on the distance between the host and the foreign market of respectively where the firm is running operations and where the firm plans to expand abroad. The distance in question is not only a geographical distance but especially a psychic one, which the authors define as the sum of factors preventing the flow of information from and to the market. These factors could be differences in language, culture, business practices, etc.

Before increasing commitment to and establishing operations in foreign markets the firm has to acquire, integrate and use the knowledge on foreign markets and operations. Because of this reason, the model describes the internationalization process of the firm as a gradual process, which starts by expanding to psychically closer markets, where the required knowledge is gained more easily. The company would then gradually penetrate other markets more further away from a psychic point of view.

The basic mechanism of internationalization comprehends four aspects, two of them characterized as state aspects and two as change aspects (see figure 2). Learning and commitment building takes time. As a result, expanding to more distant, risky but potentially rewarding markets, is a gradual incremental process.

The first state aspect is market commitment: the higher the amount of specialized (integrated into the firm) resources present in the area, the higher the commitment. The second state aspect is market knowledge, which is the knowledge about characteristics of the foreign market such as supply and demand, competition, channels of distribution, payment modes (Carlson, 1974). The most important knowledge is experiential knowledge, which cannot be taught but can only be acquired through experience in the market. The change aspects are current business activities and decisions to commit resources to foreign operations. The goal of the firm through internationalization is to increase profit by maintaining a low risk attitude.
After more than three decades and after many changes in the business practices, Johanson and Vahlne revisited their internationalization model in 2009. The business environment is not seen any more as static and made of independent entities, on the contrary it’s now seen as a complex network of relationships. The main problem shifted from psychic distance to outsidership, a status that brings uncertainty as there is no trust, no market specific knowledge and underdeveloped relationships. Apart from general and experiential knowledge suggested by the first model, in order for a firm to succeed in internationalization, another kind of knowledge was added: relationship-specific knowledge, which is defined as the knowledge that each partner has of the other regarding matters such as knowing about resources and capabilities. This can only be achieved through network or interaction between the partners. Relationships not only lead to an increase in learning potential, but are also useful for trust building and commitment, dimensions that in the first model were not even mentioned. These affective dimensions play an important role to understand relationships, as trust could also be considered as a substitution for knowledge.

As a result, Johanson and Vahlne (2009) made some changes to their first internationalization process model developed in 1977 (see figure 3). The first state aspect, which used to be “market knowledge”, was changed into “knowledge opportunities”, as opportunities are believed to be the most important element to guide the process of knowledge. The other state variable previously called
“market commitment” is now identified as “network position”, given the importance of networks in the internationalization process. The first change variable, the “current activities” concept, was made more explicit and the variables were called “learning, creating, and trust building”. The second change variable now identified as “relationship commitment decisions” added some value to the simpler previous version of “commitment decisions”, to point out that commitment is relative to networks of relationships.

![Figure 3: The business network internationalization process model (Johanson and Vahlne, 2009)](image)

After considering the changes in the business environment and revisiting the first Uppsala model, Johanson and Vahlne (2009) concluded that a firm will decide its expansion location considering where the focal firm and its partners see opportunities, in what foreign market the partner has a strong position, and if there exists no valuable partner yet, the firm that wants to internationalize needs to opt for where it will be easy to connect with a new firm with already a position in the foreign market.

The slow and gradual internationalization process suggested by the Uppsala model has been criticized in the past decade, as a new trend for internationalization started to emerge. Several studies found that nowadays many firms begin their internationalization process much faster and in a much riskier way with respect to the past. Researchers such as Andersson and Wictor (2003) and Madsen and Servais (1997) define these firms as “Born Globals”.

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2.1.1.2. Eclectic Paradigm

Another popular approach aiming at explaining the international expansion of firms is Dunning’s eclectic paradigm. The eclectic paradigm or OLI framework is a theory developed by J. Dunning first in 1981 and then later on revised in 2000 with the addition of more dynamic components and considerations. The paradigm guides the choice of foreign operation methods through the interaction of three independent variables: the ownership variable (O), whose analysis is influenced by market imperfections and resource-based theory, the location variable (L), determined by international trade and location theory, and the internalization (I) variable, which has as a base transaction cost theory (Welch, Benito and Petersen, 2007).

Dunning’s eclectic paradigm has the aim of predicting firm’s foreign direct investments. For example, the internalization advantage explains why firms decide to invest abroad and not just license their product, and the ownership advantage explains why firms decide to invest in one country or another (Solberg, 1994).

![Decision Tree for FDI](image)

*Figure 4: A decision tree for FDI, based on the OLI framework (Welch, Benito and Petersen, 2007)*

O: This variable describes whether the investing firm has some kind of unique and sustainable competitive advantages relative to what the foreign competitor has. The ownership specific advantages can be possession and exploitation of
monopoly power, possession of a set of unique resources and capabilities, and possession of managers with specific competencies (Dunning, 2000). It follows that a high control on certain assets, and so a high competitive advantage of the home firm relative to the foreign firm, will lead to a higher engagement in foreign production. Without this ownership advantage there will be no point for the investing firm to expand abroad.

L: This factor determines whether there will be an advantage for the home firm to produce abroad or if it will be more productive to produce at home and then export abroad. Also, it analyzes whether the assets owned by the firm lead to a better use at home or in the foreign country planning to expand to (Welch, Benito and Petersen, 2007).

I: Internalization theory provides the answer to why certain firms decide to expand abroad through foreign direct investment (FDI) instead of selling the products abroad through an intermediary. Everything depends on the costs, benefits and on the risk of the foreign environment. If, for example, the home firm is not familiar with the commercial and political risks of the foreign market, it might decide to license or outsource production to a foreign independent firm to reduce costs (Dunning, 2000).

To sum up, the eclectic paradigm illustrates how the firm has three strategic options when deciding to serve a foreign market (see figure 4). The reasoning behind this choice is determined by natural resources available, market characteristics, efficiency maximization and strategic assets possession. These four factors determine the internationalization strategy of the firm.

2.1.2. Mature MNE

According to traditional theories such as the Uppsala model, the firm starts its internationalization expansion in a stepwise manner, taking into consideration different aspects but most of all considering risk. Once time passes and the firm acquires enough knowledge of the foreign market, this risk is reduced and, as a result, the internationalization strategy of the mature MNE changes. This learning process leads to a greater commitment in the foreign market, characterized by a
greater investment of resources and development of networks (Johanson and Vahlne, 2009).

At the initial stage of internationalization, the firm tends to choose a variety of entry modes (Bell, 1995) while later on, once it reaches maturity, the entry mode choice tends to be directed more towards M&As or Greenfield investments. The reason for this is willingness to have control over existing resources and technology, the “internalization” variable as presented by the eclectic paradigm (Dunning, 1981). In accordance with this line of thought, Kogut and Zander (1993) focus on knowledge transfer as a determinant for foreign operation mode, claiming that companies with a high level of technological knowledge tend to establish wholly owned subsidiaries rather than other forms of entry modes.

The evolution of the internationalization strategy of the traditional firm is reflected mainly in a resource and investment change. While the mature MNE is still true to its risk averse behaviour like in its infant phase, its experience in the foreign markets makes it possible to expand with greater commitment in terms of resources. In contrast with the infant MNE, who minimized the risk of expanding abroad by committing a low level of resources at the beginning, the mature MNE tends to expand with riskier foreign direct investments such as acquisitions and greenfield investments. This is possible because of knowledge acquired, resources available and because of the willingness to keep control over technology and other assets.

2.2. Born Global Internationalization strategy

In the 90s more and more researchers found a different pattern in the internationalization process of the firm with respect to traditional theories. Many studies contradicted the stages theory of internationalization in favor of an unexpectedly fast international activity of firms in the very first years of operations (McDougall et al., 1994; Knight and Cavusgil, 1996; Welch and Luostarinen, 1988; Ganitsky, 1989, Brush, 1992). This new internationalization pattern, where the global market is addressed right at inception, has been manifested in firms defined as “Born Globals” (Rennie, 1993; Knight and Cavusgil, 1996), “Global Start-ups” (Oviatt and McDougall, 1994), “High
Technology Start-ups” (Jolly et al., 1992) or “International New Ventures” (McDougall et al., 1994). For simplicity, I adopted the term “Born Global” throughout my thesis.

2.2.1. Born Globals’ driving forces

Born Globals are known to start and carry out their internationalization process in a different way with respect to traditional small domestic firms that start expanding abroad. But why is that? What were the driving forces that made this change happen? According to Madsen and Servais (1997) there are three factors that contributed to the rise of Born Globals.

The first factor is new market conditions. With an increase in specialization and niche markets, the firm is pushed to sell its specific products to the international market place from the very beginning, both because the home country represents a very limited market and also because the Born Global’s high tech innovative products are meant to be sold worldwide. Moreover, thanks to globalization, networks across borders can develop easily, resulting in more homogeneous customer’s needs.

The second factor is technological developments in production, transportation and communication. Technology played a vital part in changing the market conditions and thus removing cost barriers to internationalization. First, production process technology made small-scale operations affordable and transportation of people and goods cheaper. Second, the way communication experienced technological development made it possible to communicate across world markets in a fast, cheap and efficient way. Also, because of these advances in communication, information on international markets became easily retrieved, therefore making the entrepreneur more prepared for an international expansion.

The third factor is more elaborate capabilities of people, such as the founder of the Born Global firm. In the last decades the number of people with international experiences has increased dramatically thanks to the promotion of international exchanges and international internships among students. This mobility and education across nations shaped the individuals to understand and experience
foreign cultures and practices, therefore making future business leaders more prompt to exploit international opportunities. Additionally, this mobility and integration made people’s preferences more homogeneous and less domestically bounded.

2.2.2. Born Globals’ characteristics

*Fast Internationalization already from inception*
Born Global firms start out with a very active internationalization strategy already at inception, on the opposite of traditional stages models, according to which the typical organization develops gradually from being a domestic firm to a multinational enterprise (Madsen and Servais, 1997).

*International expansion to follow clients and to target niche markets*
In contrast with for example the Uppsala Model, which considers psychic distance as an impediment to internationalization, Bell (1995) found that Born Global firms disregard this element when expanding abroad. Born Global’s internationalization focuses on following domestic and foreign clients, and targeting niche market. Also, cost reduction is not the key motivation when expanding abroad.

*Limited resources available to carry out expensive investments abroad*
Another important factor that has an impact on the internationalization process difference between Born Globals and established MNEs is the amount of resources available: Born Globals have fewer resources to carry out expensive investments (McDougall et al., 1994). Nevertheless, having lower resources available doesn’t necessarily mean that the Born Global firm will always choose the lowest cost mode of operation. On the contrary, Born Globals tend to expand abroad and compete internationally mainly with strategic alliances (Madsen and Servais, 1997).

*Innovative product*
The existing literature on Born Globals generally agrees on the speed of the internationalization process that doesn’t follow a stepwise process, but there has been contrasting findings regarding product adaptation for the customer. Rennie
(1993) claims that Born Globals tend to be very flexible towards their customers by adapting the product to the different needs. On the contrary, Jolly et al. (1992)’s research found that Born Global firms tend to choose homogeneous customers for which the product would need minimal adaptation. This decision stems from the fact that small firms have limited resources and therefore can’t sustain a multi domestic approach like larger firms. Nevertheless, what scholars agree on is the innovative characteristic of the Born Global firm’s product. In order to survive competition, the Born Global needs to develop high innovative skills to be at the edge of the development in its market, by investing in an effective R&D and by collaborating with international partners (Madsen and Servais, 1997). The competitive advantage of Born Globals is embedded in knowledge intensity, therefore creating innovative products as a result (Sharma and Blomstermo, 2003).

**Importance of the founder’s international experience**

The internationalization process of the Born Global firm is largely influenced by the background and the characteristics of its founder, who sees international markets as a possibility rather than an obstacle. The psychic distance to specific markets is reduced and the perception of uncertainty with regard to international markets is lower. As a result, the Born Global firm is faster at taking commitment decisions to expand internationally. This is mainly because of the founder’s international mindset, shaped by his/her previous international experience or education (Madsen and Servais, 1997). The easiness with which the founder collaborates with people who have a different background makes it possible for the Born Global firm to expand internationally mainly through alliances such as partnerships and joint ventures. The global mindset of the founder is not just one of the many observed characteristics of Born Global firms, some scholars actually identify it as a necessary condition for early internationalization (Harveston et al., 2002; Knight, 2001).

**Importance of networks**

Even before the Born Global literature, many researchers have pointed out the importance of networks as a tool to exchange knowledge and to influence the international strategy of firms (Sharma and Johanson, 1987; Majkgård and Sharma, 1998). Having strong or weak ties in the network implies receiving
knowledge and information of a certain market faster and of better quality with respect to competition. Research has found that Born Globals tend to absorb information and learn faster than a traditional firm (Jantunen et al., 2008). This is thanks to the Born Global’s engagement in dynamic international networks, rather than focusing on hierarchical organizational structure present in the traditional business models. Knowledge supplied by these network ties is what drives the internationalization process of Born Globals (Sharma and Blomstermo, 2003). Born Globals’ strength relies not only in external networks but also in strong internal ties because of the similar background and shared vision of the employees working inside the company.

Adaptation of the entry mode
Born Global firms are not loyal to one entry mode in specific, rather, they adapt their foreign entry mode when expanding abroad depending on the market and on the clients’ needs (Sharma and Blomstermo, 2003). The process of entry mode selection is not predetermined, instead, it is characterized by the strategy of exploration (March, 1991): it is based on a learning outcome of previous experiences and on the goal of commercializing the product abroad in the best possible way for a specific market given the resources available.
3. METHODOLOGY

The aim of this chapter is to describe how the research has been conducted in order to explore the research question presented in the first chapter. The methodology chapter will be organized as follows: first the benefits of having adopted an explorative qualitative approach to research will be explained, then the choice of a case study as an efficient research strategy is presented, furthermore data collection and analysis will be illustrated. Last, possible threats to the research quality will be considered.

3.1. Explorative qualitative approach

The objective of this research is to describe, understand and explain the evolution of the internationalization strategy of Born Global firms. The choice of using a qualitative approach stems from the fact that the research topic in question is very dynamic and focuses on the understanding of underlying reasons, motivations, “how” the strategy changed over time, rather than focusing on a purely numerical outcome. A qualitative approach to research was adopted, as the data collected from the interviews would not lead to any meaningful conclusion if expressed numerically through the form of a statistical analysis. Existing theories on internationalization strategy will not be tested but rather integrated and expanded by the concepts resulting from the answer to my research question and analysis of the propositions developed.

The topic of how the internationalization strategy evolves over time is relatively new and there is no recognized theory covering it yet. For these reasons an exploratory research design seems appropriate, aiming at “exploring” rather than “explaining”, by constructing, adapting and building on theories of internationalization (Ghauri and Grønhaug, 2005).

To understand how the internationalization strategy evolves over time, the data gathered needs to follow a longitudinal approach in order to trace events over time and discover any significant trend or pattern.
3.2. Research strategy

3.2.1. Case study

Yin (1994:13) defines the case study as:

“An empirical inquiry that investigates a contemporary phenomenon in depth and within its real-life context, especially when the boundaries between phenomenon and context are not clearly evident.”

The decision to use a case study for my research stems from my objective of examining a phenomenon, which is the internationalization process of the firm. The internationalization strategy of Born Globals can be considered a contemporary phenomenon due to its emergence just in recent years. Moreover, the phenomenon is studied in its real-life context as the company used for the case study is not imaginary but it exists and operates internationally in real life. It follows that in real world situations the phenomenon studied and the context are not sharply distinguishable (like in experiments for example), as the understanding of this real-world case involves important contextual conditions directly linked to the case (Yin and Davis, 2007).

The aim of this research is to understand the dynamics of the internationalization strategy of Born Globals through a longitudinal perspective. This case study focuses on exploring the internationalization strategy processes and on understanding how and why these dynamics change and develop over time. By analyzing the uniqueness of the particular case, the goal is to expand and contribute to theory on the topic of internationalization strategies. To further investigate the phenomenon, I develop propositions (see chapter 5) which can be tested by future studies covering a larger number of cases.
3.2.2. Opera Software as a case study

The firm involved in the case study is Opera Software, a public Norwegian internet company primarily known for its web browser. Opera represents an interesting case for studying the evolution of internationalization strategy of Born Global firms as the company started as a Born Global, having a global outlook and expanding internationally since the very beginning. Also, over the years, Opera has grown both in size and in revenues, shifting from an infant to a mature Born Global. The case study gives an appropriate setting to analyze if and how the internationalization strategy changed over time.

Figure 5 shows how Opera’s revenues have grown over the years: the company went from 3 million $ revenues in 2000 to over 615 million $ revenues in 2015. By looking at the graph it is clear that the company has gone a long way since its very beginning. The fast boost in revenues in the last five years can be mainly attributed to a shift in strategy, which will be discussed in the “findings” chapter.

Figure 5: Overview of Opera revenues growth in millions of dollars from 2000 to 2015 (Opera Software, Annual Reports, 2000-2015)

The following table also serves as an example to illustrate how Opera has grown and evolved in the latest years, shifting from an infant to a mature Born Global.
<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Adj. EBITDA ($ million)</td>
<td>13.0</td>
<td>23.8</td>
<td>47.4</td>
<td>63.5</td>
<td>86.6</td>
<td>118.0</td>
<td>108.0</td>
</tr>
<tr>
<td>Operating Cash Flow ($ million)</td>
<td>10.1</td>
<td>12.6</td>
<td>36.7</td>
<td>37.6</td>
<td>49.5</td>
<td>58.6</td>
<td>56.0</td>
</tr>
<tr>
<td>Opera Browser Users (millions)</td>
<td>100</td>
<td>160</td>
<td>250</td>
<td>300</td>
<td>350</td>
<td>350+</td>
<td>350+</td>
</tr>
<tr>
<td>Employees</td>
<td>757</td>
<td>747</td>
<td>777</td>
<td>931</td>
<td>1039</td>
<td>1458</td>
<td>1671</td>
</tr>
</tbody>
</table>

*Table 1: Overview of Opera’s Key Performance Indicators from 2009 to 2015 (Opera Software, Annual Reports, 2009-2015)*

Over the years, Opera has established sixteen offices in twelve different countries. The figure and the table that follow give an overview of Opera’s presence in the world as of 2016.

*Figure 6: Opera Software offices worldwide, per country, 2016 (Opera Software Website, contact section)*
<table>
<thead>
<tr>
<th>Country</th>
<th>City</th>
<th>Type of office</th>
<th>Since</th>
</tr>
</thead>
<tbody>
<tr>
<td>Norway</td>
<td>Oslo</td>
<td>Headquarter for Opera</td>
<td>1995</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Software</td>
<td></td>
</tr>
<tr>
<td>Sweden</td>
<td>Linköping</td>
<td>Satellite office</td>
<td>2000</td>
</tr>
<tr>
<td></td>
<td>Göteborg Stockhalm</td>
<td></td>
<td></td>
</tr>
<tr>
<td>South Korea</td>
<td>Seoul</td>
<td>Satellite office</td>
<td>2003</td>
</tr>
<tr>
<td>Taiwan</td>
<td>Taipei</td>
<td>Satellite office</td>
<td>2003</td>
</tr>
<tr>
<td>Japan</td>
<td>Tokyo</td>
<td>Satellite office</td>
<td>2005</td>
</tr>
<tr>
<td>Poland</td>
<td>Wroclaw</td>
<td>Satellite office</td>
<td>2006</td>
</tr>
<tr>
<td>USA</td>
<td>San Mateo Mountain</td>
<td>Headquarter for Opera</td>
<td>2010</td>
</tr>
<tr>
<td></td>
<td>View</td>
<td>Mediaworks</td>
<td></td>
</tr>
<tr>
<td>Russia</td>
<td>Saint Petersburg</td>
<td>Satellite office</td>
<td>2010</td>
</tr>
<tr>
<td>Iceland</td>
<td>Reykjavik</td>
<td>Satellite office</td>
<td>2010</td>
</tr>
<tr>
<td>China</td>
<td>Beijing</td>
<td>Satellite office</td>
<td>2011</td>
</tr>
<tr>
<td>Ukraine</td>
<td>Odessa</td>
<td>Satellite office</td>
<td>2011</td>
</tr>
<tr>
<td>Singapore</td>
<td>Singapore</td>
<td>Satellite office</td>
<td>2013</td>
</tr>
</tbody>
</table>

Table 2: Info on Opera’s offices worldwide, 2016 (Opera Software Website, contact section)

### 3.3. Data collection

The main sources of data collected for this case study are (1) in-depth interviews and (2) archival data, consisting of documents of different nature such as articles, annual reports, press releases, panel reports and websites.

Written documents were used to get an overview of the internationalization process of Opera Software before the interviews were carried out and later on to compare and validate the information received. Nevertheless, because specific events of Opera’s internationalization were not always easily retrievable, in-depth formal interviews were the most important source of data.
A total of eleven interviews were carried out during the study period, having a duration ranging from half an hour to an hour. Seven interviews were conducted face to face at Opera’s headquarters in Oslo, two were conducted face to face in different locations, and two through Skype call. The interviewing process stopped once saturation was reached, meaning that no new information was provided with new interviews.

The participants were selected based on their insights and experience on the topic of internationalization within Opera. To ensure diversity and to get a variety of viewpoints, people in different functions and level of the organization were interviewed. The process of selecting respondents started by identifying one or two persons within the organization who had extensive experience in the Opera’s internationalization process. Once key informants were identified, the following people to be interviewed were selected by snow-ball sampling technique. This technique consists in asking the key informant to suggest any other people to be interviewed next, who might know about certain aspects of the topic. In this way, interview after interview, I received new names and my sample increased.

The interviews were scheduled in advance by email and each respondent was informed about the general goal of the study. Moreover, the respondents were guaranteed anonymity and informed that the researcher was going to be the only person with access to the interviews. After getting the informant’s approval, the interview was recorded. In this way, I was able to follow better the conversation and pose probing questions, without using all my attention for writing notes, which sometimes might lack accuracy. The interviews were transcribed verbatim, producing about 115 pages of double-spaced text.

The interview guide consisted of open ended questions and the respondents were asked to describe chronologically Opera’s internationalization process, year by year, country by country, according to their experience. The conversation focused on the background in terms of market and company’s characteristics for when each internationalization took place, the reasoning behind each expansion, the entry mode used, issues encountered and lessons learned. The interviewees were encouraged to not only list a series of chronological events, but also list examples and give their perceptions for each occurrence they were narrating. The events
were mostly retrospective as they gave an account of what the organization had accomplished in terms of internationalization through the years. Opera’s culture and integration when expanding abroad was also an important aspect of the conversation, as culture represents one of the most important values for the company.

Each case generated very diverse information. This was mainly because both managers and employees were interviewed and because every interviewee focused on the internationalization aspect he or she had an active part in. Nevertheless, I found a general consistency regarding the rationale behind the strategy over the years. Even though the interviewees were not asked about Opera’s internationalization strategy evolution directly, I was able to derive information on the topic from the understanding of the individual’s stories of the internationalization process.

3.4. Data analysis

The process of data analysis started already while conducting the interviews: every time the informant was mentioning something I categorized as important, I wrote that down as a note or comment. Then, after all interviews were transcribed verbatim, I read and reread through them multiple times. By doing so, I started to recognize the important points of each interview and identified certain similarities and contrasts across the different interview transcripts. To simplify and reduce the raw data in analyzable units, each interview was coded using words or phrases. The next paragraphs explain in more detail this process of organizing the data, by giving practical examples (see figure 7, 8 and 9).

Because the questions asked in the interviews were open ended, each interviewee talked about the international expansion and strategy he or she had an active part in, therefore focusing only on certain countries or on a certain period of time. As a result, the content of each interview was firstly sorted by country of expansion and relative year (see figure 7). Even if more than one respondent covered the same international expansion, the discussion was different as every interviewee had different experience and therefore a different perspective.
Secondly, the whole internationalization process of Opera Software is presented in the form of a timeline, divided in four phases. These four phases were identified as a result of important events that took place in the company and in the surrounding environment. Consequently, all the information per country with relative year of expansion was sorted chronologically and placed in the respective phase (see figure 8).

Thirdly, for each phase all the different international expansions were grouped according to the rationale behind the expansion (see figure 9 for an example of phase 2). By having an overview of the background events influencing each phase and the rationale behind every expansion (presented chronologically), the reader can better follow the development of Opera’s internationalization process over the years.
The aim of this study is to analyze the evolution of the internationalization strategy of the Born Global firm. The data consists mainly of narratives of events aiming at giving a detailed longitudinal perspective of Opera’s internationalization process over the years. By analyzing Opera’s internationalization strategy over the years, I am able to understand how the strategy changed and what were the factors contributing to the change.

3.5. Criteria for quality in research

Ensuring the quality of research is essential, both for a quantitative and a qualitative study. In qualitative research ensuring a good quality research means dealing with problems of reliability and validity by evaluating the skills, competence and accuracy of the person doing the research. When judging the quality of a research design four tests are considered relevant according to Yin’s (1994) analysis. These criteria are (a) construct validity, (b) internal validity, (c) external validity and (d) reliability. The next paragraphs describe the four criteria and what measures I adopted in my research to address these validity and reliability issues.

3.5.1. Construct validity

Construct validity is the accuracy with which a case study’s measures reflect the concepts being studied. Three tactics are available to increase construct validity when doing case studies (Yin, 1994).
The first is to use multiple sources of evidence, especially during data collection, to encourage convergent lines of inquiry. The second tactic to be followed to increase the reliability of the information presented in the case study is to establish a chain of evidence, again especially in data collection. According to this principle the reader of the case should be able to follow the derivation of evidence from questions to conclusions or from conclusions back to initial research questions. The third tactic is to have key informants review the draft of the case study report (Yin, 1994).

I tried to ensure construct validity and information accuracy in my research by combining the use of more sources of data such as open-ended interviews and documents like annual reports, press releases, articles and academic journals.

### 3.5.2. Internal validity

Internal validity refers to the strength of cause-effect link made by a case study and is concerned with the problem of making inferences. Four tactics can be implemented during data analysis to address internal validity (Yin, 1994).

The first technique is pattern matching, according to which the pattern based on empirical data should be similar to the predicted pattern made before starting to collect the data. The second technique is explanation building, which in an exploratory case study refers to an efficient hypothesis-generating process (Glaser and Strauss, 1967) with the goal of developing ideas for further study. The third technique is addressing rival explanations, which are different with respect to the propositions originally stipulated in the study. The last measure a research can implement to assure internal validity is logic models. When you are trying to study a theory of change or have a complex chain of occurrence or events that extend over a period of time it is advisable to develop logic models. The use of logic models consists of matching empirically observed events to theoretically predicted events.

I addressed internal validity by first of all ensuring anonymity to my informants. In this way, I ensured that the information I received was complete and not bias
because of the threat of having the identity revealed. Also, to get a variety of viewpoints and different perspectives I interviewed people from different departments and levels within the organization. Then, I transcribed the interviews verbatim, therefore making the content accurate and not dependent on my interpretation or memory. Finally, I double checked the information I got in the interviews with the data I found in written documents.

3.5.3.   External validity

External validity refers to the situation where the findings from a case study can be analytically generalized to other situations that were not part of the original study. For case studies we talk about analytical generalization, the logic whereby case study findings can extend to situations outside of the original case study, based on the relevance of similar concepts or principles (Yin, 1994). Developing the study with “how” and “why” questions can be helpful for generalization. If considering single case studies like the one in this research, there is only one tactic to deal with external validity, occurring in the research design development phase.

To ensure external validity in single case studies it is necessary to have a solid theoretical background on which you build on your research.

The goal of this research is not to generalize based on a single case. Opera has specific traits and history which make the case study quite unique. Nevertheless, I am not excluding the possibility to eventually apply the findings of Opera’s internationalization strategy evolution also to other settings such as that of internet companies.

3.5.4.   Reliability

This final test for quality of research design implies that if another researcher would conduct the same exact case again, he or she would arrive to the same conclusions of what the previous researcher observed. The process of the case study needs therefore to be consistent and stable over time (Miles and Huberman, 1994).
In order for this to be possible the researcher needs to minimize as much as possible errors in his or her research. It is therefore necessary to have the procedure of how the research was conducted clearly and specifically described, by using for example case study protocols or by developing case study database.

I addressed reliability in my research by performing the interviews with open-ended questions about the internationalization expansion, I did not ask explicitly about the internationalization strategy evolution. In this way, I did not influence the judgement of the respondent in selecting what important events to explain. After carefully listening to the interviewees’ stories about expansion I was able to put the pieces together and arrive at what is, to my understanding, their internationalization strategy evolution. Another measure I took to ensure reliability of my data was to transcribe all my interviews verbatim. Even though I paid attention to the process of how my data was gathered it is difficult to say whether another researcher would have reached my same conclusions in terms of findings. The fact that I worked for Opera and that I already had a good relationship established with most of the respondents might have influenced the quality of the information I received. If there was someone completely unknown and external to the company doing the interviews maybe the respondents would not have shared as many information so freely, even if anonymity was guaranteed. Context and trust played an important role.
4. FINDINGS - THE CASE OF OPERA

Opera’s internationalization didn’t follow traditional theories according to which companies wait to first get big at home and only then expand abroad in a stepwise process. On the contrary, Opera focused on delivering its products and acquiring new customers globally from inception, therefore being characterized as a Born Global company. The international expansion led by Opera is not only the product of a successful strategy developed by its managers, but it is also the result of an attentive response to the many factors influencing the environment Opera was operating in over the years.

The aim of this chapter is to illustrate Opera’s internationalization over the years in order to analyze any pattern or change in strategy from the foundation to current time. The international expansion is divided chronologically in four phases, each describing the countries Opera expanded in, the entry mode, the rationale behind it, as well as what influence the market and the environment had in that point in time.


Figure 10: Overview of Opera’s internationalization phases, focus on phase 1

4.1.1. Opera browser creation

Opera started as a project in Telenor in 1992, when web browsers and internet were starting to develop and spread. The two researcher at Telenor who worked on the project and who later on became the founders of Opera, Jon Stephenson von Tetzchner and Geir Ivarsøy, thought it was possible to develop a non-US, user-friendly browser for this new technology. In 1994 Telenor ordered a market report to investigate more on the future possibilities of this browser but the prospects came out negative. For this reason, the founders were allowed to start
their own company without paying any rights to Telenor for what they had
developed until that point in time. The world was becoming more and more global
because of the internet and the founders’ idea was to create a user friendly
browser, something to be seen as a European alternative to the US browsers.
Gaining money was not the focus at that time, as the starting business idea was
just to get as many users as possible and serve them in the best way.

4.1.2. Limited home market and need for globalization

In order to understand how Opera managed to become a global company it is
necessary to look back in time, all the way to the beginnings. The fundamental
point is that Opera is headquartered in Norway: the limited size of the home
market made it necessary for Opera to go after a global audience from the start.
Nowadays, Opera is still headquartered in Norway and 99% of its market is
outside Norway. Apart from the size of the Norwegian market, another reason
why Opera went global very early on was because of the global outlook of the
founder, who was from Iceland.

4.1.3. International recruiting

One of the first challenges that Opera had to face from the start was recruiting
people. Given its small size, Norway has always been a very tight job market to
find talented engineers and business talents in general. Because of his global
mindset, the founder wanted to promote an international culture within the
company very early on and this is why Opera started recruiting people from
around the world already in the very early start. This was not a common thing to
do at the time: most Norwegian companies went international but Opera was the
only one that could be considered truly international because of its international
environment. Opera focused on young, brilliant international students and decided
to participate in the AIESEC program. The decision of having AIESEC students
and international students coming in the company for a summer internship turned
out to be very successful: most of them proved to be extremely smart and global
minded and were asked to stay in the company after the internship period (see
table 3).
Table 3: Overview of Opera’s international summer interns from 2009 until 2013 (Opera Software, Internship @ Opera, Power Point Presentation, 2014)

<table>
<thead>
<tr>
<th></th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of</td>
<td>870</td>
<td>732</td>
<td>644</td>
<td>627</td>
<td>296</td>
</tr>
<tr>
<td>applications</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Number of</td>
<td>43</td>
<td>37</td>
<td>36</td>
<td>36</td>
<td>27</td>
</tr>
<tr>
<td>Interns</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Contract</td>
<td>10</td>
<td>15</td>
<td>10</td>
<td>9</td>
<td>7</td>
</tr>
<tr>
<td>extensions</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Nationalities</td>
<td>7</td>
<td>10</td>
<td>9</td>
<td>7</td>
<td>6</td>
</tr>
<tr>
<td></td>
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</tr>
</tbody>
</table>

Those students are now the successful high level managers that leaded most of Opera’s internationalization expansion through the years. Opera didn’t just recruit international people, it also made their life in Norway easier and more comfortable by for example providing Opera apartments. Having new international people coming in the company meant having people marketing Opera’s products with a very international mindset from the very beginning. At that time Norwegian companies would say that English was their company language but this was not always accurate. In Opera, on the contrary, the working language was truly English as the percentage of Norwegians related to the percentage of international employees was about 50-50.

In 1998-1999 Opera was still a consumer company but there was no money in being a consumer company as at that time volumes were too low and there was no established advertising or monetization infrastructures.

“It was simply two bright persons who were trying to make a browser, competing against the big American guys. It was tough, Microsoft was preinstalled in the offices so they were losing on all fronts basically. But, they were very visionary and understood that there will be internet elsewhere, on other devices, and that there will be a need for a browser to operate on different platforms. So, they made the
browser smaller, faster and very flexible, so it could be easily ported to new platforms. You can say that this was mission impossible on desktop, so they used this startup phase to create something very unique for the future.”

That’s when Opera started shifting its attention also to the B2B market and this lead to Opera’s second phase, illustrated in the section that follows.

4.2. Phase 2: The feature phones era (2000 - 2006)

This is the phase where the big mobile and TV manufacturers started experimenting with full browsers on their devices. The market was extremely fragmented because each brand had their own operating system and Opera was one of the few who was able to deliver to most of these operating systems on very limited devices. This was a very good phase for Opera because these manufacturers recognized Opera’s competitive technology and used Opera’s low memory browser on the next generation of mobile phones and other platforms. Opera surpassed all the competition and by 2006 its browser was running on 70 platforms.

“We were the browser that could be run everywhere, we were able to make the browser run on almost impossible hardware.”

4.2.1. B2B internationalization strategy: be close to the OEMs

In the 90s startup period Opera did very little marketing activity, until it discovered that the browser could be put on mobile and other devices. At that time mobile was not downloadable, there was no Android, no common platform, so the focus had to go towards the B2B market. As a result, Opera started to hire some sales men and business developers who analyzed the market and started building
relationship with device manufacturers and finalize deals. In the early 2000s the first partnerships that Opera established were with Sharp in Japan and Nokia in Finland. Then, thanks to its good brand recognition and the growth in the mobile B2B market, Opera signed other licensing deals all over the world such as IBM, Ericsson, Symbian, Motorola, Brew. Opera was able to successfully sign a large amount of licensing deals with many companies because mobile was very fragmented and everyone wanted a browser on their handset. Opera had a very interesting brand from 2003 until 2006 when it was deeply involved in these B2B projects. Manufacturers were approaching Opera asking to have Opera’s browser customized and inserted into their new devices.

Following this success in B2B business for mobile Opera needed to have a presence in countries where there was a business case and where it saw opportunities for the future. So, it started opening offices to be close to the customer, the device manufacturers. Examples are:

- US – Motorola
- Japan – Panasonic, Sony, Toshiba
- China – Huawei, Hisense
- Korea – Samsung, LG
- Taiwan – HTC

Opera needed to increase capacity to deliver all these B2B projects by adding new competent developers to the company. This is the reason why Opera took advantage of two situations, one in Sweden and one in Poland (see section 4.2.2.1. and 4.2.2.2.), to solve this issue. It was not possible however, to keep scaling the company just by hiring more employees every time there was a new project, because that would make Opera very susceptible to ups and downs of the market. So, a measure that Opera took to avoid dependency from those swings while still continuing to deliver B2B, was to develop a cross platform based on one unified code. In this way Opera reduced the amount of work on customization it used to provide for all the different operating systems.
4.2.1.1. South Korea

In 2003 Opera opened a satellite office in South Korea to be closer to the OEM manufacturers (Samsung and LG) and to have a local support in order to get a faster time to market and a better relationship with those partners. At that time Opera had large mobile projects with Samsung so it decided to hire local managers and engineers but this process turned out to be extremely difficult. The reason was that the candidates that applied to work for Opera were not good enough: in Korea there is this pattern where the first employer every Korean dreams to work for is Samsung, if they can’t get Samsung then their second choice would be LG, if they don’t manage LG their third choice is a local bank, if the local bank application doesn’t go through then their fourth choice is a top international brand like Google or Facebook and only if that doesn’t work out they are willing to consider other international companies like Opera. As a result, all the candidates that Opera got accessed to were really not up to expectations, they were hopeless candidates that applied to Opera just because they couldn’t get any of the jobs every Korean dreams of. That’s also the reason why Opera experienced a very high turnover percentage in the Korean office, there was a lot of discontinuity. Apart from the quality of the candidates another challenge was culture: Korean culture is a very macho culture, very top down culture, and that didn’t fit at all with Opera’s way. This was visible in the quality of the partnership with Samsung: the process was very un-transparent, tough requirements were imposed on Opera engineers without giving clarification and explanation when asked. When Opera tried to work out things together there was a lot of resistance, it was not productive to have any kind of conversation.

So, for many years, Opera employees working in South Korea were not locals but Swedes, Italians, and Polish employees sent from the offices Opera had in Europe. Opera never managed to find good engineers in Korea so also nowadays that office is staffed from the outside. In the current time, Opera’s presence in Korea is very little so the office consists of few engineers, a sales guy and a technical assistance. In conclusion, Korea was a very difficult market for Opera and the main reason for that was cultural issues:
“Sometimes you go to Opera offices abroad and, even if of small size, you just feel the positive vibe, you feel they are a piece of Opera because the cultural elements are translated into that country and somehow you can associate yourself with that group of people. In Korea it was very different, there was definitely a cultural clash. Even if they were Opera employees and they were working for us you felt like walking into a completely different Korean company having people that didn’t feel like your colleagues at all.”

4.2.1.2. Taiwan

On the opposite of Korea, Opera managed to establish an office with good technical people in Taiwan. The reason to expand to Taiwan was the same as in Korea: to be close to the device manufacturer. At that time Opera’s focus was on the big mobile manufacturer HTC but over the years the focus changed as Taiwan became the hub for cheap set manufacturers that did processes mainly for TVs.

4.2.1.3. Japan

The real internationalization expansion started in the end of 2004 when Opera opened the first sales office in Japan. Opera wanted to open an office in Japan because it had an already existing business since 2001 not just in Japan but in Asia in general. Business was developing in Korea, China, Taiwan, but Japan grew quicker and the size of the business became substantial, Japan therefore becoming one of Opera’s most important countries.

At first it was mostly deals with resellers and distributors in Japan to sell for Opera the Desktop products, for example there was a cobranding deal with a Japanese PC distributor on distributing Opera browser for Desktop in Japan. This was a commercial deal with some licensing fees. Then, Opera started working with handset manufacturers, phone manufacturers, because the global mobile were embedded, the browser delivery was fairly large and it was growing. On this matter, Opera engaged in a deal with Kyocera, one of the largest suppliers in Japan back then, and the Opera browser was delivered for the very specific operating system that Kyocera’s phones were based on. Later on, there was a shift
in strategy and Opera started doing deals with mobile carriers instead of phone manufacturers. In any case Opera had to work with the phone manufacturers because those were the ones supplying the phones to the mobile carriers, which didn’t do any development. So the deal with mobile carrier was structured in this way: Opera and the mobile carrier signed a licensing agreement while Opera and the manufacturers signed only an engineering agreement/development agreement to have Opera browser shipped on the phones. An example of this deal was with KDDI, the second largest mobile carrier in Japan. Also, Opera focused on any kind of device that had ability to connect to the internet and this lead to other types of deals like for example delivering the Opera browser to Nintendo DS and Wii.

Japan became the single largest country that was generating a substantial revenue for Opera. The reason for Opera’s success in Japan was due to Japan’s “early adopters”, people who tend to jump on new products if they are advertised well. New concepts for technology products tend to attract Japanese crowd. Opera had a good product and decided to focus on Japan because there was good reception, and then it just started to grow from there. Opera’s success in this OEM market was partly because of Opera’s media and marketing campaign, but was mainly due to its ability to adapt their browser to all these different individual operating systems running on phones, which was not easy from an engineering perspective. Android and iPhone was not existing at that time so there was not a standard operating system for all phones.

“At that time these platforms of operating systems were not capable of running a full feature browser so the browser just wasn’t a popular thing. Phones were not considered a device you would do browsing with, so we needed to do a lot of education and we needed to convince people on the potential of mobile devices as a tool for browsing. In the pre-iPhone stage of mobile devices Opera was one of the few that had the technical ability to tackle the challenges related to these devices. Because we focused on it 100% we were able to get a lot of device manufacturers and mobile carriers to ship their products with Opera browser pre-installed in the device.”
It was natural for Opera to have a visible presence in Japan and grow the business. A long time Opera employee of Japanese origins (who came in as an AIESEC student) started from his apartment in Tokyo and then when he started hiring more people it was decided that Opera needed an office. The main function of this office was sales but there were also some engineers to facilitate the pre-sale and post-sale process. The business in Japan is extremely focused on quality which meant that Opera needed to go through extreme quality assurance processes in order to fulfill the requirements. In order to support the local market requirements, Opera had some engineers working specifically with quality assurance and technical requirements to tailor the deliveries. In this newly formed Japan office, Opera’s culture was ensured because both the employee of Japanese origins who started the office and the quality assurance engineer were sent from the Oslo headquarters. In this way there was a continuity of Opera’s culture and the two were able to transmit Opera’s values to the local Japanese employees. Nowadays, the large deliveries of software that Opera used to have in the early 2000s are not there anymore, and the office is now mainly a sales office. Even if at that time Opera was able to find the right people in Japan that were very assimilative to the Opera’s culture, the business in Japan grew and was successful mainly because Opera was there at the right time and with the right product.

The Japan office, like Opera in general, was hit pretty hard by both the release of the iPhone and by the financial crisis in 2009, when revenues saw a substantial drop, growth stopped and business declined. The Japan office was able to survive because the licensing deals with mobile carriers were multiyear agreements so the impact was distributed over the years. Also, Opera was still very popular and still had some traction in the market for other products such as Nintendo DS and Nintendo Wii. But, of course, the volumes were much smaller with respect to what Opera was shipping in the past. To react to the crisis and to the release of the iPhone, Opera started to focus on other things and saw an emerging trend in TV. The first licensing deals were done with TV manufacturers such as Sony, Panasonic and Toshiba, to have Opera deployed on their TVs. So the business in Japan changed from licensing to mobile carriers to licensing to TV manufacturers. From there Opera’s business in Japan started to grow again.
4.2.1.4. India

Opera expanded to India in 2006 mainly for three reasons: first, at that time India was booming in terms of IT and had a lot of really good quality engineers that were cheaper in a cost analysis perspective; second, Opera was on a growth path and in order to grow fast it needed to hire engineers quickly to develop the technology; third, around 30% of all applications Opera was getting on its career page were coming from India, so there was a lot of talent available that could potentially be exploited. Opera’s executives didn’t want to outsource anything, they wanted everything done in house and hire their own motivated people to create a family like atmosphere in the company. In order to protect the Opera’s code, which was mainly constrained to the offices in Oslo, Sweden and Poland, Opera decided to have services like quality assurance and widgets development in India, so that costs would be reduced. One of Opera’s fundamental pillars is a good work-life balance, for this reason the office in India was opened in one of India’s best cities in terms of quality life: Chandigarh. Chandigarh was a modern, clean and quiet city only 3 hours away from the capital, with very good transportation, schools, green areas and limited pollution, something very unique if you look at the other Indian cities. Also, there was no competition: no other major internet or technology company was there, hence declining the risk of turnover among employees jumping from company to company for a higher salary and career development.

Also in this case, like in Japan and in China, a long time Opera employee with Indian origins was responsible for setting up the office and hiring new engineers, as the Indian office was mainly a QA and developers’ office. Because expanding to India was a big step and involved some risk, Opera decided to start by partnering with a local IT firm, CueBlocks, instead of buying its own office space and set up its own legal entity. Opera would co-share the office space with CueBlocks and the employees would be hired by CueBlocks to work for Opera. This was a temporary solution and eventually Opera managed to set up its own company, but it took some months because of the long Indian bureaucracy and because of the numerous time consuming and complicated steps necessary to set up a company.
The main goal of Opera’s office in India was to hire people. Hundreds of thousands of engineers applied but Opera just couldn’t find good candidates. Opera’s budget was first of all limited and the idea behind the expansion was to hire a lot of personnel, so instead of hiring a few more experienced engineers with 10+ years experience, Opera decided to focus more on younger candidates, with 1-2 years experience, and hire a bulk of them.

“In India there is a large gap in terms of reputation and salary between someone very experienced and someone with only a few years experience. Looking back, I wish we hired more experienced people. We couldn’t really afford it at the time but that would have certainly helped with the overall image and the quality of the work we did in India.”

Finding the right candidates was not the only thing that was taking so much time: after CuBlocks, finding a new location resulted to be very challenging, as the spaces available were in very bad conditions and needed time to be renovated. The situation in general was very demotivating for Opera in India: everything was running extremely slow, especially the process of finding good candidates. This was odd, since by that time Opera Mini was very popular in India and Opera had already established partnerships with local operators and manufacturers, so people were in general becoming more aware of the Opera brand and that should have attracted more eligible candidates. The headquarter was not happy about this situation because the Indian office was not scaling as quickly as expected and candidates were not hired fast enough. After two years of inconclusive interviews, Opera got out of this stalled recruiting situation by hiring a bulk of around 10 interns from a technology University. The idea was to test them for some time and then just keep and hire the best as employees. The office started to grow with these new young engineers who were receiving training from Norwegian colleagues who would fly to India and work with them on projects. Opera was lucky to find the right people, this interns’ team became extremely close and there was no turnover during that period.
Even if the situation seemed like it was taking a positive turn, after one year (in 2010) the headquarters communicated that the office in India needed to close down. The reason for this was because Opera just hired the best employees of BenQ Siemens in Poland (see section 4.2.2.2.) and decided to grow the Polish office instead of the Indian one. The Polish office had higher growth potential, more similar culture and time zone with respect to Oslo, high quality engineers at a low cost that already had deep knowledge of programming and coding for mobile phones, what Opera was interested in. All the engineers in India were let go and only a few people for PR, marketing and sales stayed, working from home or in rented offices.

Nowadays there are 50+ million users in India so there have been some talks regarding the benefits of having a localization of the product: localization means that the product would be made in particular for that country, thereby increasing usage and satisfaction among consumers. In order to have localization in India developers would be required. It is important to mention that nowadays Opera wouldn’t have the same problem it faced in 2006 when it decided to expand to India regarding the Opera code being leaked and lose intellectual property. That concern doesn’t apply anymore and it would be possible to have a global team of developers without Opera risking losing its data. Opera have seen the positive effects of localization in China, where the Opera Chinese office resulting from the joint venture was able to successfully develop a browser specific for the Chinese market.

“Over the years the Indian market has become much more advanced, the knowledge and the expertise of people have improved, and the whole focus of the country is now on web technologies. I think it would be great if we had an office with engineers that could do localization for our products because that is what you need if you want to be competitive. If you want to grow exponentially you need to have people on the ground, working in the same room, talking ideas and be team driven. You need a team to keep moving forward.”
4.2.2. International expansion due to talent acquisition

4.2.2.1. **Sweden**

In 2000 Opera acquired Hern Labs AB and opened an office in Linköping, Sweden. Hern Labs, a software development company, had a relationship with Opera for many years because they were working together on porting the Opera Web browser over to the BeOS platform (Opera Software, Press release, December 2000). This expansion happened not because Opera wanted to do something in Sweden, it was not part of a planned internationalization strategy, it was pure recruitment: when Hern Labs was about to close down because they had no business, Opera took the opportunity and acquired the company to keep some very talented developers located in the world's most progressive area for mobile technologies. Opera wanted to keep most of Hern Labs employees because they were very competent people who already had a deep knowledge of the Opera social code.

4.2.2.2. **Poland (Wroclaw)**

In November 2006 Opera opened a new office in Poland, in the city of Wroclaw. The story behind this office is quite interesting, as it was not part of a planned internationalization strategy, but it was mainly an opportunistic move to take advantage of a recruiting situation, similar to what happened with Hern Labs in Sweden. Opera got a call from a company, BenQ Siemens, that was about to lay off all its 450 employees and close down its R&D facility in Poland. This company asked Opera if they were interested in taking over the company and hiring the employees. At that time Opera was having extensive B2B deliveries on mobile but was not able to hire fast enough. Moreover, the BenQ Siemens engineers and developers were extremely motivated and qualified, as they had experience in working on mobile development projects very similar to what Opera needed. Opera agreed to take over, but Opera’s board of directors approved budget for only 21 BenQ Siemens employees, so Opera ended up hiring the best of the best. This was not a commercial deal, Opera was simply able to hire
directly from BenQ Siemens. After hiring these 21 new employees, Opera opened the office in Wroclaw.

4.2.3. **B2C internationalization strategy: follow the product’s success (Opera Mini)**

At some point Opera understood that it needed to move away from a pure B2B approach and focused more on B2C deliveries, selling directly to consumers. When Opera Mini was launched in January 2006, Opera had no intentional globalization strategy for this product, it just started to expand to those countries where Opera Mini was having a great success. Thanks to Opera Mini’s success, Opera managed to reach scalability through new sources of income connected to the product. Opera was able to monetize its big user growth from Opera Mini through partnerships with operators.

4.2.3.1. **Eastern European countries**

Opera Mini was easily downloadable, worked on 2G networks, enabled people in countries with low desktop penetration to browse internet through compression technology. It was easier as people didn’t need to go to internet cafes anymore to browse, and it was affordable as data charges in those days were very high. Opera Mini started being popular in Russia, where Opera already had brand recognition and a high percentage of desktop browser users since 2005, because consumers in Russia were able to hack and download for free the browser which at that time was a paid product. So naturally Opera Mini started spreading in Russia, followed by markets around Russia such as Ukraine and Poland.

“The growth in Opera Mini determined also which markets Opera needed to address afterwards, so once there was a full migration from B2B to B2C deliveries, Opera realized it already had a very strong customer base located in certain markets where the conditions were prime to have Mini rise.”
4.2.3.2. South East Asia

Because of the product characteristics that made internet easily accessed, Opera Mini started to become extremely popular in the South East Asian markets, such as India and Indonesia, where access to internet was slow and problematic. Opera took advantage of the success and opportunity in India and Indonesia to start growing business offices and sales forces, and to build relationships with operators from very early on, in order to have a good marketing support in those countries and to maintain a good market share. With consumer products such as Opera Mini there was not a particular internationalization strategy set in advance, it just happened, spreading not because of intelligent marketing strategy but because of word of mouth. The success of Opera Mini can be attributed not only to the product’s characteristics but also to the expansion of Facebook at that time. Looking at Opera Mini’s user base, the majority of usage is Facebook. As Facebook started to gain traction in those markets consumers understood that they could be on Facebook cost effectively, accessing it through mobile phones whenever they wanted and in whatever location, without being constrained to internet cafes.

“Facebook was a key driver for our globalization, then again it was not intentional, it was just a Trojan horse that pulled the growth of Opera Mini. Then it just grew from there: Facebook grew and new internet services such as Twitter and YouTube came, services that people wanted to access. As internet penetration grew, people wanted to be able to access the internet, and we were able to provide that cost effectively through Opera Mini.”

This internationalization related to B2C products was very natural and spontaneous, different from the internationalization of B2B products which was more intentional as Opera had to expand to specific countries to be close to the OEMs (i.e. China, Korea, Japan).
Even though this was a very successful phase for Opera, the company was actually working towards a non-existing market, and that built the base for the next phase’s failure.


This was a very bad phase for the company as Opera’s plan to finally be a successful global company didn’t work out as expected. When the iPhone got launched in 2007, followed then by Android, Opera didn’t see the big change coming. The company’s only thought was that the launch of these new smartphones was just going to help spread the positive message that surfing the web on mobile phones was actually possible for everyone. Opera believed that these new smartphones would not change the market that much and that all the different platforms will still continue to exist. They were wrong, that market really took off. By 2009 the whole landscape changed: from 52 operating systems the market moved eventually to only 2, iOS and Android, the only leading players in the market. Fragmentation didn’t exist anymore and the market experienced concentration. Opera didn’t see it coming, had the wrong strategy and was not prepared for this change in the market.

“The problem is that we were very visionary before the market came and because we were very good at everything we did, we just kept insisting on old ideas. We were too religious on what we were doing, we thought the world would go our way, we thought that nobody wanted to be in the pockets of Apple and Google, but we were wrong. Everybody went to Android (Samsung, LG, Motorola, etc.) and we lost all our business overnight. In 2009 this company was almost bankrupt.”
When Google and Apple made their own browsers it was much tougher for Opera to succeed on iOS and Android than it had been on Windows Mobile, where Opera was dominating the market. At the end of this painful loss period, Opera, once the only leader in the market, was left with only its 20 million desktop users, making money through Google search, the company that, together with Apple, stole their business. Opera took some time to adjust mainly because of static thinking. Soon Opera understood that the market is not how you want it to be but the market controls itself, so you have to accept it the way it is. It took some time to realize that even though Opera’s products were of great quality, still no scalability meant no money and therefore no success. At that moment Opera realized that something needed to be done to avoid bankruptcy, they needed to do something new, they needed to change their strategy. This failure though didn’t pass unnoticed: the company received profit warnings, had to go through a big downsizing and the CEO Jon von Tetzchner was forced to leave.

4.3.1. Expansion through insourcing

4.3.1.1. Poland (Warsaw)

In 2007, Opera was still not able to recruit fast enough because the mobile industry was growing extremely fast. Because Opera didn’t have budget for hiring people, it decided to rent employees from a firm in Poland called Mobica. The deal consisted in having Mobica set up a Warsaw office for Opera, hire 50 people and train them. Then, Opera would use them on its delivery projects. They were not Opera employees though, they were Mobica employees, Opera was paying Mobica and Mobica was paying the salaries. Even though this was a low risk expansion strategy, the management was not satisfied with this deal because everybody was aware of the fact that if you don’t work for your own company you don’t work that hard and you are also more incline to release company’s secrets. So there was actually some risk involved. Therefore, as soon as Opera got funding approval (around two years later so in 2009), it acquired that part of Mobica and took over the employees that were working on Opera projects and the facilities where they were working. This was an insourcing deal.
4.3.2. “Make your employees happy”

4.3.2.1. Czech Republic

The opening of the first satellite office in Czech Republic happened in 2008, again not for following any particular internationalization strategy in that country. The reason an office was set up in Prague was because three employees working in the Oslo office wanted to go back home in Prague to start families. They were very happy to work for Opera and they expressed their wish to continue working for the company, but only under the condition that they could do it from Prague. At that time Opera had some vision on a pure engineering office that would hire cheaper and better people, so Opera decided to accept the request of its three employees and set up the office in Prague. Unfortunately, the office was closed down some years later because Opera saw opportunities and a big growth in Poland and decided to concentrate only on that engineering office, since the Prague and Polish office were very similar and it was not possible to keep both.

On the engineering side, the Prague office was the first time that Opera tried to expand by letting employees move back home. On the sales side however, there were many occasions in which Opera took advantage of its pool of international employees, by letting experienced employees who were working in Oslo move back to their country of origin to help Opera expand in their local market (see China, Japan, India..).

4.4. Phase 4: The “reinventing” phase (2010 - nowadays)

Overall, Opera’s management has been extremely good at understanding the direction of the market and repositioning themselves after a wrong strategy. For
example, once they acknowledged that iOS and Android would stay as the leading operating systems, they started to focus exclusively on the development for Android, which nowadays powers almost 80% of all the software in the world. Also, Opera’s management has always been on the lookout for new opportunities on how to grow the company, which for many years was done mostly through organic growth. When Opera decided to go into ads it was mainly because of two opportunities: first, Opera had already a significant user base with Mini so it could potentially become one of the largest publisher for distributing ads; second, the market was expanding so it was a very good opportunity to enter the ads market at that time.

Opera learned from its mistakes in 2007 regarding mobile, so it realized that changes needed to be done regarding their approach to the TV business as well: Opera stopped making customized solutions and developed SDK which was easy to sell and didn’t need much engineering support. As a result, TV became an important business for Opera as well.

4.4.1. Acquisitions strategy in the advertising business: the creation of Opera Mediaworks

4.4.1.1. Advertising as a reaction to crisis and monetization possibility

The next central point of Opera’s reinventing phase to react to the crisis was the entrance into the advertisement business. That’s when the company started to make a high number of acquisitions and developed the companies acquired. Opera’s decision to enter into advertising was dictated by the bad situation they were in 2009, where they had no business. They had to find new sources of revenues and they understood that all other successful companies were making money from advertising. Up to that moment there were no ads in the Opera’s products so it was not an option for them to just start suddenly putting ads into their products. For this reason, they had to get into ads in another way, which can be considered pretty illogical given their situation at the time. The logical way would be what Google did:
“You start first by finding a way to get ads into your product and then when it scales and reaches volume you start doing mediation for third party publishers through the platform.”

Opera didn’t want to put ads into their products so it basically started at the end of this logical advertising development process. Opera felt it needed to own the advertisement platform as all the big owned operated consumer companies such as Facebook, Google, Twitter, Yahoo, they all own their ad technology. Opera started looking for the best ad companies in the most advanced market in the world for advertising: the United States. In 2010 Opera found a company called AdMarvel in the US and bought it for a very convenient price (8 million USD). This was the first step to Opera’s US strategy and mobile advertisement strategy. Opera timed this entrance in the advertisement business extremely well as their AdMarvel acquisition happened just before Apple launched the iPad and introduced iAd, finally legitimizing advertisement on mobile devices. That was a really positive event for Opera and for its advertisement strategy.

4.4.1.2. Acquisitions to grow fast the business and gain expertise

AdMarvel was doing ad mediation, meaning that they had a mediation platform where the ads were shown on the popular sites. AdMarvel strived to make mobile advertising an open ecosystem through better transparency of performance and simpler management of ad traffic to optimize revenue. This acquisition enabled Opera to expand its portfolio of products and services to include highly scalable ad monetization services for Opera branded mobile products and services offered by mobile operators and content partners (Opera Software, Press release, January 2010). The whole idea behind the AdMarvel platform was to monetize Opera’s own products, but this idea encountered some resistance within the company. The first reason for this was because certain employees working on the browser side worried that advertising would scare users away. The second reason was because it was in general too early: the company was still very focused on getting users and it was too early to start launching ads within the browser. So what Opera decided to do was to put the monetization of the browser on hold and focus on the US market. Opera successfully developed the AdMarvel platform, which became an alternative to Google on mobile.
Apple’s launch of the iPad and iAd, followed by the growth in the AdMarvel business, made Opera realize that the advertising business was a very interesting high growth market that needed to be exploited as much as possible. In order to grow its business, Opera needed to invest more in the advertising strategy:

“We thought, how do we fuel this strategy even more, and that’s what really launched our aggressive M&A strategy. Opera needed to be a growth company and we needed to figure out how to grow the business. The advertising business had scale and growth, so we jumped on it.”

Opera analyzed the trends which resulted to be very positive, so the decision was to give this whole advertising strategy a big push. After seeing that the AdMarvel deal paid off, Opera got a boost of confidence and decided to put more attention to this new area of business. Investing in so many acquisitions was due to the company’s decision to accelerate growth in that market by exploiting resources, technology and knowhow. Over the last six years Opera raised over 500 million USD of equity in debt capital to fuel the M&A strategy.

AdMarvel was a tech platform so a sales force was needed to “go out and bring demand in”. This intentional expansion strategy was developed through acquisitions. All the deals that Opera did were structured in a way that only a small amount of money was put up front and then the remaining sum was made if the company acquired performed well. Over the years, Opera did a total of 13 acquisitions, most of them in US but also in England, Scandinavia, Latin America, Turkey and Germany, mainly sales force acquisitions. The reasoning behind the choice of which company to acquire and what markets to go into was the following: Opera was thinking how to go beyond the browser and identified a vast growth potential in the apps business. Opera went through a strategic process internally to get inputs from different people inside the company on how to pursue this internationalization strategy linked to advertising and the apps side more specifically. The result was focusing on three areas: mobile store, mobile security and compression technology.
Some highlights of the main acquisitions for these areas follow.

1. Mobile Store – The first acquisition, Handster in 2011 (based in US, having operations in Ukraine), basically launched Opera’s apps strategy as it strengthened Opera’s mobile store offerings to consumers, mobile operators and handset manufacturers. For Opera this acquisition represented an important step toward the direction of evolving from being a browser company to a fully integrated mobile services company. Following this acquisition Opera decided to open a satellite office in Ukraine (Opera Software, Press release, September 2011). The second acquisition to upgrade Opera’s Mobile Store was Bemobi in 2015 (based in Brazil), whose technology allowed smartphone owners to access an unlimited use of premium mobile apps for a small weekly fee, a sort of "Netflix-style" subscription service for premium Android apps. Users pay for this service through their mobile operator billing systems, making the service highly effective in emerging markets, where credit-card and debit-card penetration is low (Opera Software, Press release, August 2015). The acquisition of Bemobi established Opera as a market leader in Latin America and brought an added dimension and a new monetization model to Opera’s app-discovery services.

2. Mobile Security – the main acquisition was SurfEasy in 2015 (based in Canada), whose technology provided easy-to-use solutions for protecting customers’ online privacy and security on any smartphone, tablet and computer, enabling the customer to access the Internet without the fear of being hacked or monitored (Opera Software, Press release, March 2015).

3. Compression Technology – in 2013 Opera acquired Skyfire (based in US) to optimize compression technology. Skyfire’s software was able to provide mobile networks a 60 percent boost in capacity by reducing the size of video and other multimedia content as needed to fit the available bandwidth. Skyfire can detect connections that need assistance, when specific users are facing a poor quality experience, and intervene in milliseconds. This can minimize the long start times, rebuffering, and stalls on video and audio streams that frustrate mobile users around the world (Opera Software, Press release, February 2013).
Another acquisition under the Opera Mediaworks umbrella was Mobile Theory in 2012, a US based leading premium mobile advertising network built for brand advertisers. This acquisition enabled Opera to better monetize the traffic flows through Opera Mini and Opera Mobile browsers (Opera Software, Press release, February 2012).

The biggest acquisition Opera did was AdColony (based in Los Angeles) for 350 million USD, which was a tech/sales force/customer acquisition. The acquisition of AdColony, industry-leading mobile video advertising platform, was aimed at strengthening Opera’s mobile advertising offerings to publishers and advertisers around the world. The addition of AdColony enabled Opera to deliver the highest-quality mobile video advertising experience on smartphones and tablets (Opera Software, Press release, July 2014).

4.4.1.3. Opera as a consumer and media company

The internationalization strategy related to the advertising business was very thought through, starting with a platform in the US, where most of the advertising revenues were happening.

“US technology is the lean edge when it comes to advertisement, so US was the market where we naturally started building a business and where we bought most of the companies that could scale.”

Before the acquisitions in the ad business Opera had a light presence in US, where it had some deals with AT&T and Verizon for Opera Mini.

Opera’s browser was a very strategic area with tons of usage but Opera needed to move beyond the browser and make sure to also get into new app categories, as people were spending more and more time on apps. Also, Opera couldn’t depend just on the browser as a growth engine, it needed to find new markets and explore new business areas to grow at a faster and smarter pace.
“What Opera has been able to achieve in the last 6 years is pretty phenomenal, there are not many companies that are able to do this strategic transformation as we did.”

The AdMarvel acquisition propelled Opera to be what it is today, a consumer company but also a media company, in particular the first independent ad network and the third largest ad network, behind Google and Facebook.

Opera’s last six years have been very successful and enabled the company to finally have a commercial breakthrough. The company went from 50 million USD revenue in 2009 to more than 600 million USD revenue in 2015, their profit is double as big as their revenue 5 years ago, and their user base now counts 350 million users (see figure 5 and table 1 in section 3.2.2.). Also, almost all of Opera’s revenues come from the advertising business, mostly from US sales.

![Sources of Revenue](image)

*Figure 14: Opera’s sources of revenue (Opera Software, Annual Report, 2015)*

Opera managed to find a way and it is still very vibrant, making one of the best web browsers in the world. Opera’s monetary success coming from advertising and other sources enabled the company to invest in the best talents to develop and make the web browser even greater than before.

Opera’s history is full of ups and downs, mistakes and great things.

“We had to hit the bottom to find out how we could become successful. And we managed.”

Nowadays the differences between web browsers are not that evident, especially for the typical consumer. Web browser’s basic need is to give people access to
internet and all browsers can do that. If Opera didn’t change its strategy in 2010 by looking at different products and markets, it would probably still exist but it would be a very small company today. Even though Opera had to reinvent itself to face a critical situation and started doing other things apart from the browser, it is still very true to what the original basic idea was: make the world open and connected through great technology and services.

4.4.2. Joint venture as a tool to expand business

4.4.2.1. China

Opera officially opened a Chinese office in 2011 after completing the joint venture with Telling Telecom, but Opera already had a presence in China since 2004. The first phase of Opera China can be considered from 2004/2006 until 2010. In 2004 Opera had one employee sent to China to work as a sales person on B2B deals and set up the business. Opera wanted to be close to the OEM manufacturers in China to expand its presence and to improve its business relationships. Moreover, Opera also tried to build China as an engineering hub because of the big amount of fairly inexpensive Chinese engineers. Opera had some sales people who worked on licensing agreements with the major Chinese OEMs, trying to license Opera browser technology for customized mobile handsets. The first deal signed was with Motorola and then over the years Opera managed to get more contracts and browser distribution. That gave the company presence, but Opera never managed to build an organization in China because it didn’t have good enough people and because most of the business was run from Norway. In particular, for the engineering side, the reason why most of the business was run from Norway, Sweden and Poland was because of knowledge concentration. Over the years this had proven to work, having really smart people on the engineering side sit together and produce synergies, instead of sitting in different locations just to make the customer happy.

The unproductive situation in China changed when a project manager in Oslo of Chinese origins (who started as an AIESEC student) asked to have the position as country manager China assigned, to improve the business Opera had in China.
The second phase of Opera China corresponds to Opera’s changes as well. Opera’s change from a pure old fashioned software company to an internet company was trivial for the Chinese market, which is the second biggest market in terms of internet users, after US. It was therefore important for Opera to make a bigger move in China. That didn’t come without limitations. China is a very unique market, with different rules and policies that need to be followed, and this has proven to be extremely difficult for many foreign companies: Google, Facebook, Twitter, YouTube, the majority of the giants in the world are not in China. Opera realized that it didn’t want to just keep selling licenses in China, it wanted to be a consumer business. In order to do that, Opera needed to comply with local rules and found a local Chinese partner.

In 2011 Opera and Telling Telecom established a joint venture to grow mobile web in China. Telling Telecom was a leading Chinese mobile phone distributor, with 18% market share of Chinese mobile phone distribution industry. The goal of the joint venture was to develop a customized mobile browser for the Chinese market and pre install it into every Telling Telecom mobile phone. The joint venture enabled Opera and Telling Telecom to accelerate their user growth in the Chinese market by combining proven browser technology from Opera with local content, operations and Telling’s unparalleled distribution network within China (Opera Software, Press release, March 2011). Opera owned 40% of the joint venture and the deal was set up so that Opera’s percentage was delivered not through cash but through technology, in the form of rights for licensing the Opera source code, while Telling came in with cash. Telling Telecom was happy to be Opera’s partner because they thought highly of Opera, they thought it had very good technology and knowhow, a good management team and important brand name. On the other side, Opera didn’t choose Telling just because of its success in the market; the decision to partner with them was also due to the fact that Telling already had experience with foreign companies, therefore being more open minded in the negotiation process. This joint venture marked an important step in Opera’s strategy in China as Opera was able to largely expand its presence through the creation of a product which reflected the specific needs of Chinese consumers.
“China represents the largest mobile web opportunity on the planet. To reach the vast majority of that market, we are creating an entirely new product that suits the needs of Chinese consumers. The Opera Mini browser provides the technical backbone, while Telling Telecom Development Co. provides a distribution network that can get a product in the hands of hundreds of millions of consumers.”

(Opera Software, Press release, March 2011)

The organization Opera had in China grew very fast and with a different philosophy: the employees in China focused mainly on the product and content side, different with respect to Opera Mini in Europe, where developers did not focus on the content side at all. Not everything run smoothly after the joint venture, as a new competitor with equal technology, more people and enormous Chinese home market, came into the picture. What is important to note though is the influence that Opera managed to achieve in China by being one of the few foreign internet companies to survive in such a unique market.

The product Opera had for the West didn’t really apply to China, the product in China was different, Opera needed to work with the Chinese government to fulfill regulations. The Chinese version of Opera maintained the same Opera brand with the “O” logo but it was hosted inland and it was called “Opong”, translation of “Opera” in Chinese.

Especially in the internet field, foreign companies are never ready to enter China because of the strict regulations a foreign company has to comply with. Opera was brave enough to take the step, mainly because of its uniqueness and internationality from the very beginning. After the JV Opera has been pretty successful in China, seen by Chinese companies as an interesting global company with good technology and good assets. Opera’s successful presence in China was proved recently in 2016 when Opera received a buyout offer by one of the biggest and well known consortium of Chinese internet companies.

“Everything has been changing and moving pretty fast. Now it is an interesting time to see if Opera is global enough to take the next step.”
4.4.3. Recently opened satellite offices as a support to the customer and to the partner operators

4.4.3.1. Russia

Russia has represented a very important market for Opera since the very beginnings: nowadays Opera desktop browser is the n.1 browser used in Russia and Opera was also able to gather over the years a big share of the Russian mobile web-surfing market with products such as Opera Mini and Opera Mobile. Opera currently partners with several leading Russian telecoms and service providers, including MTS, Mail.Ru, MegaFon, OZON.ru and Yandex.

In 2010 Opera opened a new office in Russia, to expand its local activities and to be closer to its users. The Russian community of Opera users is the largest in the world and with the establishment of this new office, Opera would be able to provide more support for local users and be more receptive to the needs of its Russian consumers, as well continuing to develop the relationship with its Russian business partners (Opera Software, Press release, April 2010).

4.4.3.2. Iceland

The growth of Opera Mini has been exponential since its launch in 2006 and in order to continue providing a fast and reliable browsing experience to its million users across the world, Opera decided to open a data center in Iceland in 2010.

“The mix of clean energy, skilled IT workers and fast Internet connections to international hubs lets us provide the best service for our European, Asian and African users of Opera Mini.”

Opera Mini technology requires powerful data centers for processing, and massive data centers equal massive requirements for power and cooling. Iceland makes an ideal location as data center for Opera Mini: Iceland has a stable supply of power through its geothermal energy and its cold air make a perfect natural cooling source (Opera Software, Press release, November 2010).
4.4.3. Singapore

Opera’s success in Asia is evident just by looking at all the offices that Opera has opened in the area through the years to provide client support and grow user base: China, Japan, Korea and Taiwan. The addition of the Singapore office in 2013 is the result of an extensive growth in the operator business not just in the four countries mentioned above, but also in countries like Indonesia, India, Philippines, Thailand and Vietnam. There was a need for Opera to open an office that would act as hub to fuel the mobile internet and advertising economy in the area.

Singapore represented a very good choice for Opera’s Asia-Pacific presence expansion because of its business-friendly environment and its strategic location. Because of its numerous partnerships with operators in Asia, Opera’s plan for the newly established office was to provide quick technical support to the partner operators, and to advertise the brand with marketing activities to reach even more mobile internet users (Opera Software, Press release, June 2013).

4.5. Integration as a consequence of internationalization

4.5.1. Cultural integration

As Opera expanded more and more abroad some cultural challenges arise. Opera always tried to transfer its “Scandinavian way” also in the offices outside Oslo, by promoting consent building through letting each person take his/her own decisions and be very free in selecting what is important or not. This approach for example didn’t work at all in the polish office, where the engineers there were used to being told exactly how to implement things, no question asked. Every day they would just measure how far they were in the implementation, not measuring at all the results of the department or how good the market was doing. So turning that culture was a big challenge and something that Opera worked on a lot. One measure that Opera took to try to promote its Scandinavian way abroad was to always have someone from Norway working in satellite offices.
Also, the cultural integration depended to a large extent on how Opera internationalized in a certain country. If the expansion was done organically and there was already an affinity with the Opera brand and the two cultures were similar, the integration issues were minimal, like for example in Sweden and Poland (to a certain extent) which strongly related to what Opera stood for. If the company acquired was very different in terms of culture, business and also time zone, certain issues might have aroused. For example, the first acquisition that Opera did in US in the ad business (AdMarvel) caused some cultural clash because Opera and the company acquired were not “culturally matching”, both strongly believed in their own values and were not always agreeing. It took some time and effort from both parties to figure out what was the best combination of user experience (Opera’s focus) and the need to serve an ad (AdMarvel’s focus). Opera tried to solve cultural challenges like this one by organizing technical workshops, shape programs, and by having the employees visit and work with each other to discuss things face to face. All these activities organized had the goal of seeing both teams aligned. Communication is always key.

Opera’s focus was to keep this very distributed organization together, trying to make everyone get to know each other and bond. One HR manager introduced a program called “Bridge the World”, to which every Opera employee could apply to work in another office for half a year. Three or four people are selected to participate and they can work abroad in two ways. They either bring their work in the foreign office and just keep working on their task from abroad, or they leave their current work and they do some other tasks for the local office where they are sent to.

“Through the Bridge the World exchange program, we give our staff members the opportunity to work in a different office for a temporary period. The program not only allows our employees to gain international experience and to develop both personally and professionally, but also strengthens the bond across our offices.”
(Opera Software, Annual Report, 2014)

People from every department participated in this program, from finance to HR to accounting, and it always turned out to be extremely useful for building a local
network and improve globalization of the whole company. This program was especially relevant in countries where it was important to mix cultures, for example in US, where Opera grew mainly through acquisitions.

Apart from this program for the employees, a special attention on this topic was also implemented by the management team, who travelled around a lot to visit the other offices and worked on the internal culture by organizing for example company’s parties and events.

When Opera opened offices abroad it put a lot of emphasis on making sure that the people in the new offices learned about Opera and its culture. Typically, Opera would have employees of the other offices come to the Oslo headquarters for a week or so to work together, attend marketing and sales seminars, and to meet the whole executive team, before returning to their respective countries. This was done especially for the country managers who had continuous relationships with the global sales team located in Oslo: the country manager would come to the Oslo headquarters to get updates on the strategy, understand the next focus, check in on progress and get assistance on contracts and negotiations.

The culture integration was less imposed for example on the companies acquired in the advertising industry. The reason for this is because those companies acquired were very different from Opera and somehow had to maintain their identity to keep being successful in the ad business. Also, most of their contracts were based on an earn out structure so Opera decided to be flexible and let them focus on achieving the results, without interfering too much. They were granted the freedom to do things in the way they believed was best to achieve the goals set. Opera generally left those acquired companies 2-3 years to adjust and let them meet their targets. Then, after this earn out period, Opera started to follow them more closely and organized integration activities. Nevertheless, Opera always acknowledge the diversity of the company acquired: they were from the advertising industry, Opera was in the development of IT software. They had a different culture, a different way of approaching goals, different needs, such as hiring candidates from different sources with respect to Opera. Also, at first these companies acquired were separate legal entities so only after the legal aspect changed Opera could start combining everything, step by step. The acquired
companies still had to abide Opera’s regulations and ethical guidelines but, even if they were under Opera, for most of them it was important to be identified as Opera Mediaworks and not just Opera. Consumers in US and Latin America didn’t know the name of Opera at all, but they knew about Opera Mediaworks and they knew it was an advertising company. Because Opera Mediaworks is a separate business unit with respect to Opera it is important to maintain good communication between the two, and this is ensured by the presence of a Mediawork representative in Opera’s executive board of directors.

There were some cases, though, where the company acquired showed a lot of interest in being 100% part of the Opera family and in those cases Opera was able to provide them the integration they wanted. For example Bemobi, a Brazilian advertisement company acquired in 2015, has been very interested in Opera’s culture and was keen on showing that they were part of the Opera family. This was very important for them because they wanted to communicate to the market and to potential candidates that they were part of something larger and global. The interest of Bemobi for Opera’s culture also stemmed from the fact that they were developers, therefore having a lot more in common with Opera than other acquired advertising companies.

### 4.5.2. Business integration

Most deals Opera carried out didn’t require a lot of business integration as the businesses acquired were mostly complementary to each other. For example, there was no overlap between AdMarvel and Mobile Theory as the first one had a publisher team and the second one had a brand sales team. When Opera bought AdColony there was an overlap on the brand sales side but, because most of the revenues were coming from game publishers, Opera was able to solve this problem by taking the game publisher business of AdColony and adding it to Opera Mediaworks’ game sales team, therefore leaving no overlap. In Germany, Turkey and Latin America there was no need for integration as there was no overlap. Opera’s geographical expansion in the ad business was about growing globally so naturally the focus was towards markets with potential, for example Germany, top five digital advertisement market, and UK, also a big digital market. The companies acquired in these countries had no overlap with Opera’s business
so there was no problem when putting the pieces of the puzzle together. The complexity of integration was mostly around finance and human resource because all the companies acquired had their own finance, HR department and accounting systems. As part of the integration plan, all these different systems got moved into one financial platform, Oracle. Over time challenges arouse when this advertising/media organization developed through all these acquisitions started targeting the same audience as the consumer business of Opera. Their marketing strategy was wrong and created some confusion in the press regarding the identity of Opera. The decision was then to create a separate business for Opera’s mobile ad subsidiary, and Opera Mediaworks was created. In this way, this separate brand was able to market their services leveraging the Opera name but without creating a clash, therefore leaving the perception of Opera as a consumer company and not as an advertisement company. Opera tried to integrate as much as possible its ad business and its consumer business but has not been quite successful. As a result, nowadays Opera and Opera Mediaworks are still separated in many aspects of the business.
5. DISCUSSION

I started this thesis with the following research question:

*How does the internationalization strategy of Born Globals evolve over time?*

In this chapter, I provide insight into my research question by discussing possible relationships between the concepts resulting from the case study analysis and the theoretical framework explored in the second chapter. The main finding resulting from my case study is that the internationalization process of the Born Global firm is characterized by some rational and irrational elements, each having a unique effect on the internationalization of the firm.

In order to understand how the internationalization strategy of the Born Global firm evolves over time, these influencing factors are identified and discussed. The process model depicted in figure 15 illustrates the rational and irrational elements that influence the change in strategy. After explaining what is the influence that each of these factors has specifically, the last section of this chapter covers key considerations on how the internationalization strategy of the Born Global firm evolves over time. In order to answer my research question, propositions deriving from the findings of the case study are presented and discussed in the light of prior research.

![Figure 15: Process model depicting the rational and irrational factors influencing the internationalization strategy of the Born Global firm](image_url)
5.1. Influencing Rational Factors

5.1.1. Financial and Technological Resources

According to Sui and Baum (2014) firm resources not only directly affect a firm’s survival but also influences its internationalization strategy. An important factor that can help explain the change in the internationalization strategy of the Born Global firm is therefore the availability of resources.

As discussed in my literature review chapter, the existing theories on internationalization through incremental stages point out the gradual commitment of resources into foreign markets. Johanson and Vahlne (1977) believe that firms begin their internationalization with low-commitment modes of entry to minimize risk. By learning through experience and gaining a greater knowledge of foreign markets, firms reduce the liabilities of foreignness (Johanson and Vahlne, 2009) and are therefore able to invest more resources in their foreign expansion. As a result, the gradual international expansion is related to a gradual commitment of resources. A similar view is shared by Dunning (1981) in the Eclectic Paradigm and by Welch, Benito and Petersen (2007) whose decision tree for foreign direct investment takes into consideration the resources of the firm in order to decide which foreign operation method to adopt when expanding abroad. The Born Global literature proved that, even if characterized by limited resources available, infant Born Global firms are able to internationalize fast and effectively. Nevertheless, their internationalization strategy at inception is generally characterized by low investment modes of operations (McDougall et al., 1994).

My findings are mostly in accordance with existing literature and give some new insights on the topic when the Born Global firm reaches maturity. In line with the Uppsala model, my findings suggest that the infant Born Global firm starts out its internationalization with low commitment modes of entry such as licensing, in order to avoid risk and to test the market. Also, my data supports the Born Global literature, according to which infant Born Globals start with less expensive entry modes given the limited resources. As time goes by, the infant Born Global increases in size and acquires new resources, both in form of finances and
technological knowledge. This more extensive availability of resources triggers a change in strategy: the mature Born Global is able to expand internationally with higher investment modes such as greenfield investments and acquisitions, possible because of a higher availability of financing and knowledge of the market. Most importantly, the mature Born Global doesn’t invest in higher commitment modes just because of monetary resources availability, but also because it wants to acquire knowledge faster and because it wants to maintain control over the already existing resources, such as technological knowledge. This consideration is in line with the traditional international strategy of mature MNEs, the latter choosing high investment and high control entry modes to keep knowledge inside the company.

In conclusion, based on my findings, I propose that resources influence the internationalization process of the firm in the following way:

\[ P1: \text{Born Globals with low resources that shift to high resources will internationalize with higher investments.} \]

5.1.2. Management

The influence of a global minded founder has been argued to be an important trigger in the fast internationalization expansion of the Born Global firm at the startup phase. The research has focused on the founder’s international experience, education and global outlook, as the main characteristics enabling the entrepreneur to avoid domestic path dependencies (Oviatt and McDougall, 1994, 1997). The founder of the infant Born Global firm sees international markets as an opportunity to grow, rather than a barrier (Madsen and Servais, 1997).

In a context of continuously evolving markets it is important that the founder and his/her team expand and enrich with new competencies and visions, therefore engaging in a continuous learning to develop the organization’s capabilities (Hagen and Zucchella, 2014).

My findings support this view: the founder’s international orientation and experience is a requirement for early internationalization but his/her knowledge
must be constantly enlarged by an active learning and innovation procedure. Failure to do so might result in a slower internationalization and in certain cases even to the bankruptcy of the company. My findings indicate that the incapacity of the founder to innovate and react to external shocks deeply affected the company’s performance over time. A change in ownership was a necessary measure to exit from a stagnating situation and to return to a successful internationalization strategy. Bell et al. (2001) describe a change in ownership and/or management as the most common “critical incident” leading to more rapid internationalization.

Following this I propose the following:

\[
P2: \text{The higher the propensity of the management team to adapt and learn, the higher the internationalization strategy’s success.}
\]

5.1.3. Networks

Networks are viewed as enablers of the Born Global firm’s early internationalization (Kiss and Danis, 2008) and are considered an important tool to acquire resources, enhance reputation and gain knowledge about the foreign market (Gabrielsson et al., 2008). Even researchers of traditional theories such as Johanson and Vahlne (2009) incorporated the network perspective in the revised version of their model, stating that the firm’s network reduces the liability of being an outsider in a foreign market and therefore reduces risk. The knowledge derived from the engagement in international networks with foreign clients is what drives the internationalization process of the firm. Thus, the Born Global’s international operations and networks co-evolve (Sharma and Blomstermo, 2003). In line with other existing research, Hagen and Zucchella (2014) point out the accelerator influence that networks have at the initial internationalization stage, but the authors also add evidence on the importance of international teams inside the company for a long term international growth.

This concept of internal networks resulted to be of extreme importance for the firm’s internationalization also according to my data. My findings suggest that the strong internal networks within the company were the trigger to actually establish
long term external networks, especially in culturally distant markets. The internationality of the employees within the company and their knowledge and connections with their country of origin was critical for the internationalization process of the firm. Many of these employees ended up being consultants for the international expansion strategy and some of them even led the internationalization process for complex countries.

Based on my findings I develop the following proposition:

\[ P3: \text{Born Globals who develop their internal and external network over the years will perform better in international markets (especially in complex ones).} \]

5.1.4. External Environment

The influence that the external environment has on the Born Global firm and on its internationalization strategy is the base concept of the Uppsala Model (Johanson and Vahlne, 1977): the external environment represents a constant risk for the firm and this risk can only be mitigated through experience of the foreign market. Nevertheless, the external environment will always have an unexpected component. So, as discussed above, the best measure a firm can adopt to prepare for any unplanned shocks coming from the environment is to have a competent management team and an established network of relationships with foreign clients. The firm’s ability to innovate and to adapt to environmental opportunities and threats positively influences the company’s survival and growth (Hagen and Zucchella, 2014).

My findings indicate that a change in management was needed when the company faced strong external shocks coming from an unplanned shift in the market. Not only a change in management was needed to react to the situation but also a whole change in strategy. The external environment can have predictable and unpredictable effects on the company’s strategy but what matters is how the company proves its flexibility and its readiness to react to those changes. The case study proved that mature Born Global firms have a higher knowledge and greater
resources available to better react to a crisis situation coming from a change in the environment. I propose the following:

\[ P4(a): \text{Unplanned environmental shocks negatively influence the internationalization strategy of the Born Global firm.} \]

\[ P4(b): \text{Born Globals with low knowledge of foreign markets that shift to high knowledge of foreign markets (thanks to resources invested in market research) will be able to better mitigate the negative effect of environmental shocks on the strategy.} \]

5.2. Influencing Irrational Factors

5.2.1. Serendipity

Most of the literature on the internationalization of the firm focuses on the rational elements influencing the internationalization strategy, but little is known about what effect do the irrational elements have, such as serendipity. Yet, experience has shown that companies can control their internationalization strategy only to a limited extent: most of the times there is a degree of serendipity involved.

Crick and Spence (2005) define serendipity as a “chance opportunity that arises unexpectedly”. The strategies of especially smaller firms are subject to a high degree of serendipity, as events taking place in the network and in the environment of the firm are generally beyond control. The ability of the firm to survive and grow therefore is a direct result of how it reacted to chance events (Meyer and Skak, 2002).

My data shows that serendipity indeed played a role, especially at the infant stage of the Born Global firm. Certain international expansions were possible and turned out to be successful mainly because of certain opportunities that arouse in a specific point in time (for example employee’s knowledge and relationships on the country to expand to, acquisition opportunities that solved a recruiting problem, etc.). At the infant stage, the Born Global company reacts to chance events with the resources and capabilities available at that point in time. At the
maturity stage, the company relied more to business research and left less aspects to chance, therefore carrying on a more attentive strategy.

Following this reasoning, I suggest the following proposition:

\[ P5: \text{Serendipity effects have a lower weight on mature Born Globals’ strategy than on infant Born Globals’ strategy.} \]

5.3. Internationalization Strategy Evolution

In the previous section we discussed specific factors influencing the internationalization strategy of the Born Global firm and which effect do they have specifically on the strategy. This section aims at summarizing these effects into a more general discussion on how the strategy of the Born Global firm changes over time, from infant to maturity phase.

The strategy evolution followed, under certain aspects, the traditional internationalization theories: the Born Global firm started its expansion abroad with low commitment and low risk entry modes and only once it started being successful in the foreign market it invested in more high commitment modes. This learning approach is indeed one of the key takeaways of the Uppsala model.

Nevertheless, the Born Global firm at maturity maintained some characteristics typical of the infant Born Global firm: the speed at which the company internationalized, and the boldness when entering new, unknown markets. The mature Born Global firm is not afraid to enter complex markets, as long as there are opportunities involved and as long as the company has strong internal and external networks available to rely on.

Even though the mature Born Global firm maintains this “adventurous” attribute, the way according to which it sets up its international strategy slightly changed. The mature Born Global firm leaves less space to chance and luck and focuses more on gathering important information of the foreign market before expanding. This is possible because of its resources and its extensive network.
In conclusion, even though the mature Born Global firm maintains certain characteristics typical of its inception, its internationalization process over the years becomes more similar to that of a mature MNE. The internationalization strategy of the Born Global firm thus evolves from an emergent to a planned strategy.
6. CONCLUSION

This chapter starts by presenting the main findings of the study and then proceeds to discuss managerial implications. Finally, limitations of the study are presented and guidelines for future research suggested.

6.1. Key findings and managerial relevance

This study explored the evolution of the internationalization strategy of the Born Global firm over time. Through my study’s longitudinal and in-depth approach, I found that the strategy of the Born Global firm at maturity somewhat differed from its strategy at inception, and it was under certain aspects more similar to that of the traditional firm at maturity. I identified five elements having a relationship with the Born Global’s strategy: resources, management, networks, environment and serendipity. By describing the unique effect that each of these rational and irrational factors have onto the strategy, I contribute to the understanding of how and why the Born Global’s strategy changes over time.

By conceptualizing the mechanisms underlying the Born Global internationalization and by identifying the triggers responsible for the change in strategy, my research contributes to theory development on a topic which has been under investigated up to now.

Not only does my study contribute to theory, it also has some important managerial implications. The findings have implications for the managers of Born Global firms which survive their startup phase and move towards a maturity phase. The study may also be useful for managers of startup firms in general, not necessarily only Born Globals, as the understanding of how and why the firm’s internationalization strategy evolves over time is an important topic for any party involved in a global business. Taking into consideration the elements affecting the internationalization strategy and being aware of its effects, will make managers within the firm more prepared for potential changes. The study and understanding of what influence rational and irrational elements have on the internationalization
process will be relevant in the development of long term strategic goals, which will address and take into consideration possible issues that might arise during the expansion process. Managers have to realize that a sustainable and successful long term internationalization strategy relies not only on its planning, but also on the considerations of what elements could change over time and what implications these changes can have on the strategy.

6.2. Limitations and guidelines for future research

Even though this study sheds more light on a topic that has not been covered before, it is still characterized by certain limitations.

Firstly, the case study used in this research is a single case study, therefore the data is limited to a single company: Opera Software. The data obtained from this single case study was very detailed and followed a longitudinal perspective, sufficient to study the evolution of the internationalization strategy of the company. Nevertheless, having included more companies in the picture might have led to more varied data and more complete findings. A suggestion for future research is therefore to study the phenomenon using a multiple case study. Scholars like Eisenhardt and Graebner (2007) recognize the importance of using multiple case studies over single case studies as the former enable the identification of similarities or differences across cases and therefore provide a stronger base for theory building.

Secondly, the internationalization strategy evolution analysis in my research is limited to a single medium size firm belonging to the tech industry. There is no reason to assume that my findings could not be generalized also to other industries or larger size firms. However, it would be interesting to actually investigate whether the internationalization strategy of the Born Global firm evolved in a different way if the company in question was operating in another industry or scaled to a larger size faster than the firm analyzed in my case study.

Finally, my findings indicate that resources, management, networks, environment and serendipity are the elements driving the change in the firm’s strategy. However, by including a larger sample of firms in the case study more drivers
might result significant in understanding the internationalization strategy evolution of the Born Global firm. A future guideline for research is therefore to examine other possible elements that might have an effect on the strategy change over time.
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APPENDIX (PRELIMINARY REPORT)

See next page
Preliminary Thesis Report

- Evolution of Internationalization Strategies -

Hand-in date:
15.01.2016

Campus:
BI Oslo

Programme:
Master of Science in Business, major in International Business

Supervisor:
Prof. Helene Colman
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1. Introduction

Throughout the study of International Business the topic of internationalization of firms have emerged many times and in different classes and contexts. It is therefore a very essential component of International Business, and its understanding is crucial. There has been a lot of research on internationalization strategy and entry modes for firms in general but not enough on the internationalization of firms in the technology industry in specific. This leads to the first research question:

1. How does the internationalization process of technology firms differ from that of other industries?

Moreover, most of the players in this industry started as Born Globals, which carry out a different internationalization strategy with respect to other firms. There is very little literature on what happens after these Born Globals in the technology industry become MNEs. Therefore a reasonable question to ask is:

2. Do Born Global firms in the technology industry carry on with the same internationalization strategy also once they become MNEs?

I think that this literature gap will be worth studying and will take advantage of her connections with a technology company, Opera Software, to bring a concrete example to answer these questions.

2. Literature Review

2.1. Internationalization

Globalization is a dynamic, multidimensional process of world integration, where national economies internationalize in different ways such as trading goods and services, making capital and labor flow, transferring production facilities and technology. The globalization process has speed up in the last decades, mainly due to an advance in communication and information technologies, liberalization of trade, and the need to exploit technological advantages worldwide.
Internationalization of firms emerged as a response to globalization and can be described as the process of being involved in international operations (Welch and Loustarinen, 1988), or as the set of operations concerning international businesses.

Traditionally, the main drivers for internationalization were cost reduction and access to physical assets and markets. Nevertheless, globalization’s growth and the increase in technology made the internationalization drivers broaden, focusing on the search for knowledge. Nachum and Zaheer (2005) identified six major foreign investment motivations:

1. Market seeking
2. Resource seeking
3. Export seeking
4. Efficiency seeking
5. Knowledge seeking
6. Competitive strategic motivation

The focus on one or more of the elements listed above influences greatly the internationalization behavior of the firm and its entry mode in the foreign market. Foreign Operation Methods represent a critical part of International Business and they can be embedded in many areas such as International Management, International Marketing, International Strategy and International HRM. When talking about Foreign Operation Methods one is not only referring to entry modes, but also to more diverse topics such as managing subsidiaries-headquarter relationship (Welch, Benito and Petersen, 2007).

Foreign operation modes are the way in which an organization internationalizes. Welch, Benito and Petersen (2007) classify them as contractual, exporting or investment modes. Contractual modes include options such as franchising, licensing, management contracts, subcontracting, project operations and alliances. Exporting modes can be indirect, direct through an agent or distributor, or by establishing an own sales office or subsidiary. Investment modes can be of 4 types: minority share (alliance), 50/50, majority share and fully owned.
There is not a universally preferred mode of entry for firms in general; it all depends on the firm’s resources available at that point in time and the market condition both in the local and in the foreign market.

2.2. **Internationalization Theories and Models**

Expanding abroad is a critical step in the life of a company. Going international means taking important decisions on how to operate abroad, such as how to conduct business activities in the foreign market and how to organize relationships with foreign partners. Over the years different theoretical models attempted to explain the internationalization process and the resulted literature is quite diverse, pointing out to two main approaches: the economic approach and the behavioral approach.

The *economic approach* has a strong emphasis on rational decision making and focuses on the effect that internal and external contingencies have on the firm’s degree of control over foreign operations. It is important to draw a line between international trade theory in international economics and economic international business theories. The international business stream of literature with an economic approach comprehends six main theories listed below, together with its main or one of the first contributors to the topic (Welch, Benito and Petersen, 2007):

1. Market Imperfections theory
2. Internalization theory - Buckley and Casson (1976)
4. Rivalistic and Strategic behavior theory - Knickerbocker (1973)

The *behavioral approach*, or *internationalization process approach*, focuses on rationally limited decisions and learning through a process perspective. International expansion represents uncertainty derived from a lack of knowledge of the foreign market and it’s seen as a long risky process where you acquire knowledge mainly by practicing business in the foreign context. The less the
knowledge and the experience in the foreign market, the more the home firm will sense risk and uncertainty and therefore the operation modes will be restrained. As pointed out by Welch, Benito and Petersen (2007) the main contributors to the behavioral approach to internationalization were Johanson and Vahlne (1977), Johanson and Wiedersheim-Paul (1975) and Luostarinen (1979).

To give an overview of both approaches Dunning’s Eclectic Paradigm and Johanson and Vahlne’s Uppsala Model will be presented in more detail in the following paragraphs.

**Eclectic Paradigm**

The eclectic paradigm or OLI framework is a theory developed by J. Dunning first in 1981 and then later on revised in 2000 with the addition of more dynamic components and considerations.

The paradigm guides the choice of foreign operation method through the interaction of three independent variables: the ownership variable (O), whose analysis is influenced by market imperfections and resource-based theory, the location variable (L), determined by international trade and location theory, and the internalization (I) variable, which has as a base transaction cost theory (Welch, Benito and Petersen, 2007).

![Decision Tree for FDI](image)

*Figure 1: A decision tree for FDI, based on the OLI framework (Welch, Benito and Petersen, 2007).*

O: This variable describes whether the investing firm has some kind of unique and sustainable competitive advantages relative to what the foreign competitor has.
The ownership specific advantages can be possession and exploitation of monopoly power, possession of a set of unique resources and capabilities, and possession of managers with specific competencies (Dunning, 2000). The greater the control on certain assets, therefore the greater the competitive advantage of the home firm relative to the foreign firm, the higher the likelihood to engage in foreign production. Without this ownership advantage there will be no point for the investing firm to expand abroad.

L: This factor determines whether there will be an advantage for the home firm to produce abroad or if it will be more productive to produce at home and then export abroad. Also, it analyzes whether the assets owned by the firm lead to a better use at home or in the foreign country planning to expand to (Welch, Benito and Petersen, 2007).

I: Internalization theory provides the answer to why certain firms decide to expand abroad through fdi instead of selling the products abroad through an intermediary. Everything depends on the costs, benefits and on the risk of the foreign environment. If for example the home firm is not familiar with the commercial and political risks of the foreign market it might decide to license or outsource production to a foreign independent firm, in order to reduce costs (Dunning, 2000).

To sum up, the eclectic paradigm illustrates how the firm has three strategic options when deciding to serve a foreign market (see Figure 1). The reasoning behind this choice is determined by natural resources available, market characteristics, efficiency maximization and strategic assets possession. These four factors determine the internationalization strategy of a firm.

Uppsala Model
One of the first and certainly one of the most significant contribution to the internationalization process was given in 1977 by the researchers Johanson and Vahlne. Their “Uppsala Internationalization Model” analyzes the expansion behavior of firms focusing on the distance between the host and the foreign market of respectively where the firm is running operations and where the firm plans to expand abroad. The distance in question is not only a geographical distance but especially a psychic one, which the authors of the model define as the
sum of factors preventing the flow of information from and to the market. These factors could be differences in language, culture, business practices, etc. Before increasing commitment to and establishing operations in foreign markets the firm has to acquire, integrate and use the knowledge on foreign markets and operations. Because of this reason, the model describes the internationalization process of a firm as a gradual process, which starts by expanding to psychically closer markets, where the required knowledge is gained more easily. The company would then gradually penetrate other markets more further away from a psychic point of view.

The basic mechanism of internationalization comprehends four aspects, two of them characterized as state aspects and two as change aspects. Learning and committed building takes time, this is why this model implies that expanding to more distant, risky but potentially more rewarding markets, is a gradual incremental process.

![Diagram of the basic mechanism of internationalization: state and change aspects](image)

*Figure 2: The basic mechanism of internationalization: state and change aspects (Johanson and Vahlne, 1977).*

The first state aspect is market commitment: the higher the amount of specialized (integrated into the firm) resources present in the area, the higher the commitment. The second state aspect is market knowledge, which is the knowledge about characteristics of the foreign market such as supply and demand, competition, channels of distribution, payment modes (Carlson, 1974 cited in Johanson and Vahlne, 1977). The most important knowledge is experiential knowledge, which
cannot be taught but can only be acquired through experience in the market. The change aspects are current business activities and decisions to commit resources to foreign operations. The goal of the firm through internationalization is to increase profit by maintaining a low risk attitude.

After more than three decades and after many changes in the business practices Johanson and Vahlne revisited their internationalization model in 2009. The business environment is not seen anymore as static and made of independent entities, on the contrary it’s now seen as a complex network of relationships. The main problem shifted from psychic distance to outsidership, a status that brings uncertainty as there is no trust, no market specific knowledge and underdeveloped relationships. Apart from general and experiential knowledge suggested by the first model, in order for a firm to succeed in internationalization, another kind of knowledge is added: relationship-specific knowledge, which is defined as the knowledge that each partner has of the other regarding matters such as knowing about resources and capabilities. This can only be achieved through network or interaction between the partners. Relationships not only lead to an increase in learning potential, but are also useful for trust building and commitment, dimensions that in the first model were not even mentioned. These affective dimensions play an important role to understand relationships, as trust could also be considered as a substitution for knowledge.

Figure 3: The business network internationalization process model (Johanson and Vahlne, 2009).
Johanson and Vahlne (2009) made some changes to their first internationalization process model developed in 1977. The first state aspect, which used to be “market knowledge”, was changed into “knowledge opportunities”, as opportunities are believed to be the most important element to guide the process of knowledge. The other state variable previously called “market commitment” is now identified as “network position”, given the importance of networks in the internationalization process. The first change variable, the “current activities” concept, was made more explicit and the variables were called “learning, creating, and trust building”. The second change variable now identified as “relationship commitment decisions” added some value to the simpler previous version of “commitment decisions”, to point out that commitment is relative to networks of relationships.

After considering the changes in the business environment and revisiting the first Uppsala model, Johanson and Vahlne (2009) concluded that a firm will decide its expansion location considering where the focal firm and its partners see opportunities, in what foreign market the partner has a strong position, and if there exists no valuable partner yet, the firm that wants to internationalize needs to opt for where it will be easy to connect with a new firm with already a position in the foreign market.

The slow and gradual internationalization process suggested by the Uppsala model has been criticized in the past decade, as a new trend for internationalization emerged. Several studies found that many firms now begin their internationalization process much faster and in a much riskier way with respect to the past. Researchers such as Andersson and Wictor (2003) and Madsen and Servais (2007) define such firms as “Born Globals”.

2.3. **Internationalisation in the Technology Industry**

There are different factors that contributed to the change in the internationalization process for many firms, like the Born Globals. According to Welch, Benito and Petersen (2007) these factors can be divided into external and internal factors. The external factors are the emergence of worldwide market niches, fast technological change, improvement of communication and transportation technologies, and psychic distance reduced because of
globalization. The internal factors are the more and more international experience of the managers leading the companies, and a more proactive strategic internationalization behavior because of the competition in the market.

Because of the reasons explained above, it is by no surprise that in the last decade many of the Born Global firms belonged to the technology industry. Technology firms, software firms or internet-based firms all developed a different form of internationalization with respect to Uppsala, both in terms of internationalization behavior and entry mode choice.

According to Forsgren and Hagström (2007) the internationalization process of internet-related firms differs from the model proposed by Johanson and Vahlne (1977; 2009) in four different ways:

1. The internationalization process is more fast and discontinuous, rather than slow and gradual
2. Maturity of the market in terms of users and market potential are the main reason for market selection, rather than psychic distance
3. The first step in the internationalization process can occur much earlier than predicted because the risk faced by non entering a new market is sometimes greater than the risk of actually entering that foreign market. This can be mainly due to the high uncertainty of the industry’s future or because of a first mover advantage pressure
4. Since the production cost for serving an additional market is minimal, the firm will expand more rapidly to exploit economies of scale

We can also see a difference between Born Global technology firms and MNEs firms. At the initial stage of internationalization the firm tends to choose a variety of entry modes (Bell, 1995) while later on, once it turns into an MNE, the entry mode choice tends to be directed more towards an M&As or Greenfield investments. Kogut and Zander (1993) focus on knowledge transfer as a determinant for foreign operation mode, claiming that companies with a high level of technological knowledge tend to establish wholly owned subsidiaries rather than other forms of entry modes.
3. Methods and Plan

I will gather data for the study mainly using a qualitative approach, which fits better for this kind of exploratory research. Data collection will be carried out by conducting individual semi-structured interviews with each interviewee, understanding the issue through a longitudinal analysis. The employees who could potentially provide better answers to the issue at hand will be selected. I will conduct the interviews in first person, either by directly going to the firm’s headquarters in Oslo or by carrying out the interviews by phone or Skype.

In order expand the theory deriving from my research question a real company will be used as case study. The company in question will be Opera Software, with which I had previous working collaborations. Especially at first, the focus will not be on a specific segment of the company (such as Mobile, Desktop or TV) but will be on the company as a whole. The interviews will start in February/March 2015 and the first people to be interviewed will be those with which I had existing working contacts, followed by other recommended employees that could provide better insight into the study. Data collected will be from the start of the company (1995) until now, in order to track the internationalization of the firm over time. The data to be collected will comprehend general information about the company (vision, structure, number of employees, products), accounting data (annual sales, profits) and a wide set of data centered around international activities (international acquisitions, alliances, number of subsidiaries abroad).

I don’t have a fixed goal regarding the number of interviews to be carried out or the specific length of each one, but they will stop once the content of the interviews start being repetitive. Before each interview the interviewer will ask the interviewee for permission to record the conversation. After the interview, I will review the notes and analyze the information obtained. After writing a summary of each interview, a “minutes of interview” file will be sent to the respondent to get any feedback and double check that the information transcribed by the interviewer were correctly perceived.

To protect privacy I will notify the Privacy Official for Research (at www.nsb.uib.no) prior to start interviewing and will in every case maintain the
anonymity of each respondent. Moreover, I will apply for master thesis confidentiality through a form at BI Norwegian Business School and will sign any confidentiality agreement suggested by the company itself.

**Project Plan**

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<thead>
<tr>
<th>Month</th>
<th>Task</th>
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<tbody>
<tr>
<td>January 15th</td>
<td>Hand in Preliminary Thesis report</td>
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<tr>
<td>February</td>
<td>Prepare questionnaire and contact possible interviewees to set interviews</td>
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<td>March</td>
<td>Conduct interviews</td>
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<td>April</td>
<td>Transcribe interviews and analyze data received</td>
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<td>May</td>
<td>Make any adjustments to the topic/literature review, depending on the outcome of the interviews conducted</td>
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<tr>
<td>Early June</td>
<td>Hand in Final Thesis draft</td>
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<tr>
<td>July</td>
<td>Make any adjustments after feedback from supervisor</td>
</tr>
<tr>
<td>August</td>
<td>Hand in Final Thesis</td>
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**4. References**


