

## THE INTERNATIONALIZATION OF SLOVENIAN SMEs – THE BORN GLOBAL CONCEPT IN TRANSITION ECONOMIES

**Ina Lejko, Faculty of Management, University of Primorska, Koper, Slovenia,  
ina.lejko@fm-kp.si**

**Štefan Bojnec, Faculty of Management, University of Primorska, Koper, Slovenia,  
stefan.bojnec@fm-kp.si, stefan.bojnec@siol.net**

### ABSTRACT

*The paper analyzes the internationalization process of small and medium sized enterprises (SMEs), that comply with the Born Global concept.*

*The internationalization process of Born Global enterprises distinguishes itself from the classic stage models of internationalization. The Born Global enterprises do not develop their international activities in incremental stages, but often start the latter from inception, entering several very distant markets at once.*

*With the liberalization of foreign trade, the transition countries have become much more approachable for the emergence of Born Global enterprises. Presuming the fulfillment of certain requirements that mostly relate to the foreign market knowledge, the Born Global concept can represent an efficient way of internationalization of enterprises in transition countries.*

*The paper focuses on the elaboration of the Born Global concept definition, as well as the comparison of identified Born Global cases from the selected developed and transition economies.*

**Keywords:** Born Global enterprise, internationalization, SME, transition economies.

### INTRODUCTION

Globalization can be characterized as a phenomenon, that especially in the last few decades, has had an essential influence on the internationalization of enterprises. Technological progress, reflected in production, transportation and communication has substantially shortened the distances between different parts of the World, and therefore diminished several social, cultural, political and economic barriers. Aforesaid process has had a fundamental impact on the internationalization of manufacturing and trade, capturing the entire supply

chains from its sources to the final output. Nevertheless, the eased mobility affected the people themselves, enabling them to easily acquire international experiences, vital for the beginning and the advancement of the internationalization process of firms.

The classical models explain the internationalization as a gradual process, based on the gradation of the international activities of an enterprise. In contrast to these models, the Born Global concept was established on the basis of the research of Australian enterprises, conducted by McKinsey & Co. in 1993. The latter denotes enterprises, that encounter a rapid process of internationalization, since they start with their international activities within a short time of their inception, simultaneously entering several geographically, as well as culturally distant markets, from which they obtain a substantial part of their total sales.

Most enterprises, that comply with the Born Global concept, emerge from developed economies, the latter being most commonly present in the German and Scandinavian area. Nevertheless, there are several successful examples of such enterprises being found in transition economies. The transition process itself creates conditions, that are often very different from those in developed economies, and are mostly associated with a higher level of risk and limited resources, therefore apparently seeming less beneficial. In addition to the transition process, trade liberalization in form of global and regional integration, such as European Union (EU), has a major impact on the internationalization process. The EU Internal Market guarantees the free movement of goods, capital, services, and people within the member states. In addition to monetary, taxation and customs aspects, that essentially alleviate business operations in the EU area, the EU members also benefit from the European policy measures that additionally support the internationalization process of its enterprises. The characteristics of transition economies and the EU membership are therefore the components that affect the internationalization process of enterprises, and to a certain extent define its course.

Another defining element of the enterprises is their size, which also has an influence on their internationalization process. Larger enterprises tend to be more internationalized than smaller, because they possess more financial and managerial resources, have greater production capacity, attain higher levels of economies of scale and are more likely to be associated with lower levels of perceived risks in exporting operations (Glas et al., 1999). Since small and medium sized enterprises (SMEs) represent more than 99 percent of all European, as well as

Slovenian businesses, it is very important to elaborate their internationalization process in accordance with the specificities, that can be ascribed to their size.

The main objective of this paper is to elaborate the definition of a Born Global concept, taking into consideration the specific characteristics of enterprises that can be subordinated to the concept, and are emerging from transition economies, comprehending the ascendance of the latter. Furthermore, the comparison of identified Born Global cases from the selected economies is carried out, in order to comprehend the specific influences of the transition process on the internationalization of enterprises, and to enable the formation of the definition of a Born Global concept, applicable to the enterprises, emerging from transition economies.

## **DEFINITION OF A BORN GLOBAL SME**

### **Theoretical Background**

The classical models explain the internationalization as a gradual process that progresses in incremental stages. The most commonly cited stage model of internationalization is the Uppsala model, developed by Johanson and Vahlne (1977, 2009). The latter explains the internationalization process as the gradual acquisition, integration and implication of foreign market knowledge through the increasing commitments to those markets. Similarly, the innovation related stage internationalization model, developed by Cavusgil (1980), explains the internationalization as an innovative course of action. Both versions of the stage model describe the internationalization process in a slow and incremental manner, which may be due to lack of knowledge about foreign markets, high risk aversion, high perceived uncertainty, or other similar factors (Madsen and Servais, 1997). Although the stage models of internationalization were, especially due to their deterministic nature, often subjected to substantial criticism (Andersen, 1993), they still remain the basis for empirical research and several new internationalization models, that emerged in the last decades.

During the last twenty years, several empirical researches have opposed the classical internationalization models by putting forward the cases of mostly SMEs, that do not follow the stage model of internationalization, but start with their international activities soon after inception, entering several distant markets at once, and so overleap stages, proposed by the classical models of internationalization. Such enterprises are known as *High Technology Start-ups* (Jolly et al., 1992), *International New Ventures – INVs* (Oviatt and McDougall,

1994), or *Born Globals* (McKinsey & Co., 1993; Knight and Cavusgil, 1996; Madsen and Servais, 1997).

The Born Global concept was coined to be used in the survey of *The Australian Manufacturing Council*, conducted by consultants McKinsey (1993) and Rennie (1993). Their research focused on new exporters, grasping SMEs that started exporting within five years before the research was conducted (Rasmussen and Madsen, 2002). The results of the survey revealed a small group of enterprises, representing 25 percents of the entire sample that started exporting within two years of inception, with exports representing approximately 75 percents of their total sales. Those, mostly manufacturing enterprises, mainly produced high technology products. Their added value was primarily the consequence of the innovative technology, although other advantages also pertained to the connection with the customers and the flexibility to the needs of the markets. The primary definition of a Born Global enterprise therefore denotes "*firms, that view the world as their marketplace from the outset and see the domestic market as a support for their international business*" (McKinsey & Co., 1993). McKinsey's definition can be apprehended as the first notion of the Born Global concept and is commonly used as a reference point in further theoretical, as well as empirical work.

Similar concept was formed by Jolly et al. (1992), who focused on newly established high technology enterprises, depending on one specific product, which, due to its high fixed cost, forces them into rapid internationalization on the leading market.

Another important milestone in the research of rapidly internationalizing enterprises was set up by Oviatt and McDougall (1994). They coined the term International New Venture (INV), denoting *a business organization that, from inception, seeks to derive significant competitive advantage from the use of resources and the sale of outputs in multiple countries. The distinguishing feature of these start-ups is that their origins are international, as demonstrated by observable and significant commitments of resources (e.g., material, people, financing and time) in more than one nation* (Oviatt and McDougall, 1994). Considering the number of value chain activities and the number of countries, they classify INV's in three groups. First, the New International Market Makers are firms operating as exporters and importers, whose most important competitive advantage is knowledge about logistics. They take advantages of inequalities between markets in production costs and market prices, and

usually perform their operations through a large network of business contacts in a large number of countries. Second, the Geographically Focused Start-Ups create their competitive advantages by servicing a small number of especially demanding customers in a specific region, simultaneously coordinating several value chains. Finally, the most radical form of INV's, the Global Start-Ups, coordinate the majority of enterprise's activities in all geographic locations. They act extremely proactive in gaining access to resources and markets, and although they represent the most demanding form of internationalization, they are known to possess the most sustainable competitive advantages.

On a contrary to previously cited authors, who opposed the stage models of internationalization, Madsen and Servais (1997) tried to explain the Born Global concept through the classical Uppsala model. They attribute the low risk aversion, distinctive for the Born Global enterprises, to the previous international experience of the founders and other employees of the firm, that enable them to overleap individual stages of internationalization process, proposed by the stage models.

Similarly to Oviatt and McDougall, Autio et al. (2002) developed a theoretical frame of the internationalization process, which includes the aspects of depth in a sense of number and type of value chain activities, that the firm operates on foreign markets, foreign sales to total sales ratio and the percentage of employees in foreign operations, psychic and geographic distance of foreign markets, diversity of international market entry modes and the speed of internationalization process. In accordance with the designed frame, three different Born Global strategies are identified. First, Global Conquerors internationalize extremely fast to several countries, where they perform a small number of different value chain activities. Second, Market Conquerors on a contrary usually perform fast internationalization on a specific market, where they establish an independent office. Third, the Global Growth Seekers start with the internationalization process relatively slow, mainly through exports. Later on in the process, they move to more demanding forms of internationalization, which also takes up speed. Their aim is to establish the presence in different markets and to increase the control in the latter.

### **Defining elements of a Born Global concept**

The aspects, which separate the enterprises, that can be subordinated to the Born Global concept, from those, internationalizing with accordance to classical models, are primarily

concerned with the time frame from the enterprise's inception to the start of its international activities, the number of foreign markets and their distances, the international market entry modes and the extent of international activities of the enterprise.

The time frame aspect is defined by the time from the inception of the enterprise, to the undertaking of its first international activities. Most researches consider Born Global enterprises to start with their international activities right after or within two or three years after their inception (Knight and Cavusgil, 1996; Autio et al., 2002; Gabrielsson and Kirpalani, 2004; Zhou et al., 2007), while some of them allow for longer periods, that can extend up to five, or even eight years (Burgel and Murray, 2000; Zahra et al., 2000). Elaborating the time frame aspect, possible existence of enterprise's predecessors must be taken into consideration, since the latter can essentially ease the complexity of the situation, with which the enterprise is faced, when starting its international activities (Gabrielsson and Kirpalani, 2004; Fan and Phan, 2007). Nevertheless, it must be pointed out, that when researching enterprises with the market presence of only a few years, the influence of macroeconomic variables can potentially disguise the results of the Born Global internationalization strategy.

The foreign markets aspect captures the number of foreign markets, on which the enterprise decides to enter, as well as their geographic and psychic distance. Although some of the researches define the minimal extent of foreign markets or cultural clusters, in which the enterprise must perform their operations in order to be subordinated to the Born Global concept, the definitions remain disunited. Regardless to that, it is indisputable, that the geographic or psychic proximity of the foreign market diminishes entry barriers and therefore essentially alleviates the internationalization process. Several authors emphasize the role of social networks as a source of opportunities for foreign market activities and expose their beneficial role for the internationalization process (Sharma and Blomstermo, 2003; Zhou et al., 2007).

The ownership aspect mainly encompasses the demand, that the enterprise represents a legally independent entity, and is therefore not a subsidiary or a branch office of another enterprise, which could potentially influence the procurement of its resources and subsequently their ability to undertake international activities. Furthermore, the aspect relates to the foreign markets entry modes, separating equity entry forms from the non-equity ones. It is a common

opinion in the economic literature, that the enterprises usually start with their international operations through exporting and later move to more complex equity forms of internationalization, although there are several cases of enterprises, many of which can be subordinated to the Born Global concept, that start with complex and demanding equity forms of foreign market entry right at the beginning of their international activities.

The extent of the enterprise's international operations is connected to the number of value chain activities, performed on the international markets, and the ratio of foreign sales to total sales. Whilst some authors, such as Oviatt and McDougall (1994), classify enterprises according to the number of value chain activities, that the enterprises perform on foreign markets, most of them focus on the share of foreign sales in total sales. The latter ratio agitates from as low as 5 or 10 percent (Zahra et al., 2000), to as high as more than 90 percent (Sharma and Blomstermo, 2003).

In some previous empirical research, additional defining elements are incorporated in the definition of the Born Global concept, such as size and industry. Present research focuses on SMEs, since they represent 99 percent of all European businesses. The definition of SME's is summarized from the European Commission Recommendation 2003/361/EC that uses the staff headcount ceiling and the turnover or alternatively the balance sheet ceiling as the qualifying criteria. In accordance with the definition, the medium sized enterprises do not exceed the staff headcount of 250 employees, their turnover is smaller or equal to 50 million EUR, or their balance sheet is smaller or equal to 43 million EUR. Small enterprises accordantly employ less than 50 employees, with their turnover or balance sheet smaller or equal to 10 million EUR. The smallest, micro enterprises, employ less than 10 employees, with their turnover or balance sheet smaller or equal to 2 million EUR (European Commission, 2011). As for the industry, several previous researches focused entirely on the high technology enterprises, whose products are sold on niche markets. Consecutively small domestic markets do not enable them to achieve the economies of scale, which forces them into fast internationalization (Preece et al., 1998; Zahra et al., 2000; Burgel and Murray, 2000; Autio et al., 2002; Sharma and Blomstermo, 2003; Gabrielsson and Kirpalani, 2004). On a contrary, other authors do not contradict the presence of Born Global enterprises in other, more traditional industries (McKinsey & Co., 1993; Rennie, 1993; Oviatt and McDougall, 1994; Knight and Cavusgil, 1996).

Next to the measurable defining elements of the Born Global concept, so called vision of internationalization is commonly mentioned in previous theoretical and empirical work. The latter can be defined as a consciousness of the necessity of internationalization, which must be present at the enterprise's inception, and is expressed in the incorporation of international operations in the mere vision of the enterprise (Oviatt and McDougall, 1994; Autio et al., 2002; Gabrielsson and Kirpalani, 2004). Primarily, it encompasses the awareness of the founder or manager of the enterprise of the necessity of ensuring the competitive advantages by international operation. Regardless to the fact, that the vision of internationalization presents a rather soft and immeasurable component, its presence is necessary for the subordination of the enterprise to the Born Global concept.

### **INTERNATIONALIZATION PROCESS IN TRANSITION ECONOMIES**

The term transition economy denotes an economy which is changing from a centrally planned economy to a free market, and applies to several Eastern and Central European countries, including Slovenia, which with the size of 20.273 square kilometers and the population of approximately 2 million, represents a relatively small Central European market. Gaining sovereignty by exiting the Yugoslav Federation in 1991, and becoming a full member of the EU in 2004, Slovenian enterprises were faced with the possibility, as well as the urge of finding additional foreign markets. Changes in the business environment strongly influenced the internationalization processes of proactive and internationally oriented enterprises, several of which can be subordinated to the Born Global concept and therefore manifest its form, characterized by the influences of transition process (Peljhan et al., 2009).

Smaller transition economies are often characterized by factors, that are less beneficial for doing business, such as higher level of risk and limitedness of resources. It has been recognized by several authors, that such home market conditions represent an important triggering factor for undertaking international activities, whilst some of them even propose, that nations with small domestic markets have a much higher propensity to generate Born Global enterprises, since the fact, that in larger economies domestic market is the first growth base for most of the new ventures (Dana, 2004). Furthermore they propose, that on a contrary to the fact, that Born Global enterprises from larger, developed economies, are mainly found in high technology or manufacturing industry, Born Globals from smaller and/or transition economies can emerge in a variety of industries, where the economy of scale is an important efficiency factor (Andersson and Wictor, 2003; Peljhan et al., 2009).



Nevertheless, the same authors that on the one hand salute to the fast internationalization of the enterprises, emerging from transition economies, on the other hand warn about the need of intensified learning in the field of international business that must be adequately supported by the home country (Dana, 2004). The entrepreneurship in general, as well as the internationalization of European SMEs is supported by Small Business Act for Europe (SBA), adopted in 2008 and later reviewed in 2011, that grasps a comprehensive SME policy framework for the EU and its member states. It aims to improve the overall approach to entrepreneurship and to promote SMEs' growth by helping them to tackle the remaining problems which hamper their development (European Commission, 2008). The measures intended for the alleviation of the internationalization process of Slovenian SMEs are captured in a special governmental program for the encouragement of internationalization of enterprises. It aims to enhance the internationalization of enterprises, enlarge the extent of geographic diversification of exports and promote the opportunities as well as to ensure better conditions for the enterprises to participate on international markets (Government of the Republic of Slovenia, 2010).

### **COMPARATIVE ANALYSIS OF BORN GLOBAL SMES**

A case study analysis of identified Born Global cases from the selected developed and transition economies is carried out in order to comprehend the specific influences of the transition process on the internationalization of enterprises. It consists of the analysis of the Italian fitness equipment producer Technogym, Slovenian boat developer Seaway and Slovenian cleaning systems manufacturer Hyla.

#### **Technogym**

The Technogym company was founded in 1983 by a 22-year-old Nerio Alessandri in a small Italian village of Gambettola, where he started to assemble his first exercise equipment in his own garage. He got the idea visiting a gymnasium in his home district in Cesena in Romagna, where he realized, that in order to develop muscle power, it was not enough to do the usual exercises, but that there was a need for specifically designed machinery. He took his home-made equipment to the gym, where people began to use it. Gradually he involved several young people, such as his cousin and neighbor, to assist him with his work. In 1984, he designed the very first Technogym training line for gyms and two years later, in 1986, the first high technology design home trainer. His main idea was to create equipment and machines to be used by everybody, not just athletes, and therefore to blur the niche-role of

this new and innovative sector (Technogym, 2011). It was Alessandri, who in the early 1990's defined the world *wellness* as a lifestyle based on regular physical activity, balanced diet and a positive outlook. During mid 1990's, Technogym was already market leader in entire Europe. Its growth led to changes in organizational structure by the end of the century, implementing the matrix divisional structure and just-in-time components supply system (Pistani and Boemi, 2002).

Today Technogym is headquartered in Cesena, Italy. It exports about 90 percent of its production in over 100 foreign countries, where it has either direct branches, thirteen of them in Europe, the US, Asia, Middle East, Australia and South America, or exclusive distributors, and employs approximately 1700 employees. Technogym is one of the world's leaders in products and services for complete psycho-physical wellness and rehabilitation, since more than 55.000 installations around the world are used by 30 million people in clubs and at home. It does not only supply numerous European and international sports teams, but has also been appointed as the official and exclusive fitness equipment supplier for Sydney, Athens, Torino, Beijing and London Olympic Games (Technogym, 2011). As the key factors of success, Alessandri emphasizes having ideas in a sense of having the insight and the ability to respond to a very real and widespread need, followed by the continuous research and innovation, and the responsibility of the firm for addressing the social needs (It-biz, 2007). Next to its social engagement, Technogym received several awards for human resources management and the creation of quality working environment (Technogym, 2011). Simon (2009) mentioned Technogym as an example of a *Hidden Champion - smaller but highly successful company, concealed behind a curtain of inconspicuousness*.

The founder Alessandri emphasizes, that the passion for foreign markets was present since the very beginning, and acknowledges, that the opening of the business to the international market was undoubtedly a winning decision, although not an easy one. The company was characterized by quick growth, which was mainly the consequence of the fact, that the markets, especially during 1980's, were extremely reduced, and therefore the international approach, through the search for international demand, was crucial for pursuing a growth and development strategy, and therefore demanded a rapid passage from a national focus to international markets (Pistani and Boemi, 2002; It-biz, 2007). Amongst other smaller foreign markets, Technogym had a strong presence in the US, the world's leading fitness market, where it strived to overtake the biggest US fitness supplier, Life Fitness. A weakening dollar

affected the export-oriented firm, which now seeks growth opportunities in new, emerging markets such as Dubai, Russia and China. As for the national support of the internationalization process, Alessandri expresses the lack of the presence of a national system, which would be ready to support the efforts and investments of local companies seeking to reach foreign markets. His biggest concerns go to preventing the brain-drain of the researchers and engineers (It-biz, 2007).

### **Seaway**

Seaway is one of the world's leading boat development company, focusing on carbon sailing yachts and powerboats. Two brothers from Slovenian village Zapuže in Gorenjska region, with successful careers in medicine and architecture, Japc and Jernej Jakopin, both sea enthusiasts, started building their own sailboats and in 1983 established J&J design studio, which in the same year started collaborating with Elan, a Slovenian sports equipment company, in the field of nautics. Since the nautics program was put in the background in Elan, one of the brothers started working for a French boat manufacturer, until in 1989 Seaway was born in Zapuže, starting with 3 employees. A year after that, Elan went into concourse, which enabled Seaway to gain access to their facilities and fully dedicate themselves to sailboats development. The company soon focused their boat development and retail activities towards foreign markets, starting with those close to Slovenia, namely Austria and Germany (Glas et al., 1999; Purg, 2010).

The Balkan Wars in the first half of the 1990's had a substantial negative effect on the entire nautics market, including Seaway, which regained its growth after four years. The needs for bigger production facilities and equipment, which demanded moving the headquarters to Bled, resulted in a creation of Seaway Group, founded together with one of Slovenia's biggest financial groups, KD Group. Seaway also gained Scandinavian brands Shipman, a line of carbon sailing yachts, and Skagen, a range of world-girdling raised pilothouse motor yachts (Purg, 2010). In 2009 a new line of hybrid powerboats, Greenline, was started, with the mission of reducing the carbon emission footprint of boating. Although Seaway still focuses on boat engineering, in the last years the company is enriching its activities by entering the wind energy market (Seaway, 2011).

In 2011, Seaway represents one of the world's leading nautics development companies. It served 40 production boat builders from 20 countries, and created over 230 projects, resulting

in more than 55.000 sailboats, powerboats and yachts. It employs close to 200 employees and creates over 90 percent of total sales in foreign markets. During the last ten years, growth in sales on average reaches 40 percent annually. Seaway has won several prestigious international awards in the area of nautics, and received the award for the fastest growing enterprise in Gorenjska region in 2007 and 2010 (Purg, 2010; Seaway, 2011).

Since the company's inception, the Seaway's business is divided into two different industries, design and retail. Therefore, the internationalization of the company followed two tracks, corresponding to their two business lines. While its design and engineering business has been international from the company's inception, its trade business developed gradually by opening retail stores in Slovenia, followed by those in neighboring countries (Glas et al., 1999). In the last few years, the sales of boats has decreased worldwide. Although Seaway still makes most of its sales in Europe, current conditions are forcing them to enter complementary markets, such as Australia, New Zealand, US, India and China (Glavič, 2010).

The co-founder of Seaway, Japec Jakopin, estimates, that the smallness of home market and the tradition make Slovenian entrepreneurs extremely flexible in terms of international activities, which represent an important competitive advantage for them. On the other hand he acknowledges that the negative business environment, in a sense of the lack of governmental support of small businesses, represents a substantial barrier to internationalization (Finance, 2005). In his opinion, the EU membership does not crucially change the way of doing business for Slovenian enterprises, but only simplifies certain administrative procedures. Furthermore he believes that the current condition on the market is the consequence of the crisis of values. Traditional values, such as temperance, cautiousness and virtue have gained a negative connotation, and those acting with accordance to them, are seen as weak (Glavič, 2010; STA, 2011).

## **Hyla**

Hyla is a cleaning systems manufacturing company from Ljubljana, Slovenia. It was founded by a team of engineers, Janez Pogačar and Doro Erjavec, who previously worked for several Slovenian companies. An enthusiasm about an "over-priced" cleaner with a water filter, which was available in the US market, has led to a two-year intensive technological development and testing of the cleaner's prototype. Hyla as a company was established in 1991, with the cleaner first being produced in series in 1992. Due to the impact of the Balkan

Wars and a short Slovenia's independence war, the first few months of business were very low. Fortunately it took up fast, and the company started operating successfully on the home market (Mihajlović, 2001; Vabšek, 2003; Humar 2008). In 1993, the company attracted the attention of German entrepreneurs Wilfried Metzger and his partner, specializing in direct marketing, which led to the split of the company into two divisions, R&D and manufacturing, headquartered in Ljubljana, and marketing and sales, headquartered in Munich. Throughout the following years, the sales figures, as well as the number of sales partners across Europe increased steadily, resulting in the investment in new facilities in Ljubljana in 1997 and the founding of Hyla International, headquartered in Stuttgart, in 1999 (Hyla, 2011).

In 2011, Hyla International, dealing with marketing, sales and service, associates with more than 6.000 consultants from more than 40 countries worldwide, where it creates more than 95 percents of total sales, whilst Hyla Production in Ljubljana still remains a small enterprise, dealing with the development and manufacturing of new production lines. The company has won several international awards, including Slovenian "Company of the Year" in 1995, and a second place "European Company of the Year" in 1997 (Hyla, 2011).

Cleaners with water filters at the time of Hyla's inception had only about 1% of the world market, making it extremely limited and therefore a niche for a few specialized producers. As a consequence, the company started exporting its products in 1992, with exports topping 90 percent within two years of inception (Glas et al., 1999). Most of the exports have been made to European countries, primarily Germany, followed by the US. Since the company creates over 95 percent of sales on foreign markets, the home market is only of little importance (Mihajlović, 2001; Vabšek, 2003).

The founders expose the quality of their products and its acceptable price as the grounds of companies' success, and focus on the innovative development and the efficient sales network as the key factors of further growth (Glas et al., 1999). They feel indifference towards the government's measures regarding entrepreneurship. All they desire for is the stable business environment, which is not ensured yet in Slovenia. They also share the opinion, that the EU membership only simplifies certain administrative procedures, and does not crucially change the way of doing business for Slovenian enterprises (Vabšek, 2003; Humar 2008).

## CONCLUSIONS

SMEs, especially ones from transition countries, face several setbacks in the internationalization process. Often being a necessity due to smallness of home market, their internationalization is commonly impeded by factors such as lack of resources and the inability to obtain them, or higher levels of perceived risks. As proposed by some authors, the patterns of the internationalization of the Slovenian SMEs are becoming similar to those of developed western economies, since Slovenia has been reorienting itself to a western-type market economy in the last decades (Glas et al., 1999). Comparing the cases of three enterprises, one of them emerging from Italian developed economy, and the other two from Slovenian transition economy, several similarities emerge in their internationalization process. Each of the three companies was founded by a small group of people: an individual in the case of Technogym, and two brothers or colleagues in the case of Seaway and Hyla. Since their inception, they have slowly grown in the sense of the size of production facilities, number of employees and the range of activities. Whilst after approximately 25 years since the companies' inception, Techogym has grown from a micro enterprise to a large multinational, Seaway still remains a medium sized enterprise, although in the last years the number of its employees is growing fast, and Hyla decided to separate into two divisions, leaving the production line relative small and located in the home country. Even though the companies belong to different branches, all of them deal with development and sale of their products. In the case of Technogym and Hyla, manufacturing is also included as a part of the company's operation.

The founders of each of the three companies focused on a niche, that they detected in the existing products' assortment, available on the market at the time. The discontent with the quality and diversity of the items led them to undertake the improvement of the existing and the invention of new products. They all place significant importance on the special features of their products, such as design, purpose, price or friendliness to the environment. Since the branches, that the companies are subordinated to, enable only a narrow home market space, internationalization was an inevitable step for Technogym, as well as for Seaway and Hyla. The founders of each of the three companies accentuate the fact, that the vision of the internationalization was present since the very inception of the companies, and that they were aware of the fact, that it represents an urgent step in companies' development.

One of the most noticeable differences between the companies lies in the fact, that the founders of Seaway had former international experiences, whilst the founders of Technogym and Hyla focused on the observations, made either in his local or the international area, and applied them globally. Foreign market's proximity was an important factor in the internationalization of each of the three companies, since they started with their international activities on the markets, closer to the home country, and moved slowly from Europe to other continents. In this aspect the case of Hyla steps out due to the fact, that it started exporting to the US just a couple of years from its inception. Currently, each of the companies performs activities on several foreign markets, where they create over 90 percent of total sales.

Founders of each of the three companies argued, that their local governments do not provide sufficient support for entrepreneurship, and that the main positive effect of the EU membership reflects in the simplification of certain administrative procedures, since the measures, intended to assist entrepreneurship, are not adequately implemented by local governments. At a certain point, each of the companies was faced with the difficulties on the important or even primal foreign market, which were a consequence of the weakening of the US dollar during the recent years in the case of Technogym, and the Balkan Wars in the first half of the 1990's in the case of Seaway and Hyla. The selected companies successfully bridged those difficulties by relocating foreign activities on other complementary markets.

One of the main distinctive features that arises from the comparative analysis is, that Technogym and Hyla soon after inception started to grow extremely fast, spreading its activities throughout the world, where they established direct branches or started collaborating with sales representatives. On the other hand, Seaway widens its operations in a slower manner and retains the more regional approach, collaborating mainly with European boat builders. Whilst Technogym further spreads its activities on the entire field of wellness, Seaway still focuses on boat engineering and development, and dedicates only a small part of its operations in other areas, such as wind energy, and Hyla further develops its new production lines of cleaners, not pursuing to enter other possible market segments. Moderate growth in the sense of companies' size and activity focus is therefore one of the more distinctive features of the two Slovenian analyzed cases.

To sum up, a defined niche market presents the most distinctive internationalization factor of each of the three companies. Due to the inadequacy of the home market, the selected

companies were forced into undertaking the internationalization activities, with the vision of internationalization present at the inception of the company in all three cases. The comparison confirms the proposition of Glas et al. (1999), that the Slovenian economy, as well as the internationalization patterns of its SMEs enclose themselves to those of developed economies. It also neglects the presumptions, that due to the unfavorable conditions, transition economies lack the propensity to produce Born Global enterprises. For further research on the topic, a larger number of Slovenian SMEs should be analyzed, and the results compared to those of developed, as well as other transition economies, in order to enable the generalization of the obtained findings.

## REFERENCES

- Andersen, O. 1993. On the internationalization process of firms: a critical analysis. *Journal of International Business Studies* 24(2): 209-231.
- Andersson, S., and I. Wictor. 2003. Innovative internationalization in new firms: Born-Globals – the Swedish case. *Journal of International Entrepreneurship* 1(3): 249-276.
- Autio, E., H. J. Lummaa, and P. Arenius. 2002. Emergent “Born Globals”. Crafting early and rapid internationalization strategies in technology-based new firms. Paper submitted to the *22nd Annual International Conference of the Strategic Management Society*, September 22–25, Paris.
- Burgel O, and G. Murray. 2000. The international market entry choices of start-up companies in high technology industries. *Journal of International Marketing* 8(2): 33-62.
- Cavusgil, S. T. 1980. On the Internationalization Process of Firms. *European Research* 8(November): 273-81.
- Dana, L. P. 2004. *Handbook of research on international entrepreneurship*. Northampton: Edward Elgar Publishing.
- European Commission. 2011. *Small and medium-sized enterprises (SMEs)*.  
[http://ec.europa.eu/enterprise/policies/sme/index\\_en.htm](http://ec.europa.eu/enterprise/policies/sme/index_en.htm).
- European Commission. 2008. *Small Business Act*.  
<http://ec.europa.eu/enterprise/policies/sme/small-business-act/>.
- Fan, T., and P. Phan. 2007. International new ventures: Revisiting the influences behind the ‘Born Global’ firm. *Journal of International Business Studies* 38(7): 1113-1131.
- Finance. 2005. *Gospodarstveniki: Internacionalizacija podjetij je nujna*.  
[http://www.finance.si/132615/Gospodarstveniki\\_Internacionalizacija\\_podjetij\\_je\\_nujna](http://www.finance.si/132615/Gospodarstveniki_Internacionalizacija_podjetij_je_nujna).



- Gabrielsson, M., and V. H. M. Kirpalani. 2004. Born Globals: how to reach new business space rapidly. *International Business Review* 13(5): 555-571.
- Glas, M., R. D. Hisrich, A. Vahcic, and B. Antoncic. 1999. The internationalization of SMEs in transition economies: Evidence from Slovenia. *Global Focus* 11(4): 107-124.
- Glavič, B. 2010. *V tujini je manj ovir kot pri nas*.  
[http://www.dnevnik.si/poslovni\\_dnevnik/1042392636](http://www.dnevnik.si/poslovni_dnevnik/1042392636).
- Humar, B. 2008. *Posesala svetovne tekmece*. <http://manager.finance.si/200863/Posesala-svetovne-tekmece>.
- Hyla. 2011. <http://www.hyla.net>.
- It-biz. 2007. *How to live in wellness: Nerio Alessandri's advice*.  
[http://www.it-biz.it/itbiz\\_giugno07/companies/companies2.html](http://www.it-biz.it/itbiz_giugno07/companies/companies2.html)
- Johanson, J., and J. E. Vahlne. 2009. Uppsala internationalization process model revisited: From liability of foreignness to liability of outsidership. *Journal of International Business Studies* 40(9): 1411-1431.
- Johanson, J., and J. E. Vahlne. 1977. The internationalization process of the firm: A model of knowledge development and increasing foreign market commitments. *Journal of International Business Studies* 8(1): 23-32.
- Jolly, V., M. Alahuhta, and J. P. Jeannet. 1992. Challenging the incumbents: how high-technology start-ups compete globally. *Journal of Strategic Change* 1: 71-82.
- Knight, G. A., and S. T. Cavusgil. 1996. The Born Global firm: A challenge to traditional internationalization theory. *Advances in International Marketing* 8: 11-26.
- Madsen, T. K., and P. Servais. 1997. The internationalization of Born Globals: An evolutionary process? *International Business Review* 6(6): 561-583.
- McKinsey & Co. 1993. *Emerging exporters. Australia's high value-added manufacturing exporters*. Melbourne: McKinsey & Company and the Australian Manufacturing Council.
- Mihajlović, N. 2001. *Doro Erjavec in Janez Pogačar: Žabo sta spremenila v gazelo*.  
<http://www.finance.si/index.php?MOD=show&id=8171>.
- Oviatt, B. M., and P. P. McDougall. 1994. Toward a theory of international new ventures. *Journal of International Business Studies* 25(1): 45-64.
- Peljhan, D., M. Tekavcic, and Z. Sevic. 2009. Companies' rapid internationalisation in the context of a gradualist transitional economy: A Slovenian experience. Paper presented at *CICM Conference*, London.

- Pistani, A., and M. Boemi. 2002. *High road to work organisation - case study: Technogym*. Bologna: Nomisma.
- Preece S. B., G. Miles, and M. C. Baetz. 1998. Explaining the international intensity and global diversity of early-stage technology-based firms. *Journal of Business Venturing* 14(3): 259-281.
- Purg, D. 2010. Skriti zmagovalci v Sloveniji. In Simon, H. 2010. Skriti zmagovalci 21. stoletja: *Kako obvladovati svetovne trge - in kako to uspeva tudi majhnim*, 307-336. Ljubljana: Planet GV.
- Rasmussen, E. S., and T. K. Madsen. 2002. The Born Global concept. Paper for the *28th EIBA Conference*, Athens.
- Rennie, M. 1993. Global competitiveness: Born Global. *McKinsey Quarterly* 4: 45-52.
- Republika Slovenija, Ministrstvo za gospodarstvo. 2010. *Program Vlade Republike Slovenije za spodbujanje internacionalizacije podjetij za obdobje 2010 – 2014*.  
<http://www.izvoznookno.si/Dokumenti/AKTUALNO/2010/Program%20internacionalizacije%202010%20-2014.pdf>.
- Seaway. 2011. <http://www.seaway.si/>.
- Sharma, D. D., and A. Blomstermo. 2003. The internationalization process of Born Globals: A network view. *International Business Review* 12(6): 739-753.
- Simon, H. 2009. *Hidden champions of the twenty-first century: Success strategies of unknown world market leaders*. Dordrecht: Springer.
- STA. 2011. *Jakopin: Tradicionalne vrline so postale negativne*.  
<http://www.finance.si/299615/Jakopin-Tradicionalne-vrline-so-postale-negativne>.  
 Ljubljana: Slovenska tiskovna agencija.
- Technogym. 2011. <http://www.technogym.com>.
- Vabšek, S. K. 2003. *Osrednjeslovenska kandidata za Najpodjetniško idejo - Janez Pogačar in Dorotej Erjavec: Hylin sesalnik je osvojil že 40 držav*.  
<http://www.finance.si/index.php?MOD=show&id=59199>.
- Zahra, S. A., R. D. Ireland, and M. A. Hitt. 2000. International expansion by new venture firms: International diversity, mode of market entry, technological learning, and performance. *Academy of Management Journal* 43(5): 925-950.
- Zhou, L., W. Wu, and X. Luo. 2007. Internationalization and the performance of Born-Global SMEs: The mediating role of social networks. *Journal of International Business Studies* 38(4): 673-690.