

**COMPANIES' RAPID INTERNATIONALISATION IN THE CONTEXT  
OF A GRADUALIST TRANSITIONAL ECONOMY: A SLOVENIAN  
EXPERIENCE**

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## **Abstract**

This paper analyses the case of rapid internationalisation of a company in a transitional country, with a gradualist approach to macro-economic changes. We have used the framework of so-called '*born global* companies'. The study has confirmed that the internationalisation process of *born globals* is a matter of learning through existing and building quickly new networks. The paper also shows that *born globals* are more willing to adapt their internationalisation strategy to the needs of the market. Our case study has shown that the *born global* phenomenon is not specific to high technology intensive industries (where the concept was initially developed), as we have shown how *born globals* may also emerge in industries like metal processing and construction, which are often perceived as traditional and resistant to change and innovation.

**Key words:** born global, internationalisation, knowledge accumulation, networks, Slovenia, transitional economy

**JEL:** L14, M16, M21

## 1. Introduction

This paper focuses on the strategic internationalisation and export behaviour of a firm (the micro-level) in the context of a gradualist transitional economy, *such as* Slovenia (the macro-level). Slovenia is a small economy with a population of about 2 million. It gained its sovereignty in June 1991, breaking away from the former Yugoslav federation. It is a small country with a land area of 20,296 square km, neighbouring Italy in the West, Austria in the North, Hungary in the East and Croatia in the South. It has been a constitutional part of former socialist republic Yugoslavia in the period 1945-1991. From 2004 Slovenia is a member of the European Union, and is by far the best developed of all advanced transitional economies that joined the Union. This fact is reflected in the high GDP per capita (PPP) at around €16,400 in 2003, when Slovenia was at 77 per cent of the EU-25 average (70 per cent of the EU-15 average) [1].

Following the independence and the loss of a unified federal market, the Slovenian companies had to shift the focus and quickly find alternative markets. In principle, the Slovenian industry has been successful in finding substitute markets. The national economy had some advantages due to the positive legacy of its Yugoslav past that gave Slovenian companies an initial advantage over the rest of Central and East Europe when it came to transition. In the former Yugoslavia the state withdrew from the economic sector from the mid-1950s and to a large extent companies were aware of the market forces and their power. However, the shortcoming of the Yugoslav model was that unsuccessful companies were rarely put into bankruptcy due to the practice of *socialisation of losses* (the state would cover for inefficient companies to preserve social peace). Slovenian, traditionally export-oriented, companies had been exposed to the market economy for decades and had held trade links with Western European partners. From May 1, 2004, Slovenia has been a full member of the European Union and for this reason deregulation, liberalisation and foreign competition increased even further. Major changes in the business environment strongly influenced the internationalisation processes in proactive and outward oriented companies, while others are still lagging behind.

The purpose of this paper is to contribute to the development of theory on *born globals* by exploring and explaining the internationalisation process of a Slovenian *born global* (Trimo Trebnje, d.d.<sup>1</sup>), a company that chose to be present in international markets from the beginning of its operations. Trimo operates in the metal processing industry and sells its products and services in the construction market. The international branch of construction is highly competitive. Trimo sells in the niche of building panels filled with mineral wool that are environmentally-friendly and fireproof as opposed to polyurethane panels that are still dominating the market. We argue that models emphasising knowledge and network ties are suitable for this purpose (*cf.* Sharma & Blomstermo, 2002). This is appropriate because the ties that companies have may help them to go international by supplying information about customers and markets. Companies that operate in an international network enjoy a ‘learning advantage’ and find it easier to go abroad than companies whose exchange partners are domestic companies [2], [3].

The paper is organised as follows. Literature review on internationalisation issues and *born globals* is provided in section 2. Section 3 is the methodological one introducing case study research method we used in the study. Research results are presented in section 4. Further discussion and interpretation of research results follows in section 5. In section 6 we provide our final conclusions.

## **2. Theoretical Framework: ‘Going Global’ vs. ‘Born Global’**

Despite some criticism (see *e.g.* [4], [5]) the dominant theory in the area of internationalisation theory of a company has been the Uppsala Internationalisation Model (UIM) [4], [6], [7]. The UIM assumes that a company will initially develop its domestic market and then incrementally expand its operations abroad. It is based on the assumption that companies are growth seeking and risk minimising organisations. It is suggested that a fundamental constraint in the internationalisation process is lack of knowledge and subsequently uncertainty about markets abroad. This is directly related to inadequate location-sensitive, and hence costly, foreign market information [8]. The accumulation of experiential

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<sup>1</sup> Henceforth, the abbreviated form of the name of the company – Trimo – will be used.

knowledge in relation to foreign markets is assumed to be the key driver of a gradual internationalisation process. Such knowledge reduces uncertainty and the perceived risk of internationalising by providing the company with information about foreign markets [6].

Other studies [9], [10], [11], [12], [13], [14], [15] have identified an increasing number of companies which, instead of following the *traditional stages pattern*, choose to be present in the international markets right from – or almost from – their birth. These companies are called *born globals*.<sup>2</sup> Enquiries conducted among smaller ‘knowledge-intensive’ companies find that many ignore the home market altogether and target ‘lead’ markets, or enter domestic and international markets concurrently (see *e.g.* [2], [11]).

Usually, companies first build the ties in the domestic markets, and develop products and services for domestic markets. Expansion abroad implies transmission of knowledge and domestic based practices. Solutions that have been applied successfully in the past are used in the expansion process [16]. In the early years, foreign market entry is a gradual commitment of resources. Initially, companies export, followed by the establishment of a marketing subsidiary, and subsequently, foreign production [18], [19]. By exporting, international companies establish ties with foreign institutions and business actors. As ties deepen and broaden, more resources are invested abroad [16], [19].

Internationalisation process of *born globals* is knowledge driven [17]. Entry into a large number of foreign markets and the use of a variety of different entry modes is a source of knowledge. By establishing network ties, the *born globals* develop a knowledge base. This, in turn, defines what *born globals* may learn in the future. Based on the same knowledge base, these companies define their corporate identity as an international company early on in their market presence. The earlier the company assumes an international identity, the more rapid it will learn about foreign markets [20].

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<sup>2</sup> The other terms used in the literature are: *International New Ventures* [12], *High Technology Start-Ups* [16] and *Global Start-ups* [13].

Prior research [3], [21] has emphasised the impact of network ties on learning and the internationalisation behaviour of companies. Company's ties provide channels for sharing knowledge as well as the motivation to do so. Network ties of companies are difficult to imitate and their characteristics stem from the following three dimensions [22]:

- *The information that is available to the company*: Networks are a source of information to companies about what goes on in the market. The same information is not available to all the companies in the market.
- *Timing of information*: Ties influence the timing of when a particular piece of information will reach a particular company.
- *Referrals*: They imply that companies' interests are represented in a positive light, at the right time, and in the right place.

Companies placed centrally in a network receive more, better, and early knowledge compared to their competitors. This may influence the internationalisation process of companies. Network may also produce unexpected random information for companies [17]. Blomstermo *et al.*'s study [23] validates that internationalisation is a matter of learning from experience. Their findings indicate that it is easier for companies to go abroad soon after their inception. It is much harder for a company with long domestic experience to change its mental models and processes. Autio *et al.* [24] found that the earlier that companies go abroad the greater their knowledge intensity, the faster they grew internationally. As companies get older they develop mental models that hamper their ability to grow in new environments [25].

We argue that the internationalisation process of a *born global* can be explained by knowledge-based internationalisation theories. Based on the behavioural theory of companies and knowledge theories [25], we argue that the internationalisation process of *born globals* is a gradual and incremental process based on their network ties and knowledge. Following Granovetter [26], and Rindfleisch and Moorman [27], we argue that the network ties of *born globals* positively affect the knowledge acquisition and knowledge utilisation on foreign markets and help them become international. Our purpose is to contribute to the building of a cohesive theoretical framework of *born globals* that is currently lacking. The similar approach to ours was adopted also by Sharma & Blomstermo [17].

### **3. Methodology**

To investigate a *born global*, we have followed a case study methodology [28], [29]. Theory states that the strength of this method is the likelihood of it resulting in a new or upgraded theory [28]. Prior studies (*e.g.* [23]) also indicate that in-depth case studies can provide us with more detailed knowledge about *born globals*. When undertaking the case study, multiple sources of evidence were used, establishing a chain of evidence. Data was gathered from formal and semi-formal interviews and observations during site visits and through the participation in Trimo's strategic conferences, from the study of internal and external documents, and from professional literature. This enabled us a systematic and comprehensive analysis.

Trimo's top managers were asked, amongst other things, to reflect upon the origin of the company's decision to enter foreign markets, the reasons behind this decision, how the process of foreign market entry started, who took the initiative, and the network ties of the company at the time of their first foreign market entry. To reduce the risk of informant bias, interviews were conducted with more than one manager in the company. Notes were taken during interviews. Also, some of them were digitally recorded when agreed with the interviewees. It was mutually agreed upon with the Managing Director and other top managers whose detailed company information is allowed to be included in the research results. Top managers as key respondents agreed to assume responsibility for the review of the final draft of the research results for accuracy and completeness. This increased construct validity of our research (*cf.* [29], [30]).

### **4. Results: Analysing the Case**

Trimo's history begun in 1961 when the company '*Kovinsko podjetje Trebnje*' was founded, as socially-owned enterprise. The next year saw the beginning of another new company, this one called '*Kovinooprema*'. In 1971, both companies and some smaller companies merged to form '*Trimo Trebnje*'. The main activity of the new company was production of metal elements and equipment made of stainless steel. In the following years, the former Yugoslavia

and third world countries had many infrastructure and other projects, creating a high demand for Trimo's products. The 1980s, however, brought crises in the export markets and the company faced its first major challenge. It responded with the modernisation of the production line and the introduction of new fireproof products.<sup>3</sup> For a short time it seemed that the company overcame its problems but in 1991 Slovenia became independent and the former multiethnic state of Yugoslavia fell apart. As Trimo lost the majority of its domestic (former federal) market it had to suddenly re-orientate towards more competitive foreign markets, especially in the European Union, and the emerging Central and Eastern European markets [31].

As Trimo encountered many problems at the beginning of the 1990s, a true company turnaround was needed and that also meant the need for a new vision and a different approach to developing and implementing business strategy. The major turnaround of the company was achieved in 1992 when new top management was appointed. As shown by the business results in recent years (see: Table 1) Trimo has managed to rise to these challenges. In the period from 1992 to 2004 revenues and value added per employee grew seven times, export grew eight times and number of employees decreased by 21 per cent [32].

*Table 1: Trimo's performance in 2003 and 2004*

<b>Element</b>	<b>2003</b>	<b>Index 2003/2002</b>	<b>2004</b>	<b>Index 2004/2003</b>
Total revenues	€ 84 m	129	€ 96.5 m	114
Net profit	€ 2.5 m	121	€ 3.2 m	128
Equity (31 December)	€ 25 m	109	€ 28.7 m	114
Number of employees (31 December)	487	104	481	99
Revenues per employee	€ 172,485	124	€ 200,624	116

Source: [33], [34].

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<sup>3</sup> Before modernisation, Trimo used polyurethane as the filling for the building panels. After modernisation, they have used environmentally friendlier fireproof mineral wool that enables them to penetrate to more demanding markets.

Today, Trimo is a joint-stock company with €34,000 value added per employee, internationally-oriented with 70 per cent of export, mainly in Europe, operating in 40 countries. Their main products include pre-fabricated steel buildings, steel structures, façades, roofs, containers, and sound-isolating systems. Trimo's pre-fabricated steel buildings represent endless possibilities of use since they are suitable for office buildings, commercial buildings, sports facilities, warehouse facilities, industrial and other facilities [35]. Trimo's main product is called 'complete solutions' and includes a mix of all the products and services Trimo is offering, from an idea and draft to the finished building.

When looking into Trimo's production programme, there is no similar company in Slovenia. Trimo is the market leader in the area of roofs and façades from mineral wool panels in west and central Europe and in the area of steel constructions in Slovenia [36]. With its business orientation towards offering complete solutions and with broad production programme, Trimo cannot be directly compared to any of its competitors [37]. Companies, such as Paroc (Finland), Kingspan (UK), Thyssenkrupp Hoesch Bausysteme (Germany), Pflaum & Söhne (Austria), and Astron Building (Luxemburg) are all manufacturers with relatively focused production programmes.

Trimo builds its strategy of the long-term growth of the company on internationalisation [38], [39]. Their goal is to expand business in foreign markets combined with a constant development of new products that ensure long-term profits, backed up by brand-name building and patent protection. In 2000, Trimo began to employ systematically '*Customer Relationship Management*' programme which enables them to ensure appropriate and reliable solutions that are customer tailored. They build long-term relationships with their customers. Trimo does not apply mass marketing, they communicate with an individual customer. Other tools in monitoring customer satisfaction include complaints analysis, professional fair information analysis and analysis of information from sales people who contact customers directly. Trimo devotes special attention to cooperation with strategic customers and suppliers with whom they form long-term partnerships. Together with suppliers they are constantly developing new materials and implementing improvements [40]. Also, there is evidence of

export and domestic *customer followership*, especially in the case of strategic customers, as Trimo ‘follows’ its strategic customers abroad.

*Table 2: Trimo’s sales network (abroad)*

<b>Year</b>	<b>Companies</b>	<b>Representative offices</b>	<b>Agents</b>
1990	1	-	-
1991	1	-	-
1992	2	-	-
1993	2	-	-
1994	2	2	-
1995	3	1	-
1996	3	1	-
1997	3	1	-
1998	2	4	3
1999	3	3	2
2000	3	5	7
2001	7	5	6
2002	9	4	6
2003	9	4	7
2004	10	3	9

Source: [41].

The majority of Trimo’s customers come from abroad. In 2004, Trimo generated 67 per cent of total sales in foreign markets. Especially since 1998, Trimo rapidly internationalised its business. The company has a very broad sales network comprised of different companies, representative offices and agents whose number increases annually (see: Table 2). In 2001, Trimo established a joint venture in a Russian town Kovrov (approx. 250 km south of

Moscow) together with a Russian partner. This as a manufacturing facility<sup>4</sup>, called Trimo VSK. The Russian company has approximately 150 employees. Production in Trimo VSK is currently limited to façades and roofs because these are products with the highest potential for growth and sales revenues on the Russian market.

Table 3: Trimo’s domestic and foreign sales in the period 1992 – 2004 and in the percentage of total sales

<b>Year</b>	<b>Domestic sales (in 000s €)</b>	<b>Per cent of total sales</b>	<b>Foreign sales (in 000s €)</b>	<b>Per cent of total sales</b>	<b>Total sales (in 000s €)</b>
1992*	10,335	40%	15,611	60%	25,946
1993	8,623	33%	17,831	67%	26,454
1994	11,034	46%	12,848	54%	23,882
1995	12,394	46%	14,511	54%	26,905
1996	15,313	52%	14,108	48%	29,421
1997	17,109	55%	14,262	45%	31,371
1998	21,889	59%	15,403	41%	37,292
1999	25,856	53%	22,797	47%	48,653
2000	23,717	43%	31,814	57%	55,531
2001	25,321	37%	42,680	63%	68,001
2002	22,830	33%	47,247	67%	70,077
2003	27,320	35%	51,106	65%	78,426
2004	31,053	33%	62,033	67%	93,086

Note: \* We started with 1992 as this was the beginning of ‘new’ Trimo as explained in more detail in Footnote 6.

Source: [32].

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<sup>4</sup> Trimo has a 51 per cent stake in the joint venture. Trimo was aware that in order to operate well within the Russian market, it was necessary to have a local, reputable partner, with particular knowledge of local conditions and market customs. In a separate project, we are looking into this joint enterprise.

Trimo may be defined as a business organisation that has since its inception<sup>5</sup> sought to derive significant competitive advantage from the use of resources and the sale of outputs in multiple countries (see: Table 3). Therefore, Trimo can be characterised as a *born global* company (in the context of [13], [24], etc.). It is important for Trimo that it has full ownership over the fundamental technological and business knowledge, enabling the creation of a unique and innovative concept (*i.e.* ‘the concept of complete solutions’), which is internationally recognised. That allows the company to enter the international competitive arena and to serve a particular market segment. Further, Trimo’s top managers possess the vision in terms of identifying global windows of opportunity and in taking an outward-oriented approach from the very outset. Also, Trimo’s Managing Director is a transformational leader. She managed to alter the existing structure of the early 1990s and influenced people to buy into a new vision and new possibilities with the help of the whole top management team. Based on observations it is concluded that her primary focus since 1992, when she took a managing director position, has been to create a change process continually causing people within the organisation to learn and grow (for more on organisational learning process see [42]. She builds shared vision and goals and implements them through teamwork and high commitment [43].

## 5. Discussion

Our case shows that, from the beginning of the reform process Trimo defined itself as being international. Partially, in the beginning, this was forced internationalisation due to the loss of former domestic (federal) market after Slovenia had become an independent state. In Trimo, they have been open-minded and innovative. Trimo has gradually developed knowledge about supplying unique customer solutions (*i.e.* complete solutions). This was reinforced through the cooperation with large international customers. In Trimo, the network ties were a primary source of knowledge and paved the way for open-minded learning. Through these ties, Trimo

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<sup>5</sup> In Trimo’s case this has been the case since the major turnaround in 1992. Namely, ‘old’ Trimo was a socially-owned enterprise, which was successful nationally, but showed overemployment, some systemic inefficiencies, solid, but not decisive enough management, etc. With the restructuring, undertaken in 1992, the new Trimo was born. This coincided with the independence of Slovenia and the need to deal with considerably different market expectations.

collected foreign business knowledge (*cf.* [44]). This knowledge is useful in future product development and internationalisation.

In Trimo, they have been open-minded and showed a willingness to learn and adapt to the needs of the individual customers and the local distribution channels. Trimo firstly entered foreign markets by exporting, followed by setting up marketing companies, representative offices, agencies and creating subsidiaries abroad. However, within the company, there was no guide to be followed, rather the process was one of trial and error. The process of selecting foreign market entry mode was incremental. Entry into a large number of foreign markets using a variety of different entry modes opened up a larger array of ‘option windows’ for further internationalisation in Trimo. This supports the findings of Majkgård and Sharma [3] that the internationalisation process of companies is driven by opportunities in the market.

Trimo firstly commercialised its products and services in leading markets. In some cases (especially in the Russian joint venture) they collected information about institutional factors and government rules and regulations. Usually, this knowledge was held by its local partners. During the early years, knowledge of potential foreign customers and purchasing routines were important for Trimo. A two-way flow of information was initially appreciated. This was achieved through direct contact with the customers. Here, the strategy was to accumulate knowledge through establishing an optimal number of ties abroad.

The case of Trimo has confirmed that *born globals* need to be innovative and open-minded, and continuously evaluate new business opportunities. To do this, they need knowledge. Trimo received information about potential markets and customers from their network ties. Through the network ties, Trimo has collected knowledge about the customers in a novel market. They have learnt that product quality, timeliness, flexibility and product reliability are the important factors for the purchasing decision [45].

Trimo has adopted a very proactive approach to internationalisation, and is very flexible in relation to its choice of entry modes. They have been internationalising since the very

beginning, which follows the Oviatt and McDougall [13] *born global* classification. Also, Trimo classifies as a *born global* because of the following characteristics:

- It possesses a knowledge-based competitive advantage that enables it to offer value-added products and services [46]. Offering complete solutions, Trimo has a competitive advantage because it is able to implement a value creating strategy not simultaneously being implemented by any current or potential competitor [47].
- Trimo's management adopts a global focus from the outset and embarks on rapid and dedicated internationalisation. This internationalisation behaviour is commonplace among companies that target small, but highly specialised global niches<sup>6</sup> [46].

In Trimo, there is a strong evidence of export and domestic *customer followership* [3], especially in the case of strategic customers. Evidence of Trimo's inter-company relationships supports network theories and confirms the finding that such behaviour is particularly prevalent among companies operating in small open economies and in emerging nations, where domestic demand may be limited, as it is the case in Slovenia.

## 6. Conclusion

The case of Trimo shows that the knowledge supplied by networks influence the internationalisation process of *born globals*. In our case, the network ties helped the company to go international especially by supplying information on prospective customers abroad, and finding cooperation partners abroad. For Trimo, domestic and international expansion tends to be concurrent. In recent years, international expansion has become even more important and precedes domestic market activities. Trimo is influenced by global industry trends, enters many lead markets simultaneously, and undertakes global product and market development. It collects knowledge on markets abroad through operations in the market. As it operates abroad it learns about its customers, their needs, resources and limitations. Operations abroad are a source of knowledge on new business options, opportunities as well as threats.

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<sup>6</sup> In Trimo's case, these are building panels filled with mineral wool.

One of our main contributions includes extension of the born global research to companies in traditional industries, such as metal processing and construction industry, and not to concentrate only on NTBFs (*i.e.* new technology-based companies) as it was the case in many studies on these and related issues [2], [10], [11], [13], [14], [24], [48], [49]. Although the phenomenon of *born globals* is most widespread in high-tech and other fast growing industries (*e.g.* electronics, software, biotechnology, and medical instruments), we argue that it also may appear in traditional industries, opening new possibilities for the international expansion of companies from countries like Slovenia with a tradition of exporting more ‘mature’ products. However, for a company in a traditional industry to be *born global* requires the wider application of accumulated knowledge and (institutional) ability to build new and maintain regularly the existing networks.

The study’s results indicate the need for further work into the performance implications of knowledge accumulation in *born globals*. Moreover, it would be worthwhile to conduct a longitudinal study on a wider sample of *born globals* to further increase the understanding of the phenomenon of *born globals*’ internationalisation. This future study can combine case study as well as survey methods. Here, it is important to extend the analysis to other traditional industries to understand the phenomenon of *born globals*’ internationalisation even in more detail. The advantage of the present study is that it provides an impetus for future researchers to address these issues.

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