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# Lessons Learned from Swiss Born Global Firms' internationalization in Brazil

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Kaja Prystupa, Kozminski University, Poland

Claudia Johannot, University of Applied Sciences and Arts Western Switzerland, School of Business and Engineering Vaud (HES-SO)

Anna Lupina-Wegener, University of Applied Sciences and Arts Western Switzerland, School of Business and Engineering Vaud (HES-SO)

Summary: Prior research on born globals have investigated internationalization strategies in the context of the host, developed markets. However, little research has been done on strategies of born globals entering emerging markets which are characterized by complexity and instability. Therefore, the aim of our paper is the investigation of Swiss born globals' internationalization strategies in Brazil as the host market. Our findings point to an impact of the institutional factors on the internationalization strategies of western born globals and their implementation in the host, emerging markets.

## 1. Born global firms from developed economies venturing to emerging markets

Born global firms (BGs) have drawn attention of both academics and business practitioners for over 25 years. They are distinguished for their ability to swiftly penetrate international markets and being able to reach high turnover form international operations despite having characteristic of an SME (Knight & Cavusgil, 1996; Oviatt & McDougall, 1994). BGs are able to overcome traditional international barriers such as lack of market knowledge, insufficient resources and internationalization costs (Oviatt & McDougall, 1994). Prior research on BGs' internationalization reveal that they do not follow a specific pattern but instead their internationalization depends on the availability of internal resources such as knowledge, networks (Madsen & Servais, 1997; Sharma & Blomstermo, 2003) and they are particularly skilled in management of intangible resources (Rialp et al., 2005). These existing investigations have chiefly been conducted in the context of developed economies in terms of host and home markets. To our knowledge only (Freeman & Cavusgil, 2007) investigated BGs in the context of readiness to enter emerging markets and their findings point that internationalization to emerging markets viewed as risky and associated with a high complexity. Thus, BGs might still prefer to begin their internationalization in geographically and culturally proximal market (Chetty & Campbell-Hunt, 2004; Freeman & Cavusgil, 2007). Despite these relevant insights, still very little is known on BGs' internationalization in emerging markets (Cavusgil and Knight, 2015, Gerschewski et al., 2015), while extant research on the internationalization of Multinational Corporations (MNCs) (Doz and Prahalad, 1991) reveal an important impact of the institutional factors in the context of host, emerging markets. To address this research gap, we draw on the institutional theory which focuses on how wider, politico-economic institutional arrangements may constrain and enable organizational and managerial action (Ahonen, Tienari, & Vaara, 2011; Powell & DiMaggio, 2012). Thus, in this paper we will address following two research questions: 1) What are the internationalization strategies of BGs from developed economies internationalizing into emerging markets? 2) How institutional factors might influence internationalization strategies of BGs from developed economies internationalizing into emerging markets?

To answer these research questions, we conducted a qualitative research on the internationalization of Swiss BGs in Brazil. Specifically, we conducted in-depth interviews with senior managers of three Swiss BGs: Vela Solaris - software developer, Gamaya and Urban Farmers - technology service firms. Moreover, in order to gain further insights into how institutional factors might impact the internationalization strategies and subsequent implementation, we conducted interviews with private and governmental stakeholders supporting Swiss BGs and Small- Medium Enterprises (SMEs) in Brazil. Thus, our aim is to contribute to managers' understanding of internationalization strategies of BGs from developed economies in emerging markets. As such, we will reveal how these strategies might differ in the context of emerging markets, as compared to developed host markets and thus, how a high institutional distance could be successfully overcome and thus, liability of foreignness overcome.

## 2. Features of Swiss BGs in Brazil

The recent study on Swiss SMEs conducted by (Baldegger, 2013) indicate that BGs start internationalization process 0,46 of year after foundation, while for an average SME this process takes 8,7 years. Their foreign sales account 84,2% of their turnover whereas in case of the average SME it is only 56,2%. Additionally, Baldegger's, (2013) research indicates that BGs might suffer less from the institutional distance than SMEs. As a result they are more encouraged to enter complex and distant markets such as South America: 45,1% for BGs as compared to 25% of SME.

### *2.1.Brazil: institutional features*

Brazil is an emerging country which attracts foreign companies due to its biggest economy of Latin America with 209 million inhabitants and growing middle and upper-middle class which is interested in technology products ( Nes, 2016). However, Brazil has faced many political and economic challenges. Already the military dictatorship from 1960s and 1970s encourages state interventionism and policy of import substitution to stimulate domestic industry, resulting in many trade barriers. From late 1980s, Brazilian economic policies started to change and trade regulations were liberalized (Parente, Cyrino, Spohr, & de Vasconcelos, 2013). However, Brazilian regulations still remain complex and difficult to attain for foreign companies. For instance, the tax structure is composed of 74 difference taxes and contributions (Leahy, 2016). Additionally, Brazil maintains a strict and employee-oriented law; for example an employer is required to pay for health insurance, meals, transportation and social security which increases the labor costs in Brazil (C. F. Nes, 2016). Moreover, Brazil has been strongly affected by two economic crises in 2008 and 2014 as that the economic growth decreased by 3.8% in 2015 compared to 2014 which is partially the result of a decreased consumption (-4%) and investments (-14,5%) (FocusEconomics, 2016). It led to Brazilian currency instability and less financial resources available to the government to boost the economy. Finally, further economic and political instability continues to political unsettlements caused by the impeachment of President Dilma Rousseff and corruption allegations of the President Michel Temer.

### 2.2. *Swiss Born Global firms in Brazil: general overview*

As Brazilian market is considered to be institutionally challenging, Swiss BGs and SMEs often rely on external service providers as Swiss Business Hub, Embassy or B2B Consulting Swiss-Brazil, whose experiences are featured in this section. Particularly, for Swiss BGs and SMEs, it remains difficult to overcome the administrative complexity, as for example, revealed by one of the managers: "*Brazil is a difficult country to enter for a foreign firm essentially because of the administrative process, which is too long, requires lots of time and energy*". Specifically, Brazilian taxes are high and can exceed over 60% of the total price. Second, unstable political and economic situation creates another challenge for doing business in Brazil and Swiss companies withhold their decision to enter or to increase their commitment in the Brazilian market. In the same vein, Switzerland is enlisted on Brazil's "black list" as a country applying privileged tax regimes. Consequently, Brazilian business partners might be subject to fines for collaboration with Swiss companies[1]. Swiss service providers lament that they do not know how long Switzerland will remain on the black list and how specifically Swiss firms might still be impacted.

Moreover, entry mode for SMEs and BGs remains complicated and cost intensive. For example, without Brazilian residence it is difficult to do business despite Brazilian government's efforts to attack more investors by giving permanent residence for those who invest R$ 500'000. This is an important constraint for BGs as they tend to choose entry mode requiring less financial commitment enabling to test the market. As one of the managers providing external services in Brazil noticed: "*A firm without any contacts in Brazil rarely enters the market for implementing a branch or opening an office*." Thus, Swiss SMEs and BGs prefer a simple entry through a distributor, but a low control of operational activities in Brazil and failure to develop business

[1] As a result of negotiations between Swiss and Brazil governments Switzerland started to appear "grey list and this allows the Swiss government to reinitialize discussions with the Brazilian government on bilateral trade and taxation agreements

relationships with local stakeholders might be an important disadvantage of this entry mode. Moreover, this simple entry mode does not encourage SMEs or BGs to acquire cultural and institutional market knowledge. Finally, remaining price competitive in Brazil is difficult for Swiss BGs and SMEs and particularly for machines and equipment, price can be very high due to high import taxes, and thus the unique characteristics of the product need to justify the cost (quality and the additional benefits) as Brazilian clients are cost sensitive.

### *2.3. Three cases of Swiss born global firms in Brazil*

As internationalization of BGs into emerging markets remains under investigated, we adopt a phenomenon-based approach (von Krogh, 2012) and refer to case studies to uncover the relevant institutional factors influencing the internationalization strategies and implementation. Especially, we compare the experiences of three BGs: Vela Solaris, Gamaya and Urban Farmers. For Vela Solaris, the Brazilian business accounts for a small share of the turnover. For Gamaya and Urban Farmers, Brazil is an important market. These two BGs aim to increase their commitment to the Brazilian market in the near future in terms of employment as well extending of the operations.

#### Vela Solaris

*Background information.* Founded in 2007, Vela Solaris is a spin-off of the Solar Technology Institute of the Hochschule für Technik Rapperswil whose main focus is on the development and commercialization of a software to design and optimize hybrid systems of renewable energies. The first version of the software was developed in 1992 but until 2007, it remained a non-marketable prototype. From 2004 until 2006, Vela Solaris received financial support from the Swiss government to optimize the software, and subsequently introduce it into the market. The recent version of the software targeted the B2B market, in particular producers of renewable energies (solar and thermal).

*Internationalization: home market push factors.* In 2006, when the Swiss government financial support came to an end, a group of employees from the Solar Technology Institute created a new legal entity to commercialize the software. Once the company was created, they rapidly launched commercialization of the software abroad. Indeed, Switzerland is a small country, and does not allow to generate sufficient turnover as well as manufacturing in Switzerland is expensive due to high salaries and a strong Swiss franc. However, as majority of the founding team had only some limited international experience, they swiftly employed sales team experienced in foreign markets.

Vela Solaris began internationalization into those countries with most developed market for solar technologies, such as: Germany, Austria, Italy, Spain and France. Then, they expended into other European countries as England, Sweden, Greece and Portugal. Decision to target Brazil was taken in 2009, as the software was already available in Portuguese and so, it did not require additional investments. Moreover, Switzerland has a good image in Brazil and it is advantageous for Vela Solaris that the software is entirely produced and developed in Switzerland without any external inputs from India or China. However, Vela Solaris puts emphasis on its' firm strategic advantage (FSA) and the country specific advantage (CSA) is considered of secondary importance, as revealed by one of the co-founders: *We market it [CSA] in a limited way. I mean, we say it but we don't put [Swiss made] in the first line necessarily. It's more the product features and why our product is different to the others, which we put in the first line.* Indeed, Vela Solaris operates in a niche market and offers a product with unique characteristics that the competitors don't possess. The advantage of Vela Solaris is offering the product combing technologies for both solar thermal and photovoltaic systems in various language options. They were the only company offering software for both systems and other solutions on the market were dedicated to one or the other system. At Brazilian market they had no competition especially that other software companies offered product only in English version. Additionally, they offered high flexibility in terms of both choice of technology, price and presentation of data. The competitive advantage of Vela Solaris was not in the product's price but in software flexibility.

*Internationalization: host market pull factors*. Vela Solaris is attracted to Brazil as it is one of the fastest growing solar markets in the world and the biggest South American market (Figueiredo & Pascal, 2016). Since a severe drought 2001 the Brazilian authorities introduced policies to reduce countries hydroelectric power dependency by implementation of federal incentive program and robust auction system for utility-scale procurement. The alternative power capacity has strategic importance for Brazil as well for economic purposes in order to hedge against volatility in electricity prices and fluctuating natural gas prices. Additionally, Brazil, due its' large market size, has a potential to become a supply hub for neighboring Latin American countries. Brazil has around 200 local solar power producers and it is one of the fastest growing markets in solar energies that is positioning the country as a potential hub for all Latin America. Not only is Brazil the largest Latin American market, but in contrast to other countries Brazil produce locally solar energy, while other countries import from Europe of from China. Thus, business in Brazil was considered to offer Vela Solaris future opportunities to expand into Latin America where Vela Solaris became a member of the Intersolar South-America.

*Mode of entry*. Vela Solaris entered Brazil with the exportation supported by a local distributor in Sao Paulo was in charge of promotion, sales and dealing with administrative issues in Brazil. The collaboration with local partner is based on exclusivity as the Vela Solaris' founders team expects that: "he [Brazilian partner] is devoted to our product and is representing our product because he is convinced of it but then of course in the same sector he can do other business like his own projects or selling other products (not software) like solar Thermal products. And it fits quite well because is not a hurdle, it is usually helpful if somebody is already in business with his own products." Indeed, collaboration with the Brazilian partner was vital for Vela Solaris to overcome legal challenges and successfully create offers for the customers. As one of the founders described: "Brazilian state-owned companies and Brazilian universities often cannot buy from foreign companies. So they have to buy from a Brazilian company." Moreover, Vela Solaris benefited from the Brazilian partner to understand the administrative procedures to the sales.

*Challenges to doing business in Brazil.* Despite many opportunities offered in the Brazilian market Vela Solaris' business suffers from a high protectionism. Particularly, Brazilian B2B customers prefer national products and often state owned and public clients are requested to purchase from Brazilian suppliers only. Moreover, despite of advantages of "Swiss made", Vela Solaris realizes that Brazilian clients would like to have a product that looks more Brazilian e.g. more Brazilian components in the software. In such context the support of the local partner is crucial to link Vela Solaris to key Brazilian stakeholders such as authorities, and associations. Indeed, networking is essential and more important than in Switzerland which Vela Solaris under estimated upon the entry to the Brazilian market. Indeed, without network, doing business in Brazil is not possible.

Second, cultural differences are apparent in interactions with clients. For example, when Vela Solaris management present the software, potential clients are highly enthusiastic towards purchasing of the software, claim they want to buy it, however they do not necessary proceed with the actual purchase. Speaking Portuguese is also considered necessary by Vela Solaris executives as Brazilians highly value interpersonal relationships and businesses face-to-face. In the next phase, upon delivery of the software, payment might often be a challenge, as Vela Solaris cannot guarantee the price in BRL, therefore it is difficult for them to stay competitive. Moreover, Brazilian clients expect payment by credit card in several rates. Therefore, Vela Solaris needs to deliver the software before receiving of the payment. This is an important risk due to an accelerated depreciation of the Brazilian currency; Vela Solaris prefer to do business in Western currency, but often has to accept BRL. Then, in case of a long-term contracts, there is a risk that Vela Solaris does not get the same amount of money that was expected upon the contract signing.

Thus, without a Brazilian partner, it would be impossible for Vela Solaris to do business in the host market. And still, Vela Solaris took decision to limit its' expansion in the Brazilian market and target those markets which the founders considered as easier to penetrate: "We are a small company and at a certain time we have to put priorities and put the focus on certain countries rather than others for example. These are the decisions we have made based on the ratio between investment and success."

**Gamaya**

*Background information.* Gamaya is an AgTech spin-off of the EPFL founded in 2015. It commercialized technologies for sugarcane (CANEFIT) and soybean (SOYFIT) cultivations. The technology was composed of a drone capable of detecting planting errors, classifying weeds, monitoring biomass of the cultivations and subsequently transmitting it to an IT tool. The latter provides useful information and statistics for the industrial producer to improve and optimize crops. Gamaya targets the B2B market and in particular big industrial agricultural producers. Even though Gamaya is founded in Switzerland and its head office is based in Lausanne, it does not commercialize its drones in the home market. Gamaya is present in the Brazilian market since 2015 where they realized 100% of the firm's income with support from a Brazilian investor who owns 8% of Gamaya's shares.

*Internationalization: home market push factors.* Gamaya does not search for Swiss clients as the founders consider their home market as too small. Swiss farms, similarly to the European, are smaller as compared Brazil farms. The acquisition of several small clients is viewed as less profitable than working with fewer, but larger ones: “In a startup environment you always think about the costs to acquire customers. So if you acquire a big one in terms of potential, is much better than if you spend all the resources acquiring a small one.” The founding team targeted the business on the global scale from inception. Two out of three founders had extensive international business experience which facilitated Gamaya’s entrance to the Brazilian market. For Gamaya founders “Swiss label” serves as marketing argument and the company uses CSA advantage. The Swiss Made/ Swiss quality is chiefly helpful for ITech business in the early phase of contacts with the clients, flavor development of confidence as Brazilians usually perceive a Swiss product as trustful. In contrast, Brazilian tend to trust less Brazilian products. Thus, “Swiss made” allows to decrease of a hurdle of an expensive software resulting from the fact that in Switzerland the wages are quite high and that means it is also an expensive product – expensive in its development because of the man power: wages of the Swiss employees. *The price is high because we are much more valuable. We don’t need to compete to provide products at the same price.* Gamaya’s competition on Brazilian market is low, only 3-4 companies. Some American companies are starting to penetrate the market. However, Gamaya emphasizes as well its’ FSA advantage: simplicity of technology. “In terms of technology we are ten times more valuable because we just simply much more easier technology”. Additionally, its technology of drone scanning is more efficient than its competitors thus providing more accurate and reliable information. In 2015 it was awarded W.A. Vigier Award as the world’s most advanced solution for large-scale diagnostics of farmland using hyperspectral imaging and artificial intelligence.

*Internationalization: host market pull factors.* Gamaya entered Brazil because of its combination of favorable climate conditions and developed agricultural infrastructure as for decades its’ economy was based on agricultural sector. The biggest industrial agricultural producers are located in Brazil and it is the country with the higher market potential. The unique advantage of Brazilian tropical climate allows grow and collect crops several times per year. As the co-founder stated: “For us, we are still in developing product stage but this means that we can learn much faster in Brazil, 2 or 3 times much faster that we can do in other places.” The other factor was the large size of Brazilian farms. “As we address the industrial agriculture and therefore Brazil appears in our screen immediately”. The company wanted to work on large scales to reach the profit margin. “In Brazil you can find a farmer with this size of Canton de Vaud – just one farmer.”

*Entry mode.* Gamaya's investor is a large innovative agricultural firm founded by a Swiss family that moved 15 years ago to Brazil. The investor acquired 8% of Gamaya's shares for the following motives: "He [investor] trusts more on financial returns because we are in the sustainable agriculture to minimize the chemical fertilizers etc. Thus, his interest is not only in the financial aspects but also in the sustainability." The investor offers strong support to Gamaya: provide the office space, business support and the institutional knowledge. The investor provide initial knowledge base about Brazilian market. "When the company searched for the employees, the founders were conducting interviews by themselves, however they frequently consulted the investor to be able to better understand cultural and institutional specificity. Gamaya founders as well deal with the administrative issues by themselves. When they have some difficulties they turn for help to the investor. Moreover, Gamaya founders effectively built network in Brazil, through regular collaboration with the Brazilian investor. The latter connected Gamaya with other local business partners, leading to their local network diversification. Last but not least, the firm implication with its stakeholders roots the Gamaya in the Brazilian market, which allows developing cultural proximity. Also, the investor helped them to overcome legal barriers as revealed by a founder: "… to open a legal entity in Brazil you need to have Brazilian residence. In our case we are lucky because the Brazilian investor is a Brazilian resident. But it would be much harder for us to find a Brazilian person because initially he needs to become a shareholder in the Brazilian entity. And it is not easy to find a person that you can trust." This was the next step of Brazilian market penetration which aimed at reductions of operational costs and coming from high tax system.

*Challenges to doing business in Brazil.* For Gamaya entering Brazil was associated with various challenges however, management still perceived that the market opportunities in Brazil offset the risks. Gamaya perceives the political unsettlement at the key challenge as it impedes the strengthening of position in Brazilian as the customers prefer to invest less in technology. Additionally, products offered by born global companies are premium product, therefore in case of weaker economic situation the customers are going to cease buying them. As Gamaya's co-founder revealed "It is really hard to address the market from Switzerland in Brazil without understanding the Brazilian market."

Moreover, Gamaya recognizes important cultural differences which are important in doing business in Brazil. First, Brazilians highly value the importance of trust building: "they are very nice at the beginning but you need to be a bite cautious not to overpromise etc.” Second, Brazilians seem to be less rule driven and more flexible than Swiss. Another challenges is the necessity to speak Portuguese even in big cities.

### *Urban Farmers*

*Background information.* Urban Farmers was launched in 2011 as the spin-off from the Ecole Polytechnique de Zurich. The company focused on the construction and the maintenance of commercial food production systems in cities and assistance in fund rising for eco-friendly investments. The co- founder has extensive professional experience in the food industry which he gathered both in Switzerland and the United States. He was working with specific technology for coffee equipment which inspired him to develop the technology for agriculture. The first agricultural rooftop created by Urban Farmers was opened in Basel, Switzerland. Later they expanded their activity to Netherlands as there existed extensive demand for their services. The next step was entrance to the United States where they received founding which enabled them to open the subsidiary.

*Internationalization: home market push factors.* The founding team of Urban Farmers is composed of internationally experienced staff. One of the co-founders had 10-year track record across food & health sectors in Europe and North America. The other one was involved with a range of Aquaculture initiatives around the world. Therefore, the company from the inception was planned to offer their services globally. Their goal for future years is the expansion to China.

*Internationalization – host market pull factors.* For Urban Farmers Brazil was experimental market after which it would be easier to enter other Latin American countries. Brazilian citizens are interested in healthy lifestyle therefore they serve as good potential customer base. “One of the major advantages of the Brazilian market for our company is the demand coming from the country. No we didn’t do a formal market research but there is a lot of market response coming from Brazil. We noticed a lot of people interested in our technology/product.”

“Additionally, for its’ owners it was a market of many opportunities: “Brazil is also a very good country to develop our product because is a very dynamic country and it’s not saturated as is the case with many European countries”. Urban Farmers developed product using advanced technology which was innovative for agricultural sector. In case of Urban Farmers, the company built their competitive advantage on the basis of integrity of their service as they offered: support in searching for financing, project design and construction, maintenance and sales service. Their unique market segmentation definition created conditions of low competition: “In fact we don’t have competitors at all. Maybe the local producers can be considered as competitors but they do their agriculture in their way without using a technology.” Urban Farmers put emphasis on FSA which is offering: *sustainable service, advanced technology.* The founders do not recognize the importance of the Swiss label for their business. “*Yes Swiss quality is a plus for us but we don’t really put much attention on that. For us is not an argument to sell our product.*” However, the farms develop by them benefit to some extent form “Swissness” as they are perceived as superior quality.

*Entry mode.* Urban Farmers employed two Brazilian citizens who became the shareholders of the company. The employees set up a subsidiary. In this way they were able to avoid various institutional barriers. They were satisfied from having trustworthy partners with high expertise.

*Challenges to doing business in Brazil.* The institutional challenges complicated developing business in Brazil especially for smaller entities. The co-founder of Urban Farmers noticed that “To enter the Brazilian market firms must have enough resources available for the business.” If not, it need to find the solution to compromise its’ insufficiency with non-material resources. The instable political and economic situation increases the risk of operation at the Brazilian market. The co-founder of Urban Farmers, who was lucky to find the investor indicated that in such circumstances it was more difficult to obtain funds for all companies:

The co-founder of Urban Farmers did not perceive the cultural differences as important challenge as he knew Brazil for years. “I know Brazil since many years and I also know pretty much people in Brazil. I don’t feel like there is a huge cultural difference between Brazilians and Swiss. Or if there is we can well work with these differences.” He admitted that doing business in Brazil is more time consuming and the company has to adjust.

### 3. Factors in the internationalization strategies of Born Globals

The three Swiss BGs chose Brazil as their first destination as it is the largest and most economically developed country in MERCOSUL (Argentina, Brazil, Paraguay, Uruguay, Venezuela) and, later only they aimed to extend business to the neighboring countries. The three

BGs experienced similar institutional challenges, however they approached them in a different ways, and resulting in different outcomes in the host market. Comparing these three cases highlights key factors which might shed light on how the institutional factors might influence internationalization strategies of BGs from developed economies internationalizing into emerging markets.

**Table 1. Factors in the internationalization strategies of BGs in emerging markets**

| | **Vela Solaris** | **Gamaya** | **Urban Farmers** |
|---|---|---|---|
| Niche strategy | No competition Uniqueness: customization | 3 competitors Uniqueness: simplicity | No competition Uniqueness: Integrity of the offer |
| Foreign market entry mode | Distributor | Office opened in the premises of the Brazilian-Swiss shareholder | Subsidiary opened by the Brazilian shareholder |
| Networks | Limited network | Network from Brazilian-Swiss shareholder's network | Network from Brazilian shareholder's network |
| Liability of Foreignness | yes | no | no |

*3.1 Niche strategy (common for all)*

The three studied BGs followed a niche strategy, defined as a special combination of product, consumers and market, where the key importance lies in product quality, distribution and service (Porter, 1980). The unique definition of market and product are deepened, not extensive with narrow and long value chain. As a consequence of high specialization is difficult to compete with such company (Porter, 1980). In case of the three investigated Swiss BGs, they have no or very few competitors in the Brazilian market and they were particularly interested in the market niche potential. In respect the definition of niche at the Brazilian market, it does not differ from the one relevant in the developed countries (Knight, Madsen, & Servais, 2004). Firms following the niche strategy, need to pursue a swift internationalization as the home market is usually too small to bring enough profits (Simon, 1996) Therefore, majority of BGs follow niche strategy to swiftly reach scalability (Bell, 1995; Chetty & Campbell-Hunt, 2004; Gabrielsson & Kirpalani, 2004; Knight et al.., 2004; Madsen & Servais, 1997; Rennie, 1993; Rialp et al.., 2005). To this end, BGs initially target small market segment that gathers customers having particular unsatisfied needs and are willing to pay higher price for products which would satisfy them. Key competitive advantage of the firm following a niche strategy is a fit between technology and customer requirements (Pavitt, 1990). Similarly, Vela Solaris and Urban Farmers implemented similar strategies, as on which they have previously relied on in their earlier internationalization as the needs of customers from that particular niche were similar in developed markets as in Brazil. However, our investigations reveal that in the Brazilian market customers are more price sensitive than in developed markets. High taxes and instable currency make products offered by Swiss BGs even more expensive for Brazilian customers. Moreover, Brazilian customers are resistant to make swift purchasing decisions and prefer to test the product in advance, and thus, they often postpone the purchase decision. Summing up, the pace of business development is slower for the three Swiss BGs in Brazil than in other developed markets. Also, in contrast to existing research in the context of developed countries which reveal that in order be successful, BGs need to maintain their high innovation capacity Madsen & Servais (1997). However, our findings reveal that in case of emerging markets innovation capacity might be less important, but instead the marketing capability might be more important i.e. communication of company and products credibility, adjustment of product price to local characteristic and appropriate distribution options.

### *3.2. Entry mode*

In line with the extant literature (Bell, 1995; Jones, 1999), the three Swiss BGs began their internationalization in Brazil with the low commitment mode of market entry in order to test the market. However, our research reveals that low commitment modes of entry might be less suitable in emerging host markets, than in developed host markets. Specifically, emerging host markets such as Brazil, are often characterized by institutional voids in terms of the political and economic volatility, protectionism of indigenous firms and importance of networks. For example, a low commitment mode of market entry did not work well for Vela Solaris which had insufficient control of the operations in Brazil, did not have appropriate business network with local stakeholders. Our research reveals, that the strength of relationship between a BG and a distributor tends to be weaker than in high commitment modes (e.g. shareholder), it might lead to difficulties to establish adequate relationships and might hinder the learning process of the foreign market while the knowledge remains with the local partners (Huber, 1991). As the Brazilian distributor was responsible for direct contacts with customers and Brazilian authorities, Vela Solaris founders had less opportunities to learn about the Brazilian institutional characteristics. This is in line with extant literature, which reveals that low commitment modes at the initial stage of internationalization make it more difficult for the companies to develop experiential knowledge about foreign customers (Melen & Nordman, 2009). In contrast, Gamaya and Urban Farmers relied on their minority shareholder in Brazil, which allowed them to acquire tacit market knowledge. First, Gamaya and Urban Farmers profited from grafting investors knowledge to organization (Huber, 1991) as the investor brought valuable insight about Brazilian institutions and facilitated leverage their FSA in the Brazilian market. Second, the investor provided additional knowledge in the process of learning by mentoring to Gamaya's founders. Third, Urban Farmers leveraged knowledge of Brazilian employees who provided Swiss entrepreneurs with a valuable source of knowledge about Brazilian market complexities.

Summing up, the market entrance mode for BGs from developed markets is highly important in case of emerging, host markets. Choosing low commitment mode might not allow the company to acquire necessary market knowledge, which might be difficult to grasp by Swiss entrepreneurs due to a cultural distance and swift market changes associated with political and economic instability. Thus, BGs might be trapped if rely on the low commitment entrance mode as they might not be able to acquire necessary market knowledge.

How about Urban Farmers? Gamaya?

### *3.3. Network building*

The interviewees from the three BGs reveal importance of developing local network in the Brazilian market. Network provides contextual and institutional knowledge, in particular regarding the Brazilian political environment and the legal and fiscal framework and cultural features. Gamaya targeted through its' network from Switzerland the most innovative agricultural companies in Brazil. This strategy was more successful than trying to develop relationships though participation in conferences. "Actually we participated in a number of conferences and we learned in our way that it wasn't very appealing for us because the audience wasn't those we were for looking for." Brazilian companies require closer development of relationships. Brazilian people need time to really trust a new partner. The ability of the firm's manager to overcome this cultural difference depend on his communication and interpersonal skills.

Urban Farmers approached networking from different angle by employing highly skilled Brazilian staff which gave access to their network of contact. Additionally, they started to collaborate with Brazilian consultancy companies to better understand the market. The location of the market entry camp is as well important decision. As the co-founder of Urban Farmers indicated the best location is Sao Paulo as there are many companies, partners and potential investors. The other case is Vela Solaris that had not enough resources to invest in network development which had later impact on speed on business development in Brazil. They organized courses together with Brazilian clients and participated in conferences “And the networking is essential for sure. At a certain moment we have not done it intensely as we should but we cannot expect any success without network.”

Our research reveals that developing network in the context of emerging markets might be more important than traditional market analysis as relevant in host market industrialized markets. Specifically, in order to enter a Brazilian market a western BG needs to be flexible in the market penetration strategy. Specifically, the three Swiss BGs applied a bottom-up strategy to adjust to turbulent Brazilian market. This differentiates BGs from MNCs, as the latter might be stronger subjective to “top-down” home and host market coercive isomorphism (Dupont and Janicot, 2016). To this end, BG founders invested in development of local networks as revealed by the existing literature that global firms use social networks to acquire market knowledge (Gassmann & Keupp, 2007; Jolly, Alahutha, & Jeannet, 1992; Madsen & Servais, 1997; Mathews & Zander, 2007; Oviatt & McDougall, 1994; Sharma & Blomstermo, 2003). According to Park & Rhee (2012) research in the context of host industrialized markets, participation in networks is more important for born global companies that founder’s knowledge about foreign market. However, in the context of emerging markets it is crucial for the founder to know the foreign market as the case of Urban Farmers illustrates, or to have established trust and understanding with the key partner in the host market as in the case of Gamaya. Due to the knowledge and intrinsic interest in Brazil, Urban Farmers acquired knowledge not only from its’ local partners but as well they established relations with customers. Also, in Brazil having a good network can allow to become an insider and overcome institutional protectionism as demonstrated by our research.

Therefore, BGs might need to into network development even at the conceptualization stage. After the entrance the network should be further extended and in this way the company increases its’ social capital (Coviello, 2006). According to Chetty & Campbell-Hunt (2004) networks of BGs develop much faster in terms of size and scope than in case of SMEs. Both Gamaya and Urban Farmers meet with their local stakeholders regularly to maintain and further develop network. As they both recalled it was time consuming process, however in case of Brazilian market very profitable. “If you want to do business in Brazil you need to partner with local companies. Brazil is a very specific country and want to much protect themselves and this aspect should also be known to understand how to proceed.” (Gamaya). The key role in network development plays the founder as the creator of first and second order ties who reconfigures resources accessible in network (Chetty & Campbell-Hunt, 2004; Mort & Weerawardena, 2006). In case of Urban Farmers, one of the co-founder had experience with Brazilian market which facilitated searching for employees and local companies who could assist with business development.

### *3.4. Overcoming liability of foreignness*

The three Swiss BGs in Brazil present different experiences regarding the level of knowledge of local Brazilian regulations and access to relevant clients. While Brazilian authorities and state owned clients insist on a preference of local companies, the business requires adapting communication with potential clients to the local, Brazilian culture. Otherwise, terms of payment and contracts might be less favorable for a western BG. Gamaya and Urban Farmers developed a deeper understanding of the local market, built a client base, and a wider network of contacts compared to Vela Solaris. However, these three firms aimed to be perceived as local Brazilian engaging in engaged in a mimetic isomorphism, while maintaining the value of a “made in Switzerland” label, with exception of Urban Farmers, who did not aim to leverage CSA. This approach of Urban Farmers extends work on Japanese and foreign banks wherein maintain foreignness can contribute to successes in the host market (Edman, 2016).

Vela Solaris has faced the highest degree of the liability of foreignness; a low revenue generated by the Brazilian distributor reflects the inefficiency of this entry mode. This is due to Swiss founders’ difficulty to monitor the local distributor on one hand, and to leverage firm’s competitive advantage in order to overcome barriers related to high price of Swiss products. Instead, distributor might prefer to put more efforts on products with larger margin profits, to the detriment of expensive Swiss products. Thus, Vela Solaris founders decided to withhold further market commitment. However, by not making any changes in internationalizatiom mode over the time, does not facilitate development of foreign customer knowledge by born global companies (Melen & Nordman, 2009).

In contrast, being successful on Brazilian market Gamaya's founders decided to increase the market commitment by setting up the start-up accelerator as they understood that without legal entity it was difficult to develop business at Brazilian market. As (Rialp et al., 2005) indicated born global companies are flexible in their internationalization modes. They adapt internationalization modes do the needs of individual markets (Sharma & Blomstermo, 2003).

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