Born Globals –
Opportunities and Challenges in the Era of Globalization

Master’s Thesis

to confer the academic degree of

Master of Science

in the Master’s Program

General Management
Preface

It is hard to believe that after years of hard work the end of my university days is close. I can still remember, when I moved to Linz.

The first days were incredibly hard. Moving to a new city, hardly knowing anybody, sitting at university, thinking for a moment, do I regret that I have decided to do my studies in English language. It was definitely more than challenging the beginning.

Today, I am more than happy with my decision and how it all came along. I can say, it was the best decision ever. I developed myself so much further in the past years, I gathered experiences and developed skills I am very proud of and thankful for.

I would have never met all the inspiring people. The last three years have brought friends into my life that I will call family forever. We studied together, worked on papers and presentations, often we sat together till late at night. We not only worked hard to achieve our goals, we encouraged each other, where standing side by side to go through whatever came, we laughed, danced and celebrated our successes together. Thank you, for coming into my life and for being you.

Where I am today surely would not have been possible with the support of my parents. I know that a thank you will never be enough to express the gratitude and respect I have for what you did for me. You supported my dream, by making it possible that I can visit university. You even fulfilled my greatest dream, studying abroad. I will never forget what you have done for me and I hope one day I can at least give back to you a bit of what you have done for me. Thank you from the bottom of my heart, I love you.

Last, I would like to say thank you to the person that helped me through this thesis and truly is a mentor for me, Professor Dr. Melanie Wiener. I deeply appreciate what you have done for me, supporting me along the way and always being there when I needed your help or an advice. You are truly an inspiring person, which gives me the confidence that everything is possible. I am sure you will inspire more young people with your excellent work and support.

Linz, July 2018
Julia Goldberger
Sworn Declaration

I hereby declare under oath that the submitted Master's Thesis has been written solely by me without any third-party assistance, information other than provided sources or aids have not been used and those used have been fully documented. Sources for literal, paraphrased and cited quotes have been accurately credited. The submitted document here present is identical to the electronically submitted text document.

(Linz, July 2018, Julia Goldberger)
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List of Abbreviations

CSR…………………………..Corporate Social Responsibility
DOI…………………………..Degree of Internationalization
e.g. (exempli gratia)………..for example
EoS…………………………..Economies of Scale
FDI…………………………..Foreign Direct Investment
GATT…………………………General Agreement on Tariffs and Trade
GDP…………………………..Gross Domestic Product
ICT…………………………..Information and Communications Technology
I/R framework………………Integration-Responsiveness Framework
ISI…………………………..Import-Substituting Industrialization
MNC………………………….Multinational Companies
OECD…………………………Organization for Economic Cooperation and Development
R&D………………………….Research and Development
SMEs…………………………Small and Medium Enterprises
vs…………………………..versus
Executive Summary

Since the increasing spread of the globalization idea in the 1980s and 1990s, a lot has changed (Ritzer, 2007, pp.54). The development of linkages and the coordination of social life on a global basis as well as growing global awareness are just a few effects caused by globalization. The process of economic interconnection and economic integration is one definition for globalization. Moreover, globalization can be seen as the cross-border extension of a nation’s economic activities by crossing political boundaries (Shahzad, 2006, 204).

This clearly offers a lot of opportunities. Global brands such as Coca Cola or Levi 501 had the chance to realize major marketing and advertising advantages through globalization (John et al., 2002, pp. 218). Not only existing and established companies like multinationals but also start-ups, especially those who plan to go global right from the start, also known as born globals, take advantage of the arising opportunities, globalization provides. Where opportunities occur, challenges are not far.

Therefore, the aim of this Master’s Thesis is to provide an overview on the opportunities and challenges that born globals face in the era of globalization. Moreover, the most important and affective opportunities and challenges outlined in literature are investigated in more depth in order to understand their importance. The thesis is based on a literature review. Firstly, basic concepts as the Yip Framework (2012) and the concept of Bartlett & Ghoshal (2002) build the foundation for the analysis, but do not build the focus of the thesis. In a second step the opportunities and challenges as the focus of the thesis will be analyzed based on existing literature. In the end an example based on Airbnb as a born global will be given and an examination of the opportunities and challenges the company faced in their early stages and still is facing today, are given.
1. Introduction

The purpose of this thesis is to investigate arising opportunities and challenges in global strategic management in the era of globalization, while focusing on born globals. Moreover, the thesis further examines a practical example by investigating about the opportunities and challenges of Airbnb as a born global. The selected subject of the thesis covers two areas, globalization as well as global strategic management.

1.1. Problem Statement

Until the 1980’s, international business was dominated by multinational companies, whereas small and medium enterprises (SMEs’) focused on their domestic markets (Baronchelli & Cassia, 2014, 68). This is attributed to the fact that internationalization seemed strategically more challenging for small and medium enterprises than for multinational companies based on their inferior base of capabilities, resources and market power (Zucchella, Palamara & Denicolai, 2007, 270.) Moreover, companies needed to meet several criteria to survive the global competition. To name a few of those criteria, an accepted and well-developed service or product, internal processes that are tested over time, enough financial assets, knowledge about foreign legal frameworks and cultures as wells as an expertise in international trade are required (Oviatt & McDougall, 1995, 30).

Nevertheless, Barbosa, Gonzalez-Campo and Vargas (2013, 208) argue that enterprises are forced to engage in international business quickly, due to rapidly changing markets and current global developments. Literature states that the cost of doing business internationally have decreased thanks to increasing efficiency. The fact of increasing efficiency according to John, Ietto-Gillies and Grimwade (2002, 219) can be attributed to several factors such as e.g. the development of telecommunications and information technology or the production of standardized products that help to generate economies of scale. There was a shift of competitive advantage in recent years away from big, multinational enterprises that are characterized of significant size and experience, to companies with capabilities of swift response as well as a unique knowledge base (Oviatt & McDougall, 1995, 31). In addition, small companies generally benefit from a non-bureaucratic and simple organizational structure. This allows those firms to be more flexible, innovative and creative immediately and further, to meet their customers’ needs not only on the domestic but also on the international market (Baronchelli & Cassia, 2014, 69).
Globalization is another important aspect in the change of small companies when it comes to enter international markets right away in the early stages of their foundation. Through the globalization of markets, advances in communication technologies, transportation and other supporting factors, more companies take advantage of and exploit international market opportunities. A growing number of SMEs' are operating in an environment which is increasingly shaped by globalization (Knight, 2000, 12). Bouncken, Schuessler and Kraus (2015, 39) argue that born globals are on the rise as globalization increases and geographic borders dissolve. John et al. (2002, 219) outlines that a major reason for this affect was the removal of trade barriers which was caused by the successive rounds of the General Agreement on Tariffs and Trade (GATT).

Nowadays, SMEs' must be aware of the fact that ignoring the international market is no longer possible. It is indispensable to not consider foreign market opportunities, in other words the identification and creation of foreign market opportunities is necessary. Thanks to favorable circumstances, companies already approach the international market during the initial phase of their operation. Born global firms – new ventures that are characterized by generating their turnover right from the start on international markets (Choquette, Rask, Sala and Schröder, 2016, 2) - find the ideal conditions to arise in the changing environment (Baronchelli & Cassia, 2014, 68).

The emergence of born global companies in recent years led to a reconsideration of the traditional process of internationalization during incremental stages (Baronchelli & Cassia, 2014, 67). Some authors (Freeman & Cavusgil, 2007; Laanti, Gabrielsson and Gabrielsson, 2007; Zain & Ng, 2006) examined the factors that convinced companies to avoid a stage path and focus on a born global development instead (Baronchelli & Cassia, 2014, 68). As the structure of smaller companies appears to be simpler and less bureaucratic, those firms seem to be more flexible, innovative, creative and swift to meet the needs of customers, not only in domestic but also on international markets (Baronchelli & Cassia, 2014, 69).

Recent years stirred a lot of discussion about start-ups and their operations in international markets during early stages. Interestingly, a significant number of SMEs' shift their focus from domestic to international market, which used to be dominated by multinationals. As already mentioned, globalization is one of the drivers for born globals. The real opportunities and challenges that born global start-ups face in their internationalization approach will be examined (Baronchelli & Cassia, 2014, 68; Bouncken et al., 2015, 39; Kinght, 2000, 12;).
Most of the available research in the field of international entrepreneurship avoided the process of international opportunity recognition or international opportunities. Elucidations and deeper clarifications of how opportunity recognition and internationalization interact constitute a research gap, although existing theories of internationalization are drawn from the viewpoint that internationalization is linked to opportunity recognition (Kraus et al., 2017, 386).

Born globals do not only face several opportunities when deciding to enter the international market. Further, challenges come along with their decision to go global and occur in the process of internationalization. Already in the early stages of the establishment, the first challenges are met (Luostarinen & Gabrielsson, 2006, 774).
1.2. Objective of the Thesis and Research Questions

The objective of the thesis is to investigate the opportunities and challenges of born globals in the era of globalization. A lot of research on the phenomenon of arising born globals has already been conducted (Knight & Cavusgil, 2004, 125). Nevertheless, deeper research and clarification especially about the opportunities and challenges of born global companies is needed (Kraus et al., 2017, 386; Luostarinen & Gabrielsson, 2006, 774).

Factors such as advances in technology regarding production, transportation and communication and the increasing level of entrepreneurs’ international experience and foreign market knowledge facility early on global strategies (Baronchelli & Cassia, 2014, 68).

The challenges of being a born global start-up arise in meeting the requirements to internationalize like financing, management capacity and product adaptation. Further, the identification of suitable foreign markets through a market analysis of foreign markets poses another challenge. The market entry mode, which includes acquisition, management of marketing agents and marketing itself represent a challenge as well. Business operations can be challenging in terms of logistics, services, payment processing, product liability, intercultural communication or adaptation of structures (Lehmann & Schlange, 2004, 9).

The above-mentioned opportunities and challenges are only a few examples of what companies with the intention to internationalize face. The aim of this thesis is to analyze and reveal the real challenges and opportunities of global start-ups and to explain those opportunities and challenges as well as their effects on global start-ups in more detail. Moreover, another focus of the thesis is to analyze a real-life example of a born global to see whether the identified opportunities and challenges correspond with the case analysis. For the case analysis, the company Airbnb will be used as an example.

Based on the above-outlined research gap in the field of born globals and the arising opportunities and challenges they face, the subsequent research questions are going to be answered:
<table>
<thead>
<tr>
<th>Research Question 1:</th>
<th>Which of the discussed opportunities in the era of globalization foster Born Globals?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Research Question 2:</td>
<td>What are the challenges in the era of globalization that hinder Born Globals?</td>
</tr>
<tr>
<td>Research Question 3:</td>
<td>Which of the discussed opportunities and challenges in the era of globalization correspond with the example of Airbnb as a Born Global?</td>
</tr>
</tbody>
</table>
1.3. Structure of the Master’s Thesis

In the following Figure 1 will provide an overview about the structure of the thesis. The first section of the thesis outlines the problem statement, the objective of thesis, the research questions and the structure of the thesis, while the second section is about the methodical approach. With regard to the methodical approach the traditional literature review will be distinguished from the systemic literature review. In the third section the terms and definitions of this scientific work are provided. Especially the terms start-ups, globalization and born globals will be explained. Section four covers the aspects of the strategic perspectives with regard to born global start-ups. This section is splitted into three main points, where strategy in general will be explained, moreover, it is outlined how to build a global strategy up on strategy, another focus lies on Bartlett & Ghoshal and their international strategies.

The fifth section focuses on the globalization perspective where the opportunities and challenges of born globals will be analyzed in more detail. The aim here is to investigate if some of the identified opportunities and challenges are more important and affective than others. Section six is about examining Airbnb as an example of a born global company and what opportunities and challenges Airbnb faced through globalization and still faces. Chapter seven will provide a discussion of the findings of this scientific work whereas section eight represents the conclusion.
Figure 1 - Structure of the Thesis

1. Introduction
   1.1. Problem Statement
   1.2. Objective of Thesis and Research Question
   1.3. Structure of the Master’s Thesis

2. Methodical Approach
   2.1. The importance of Literature Reviews
   2.2. The Traditional Literature Review and The Systematic Review
   2.3. Research for the Thesis

3. Terms and Definitions
   3.1. Start-ups
   3.2. Globalization and the Era of Globalization
   3.3. Born Globals

4. Strategic Perspective
   4.1. Strategy in General
   4.2. From Strategy to Global Strategy
   4.3. International Strategies

5. Globalization Perspective
   5.1. Opportunities
   5.2. Challenges

6. The Example of Airbnb
   6.1. About Airbnb
   6.2. The Strategy of Airbnb
   6.3. Opportunities & Challenges of Airbnb

7. Discussion

8. Conclusion
2. Methodical Approach

In the following the importance of literature reviews will be explained. Moreover, a distinction between the traditional literature review and a systematic review will be made. The table at the end of this section will sum up and outline the most important factors in differentiating the systematic review from the traditional literature review.

2.1. The importance of Literature Reviews

According to Booth, Sutton and Papaioannou (2016, 11) the most trustworthy answer to a research question can be provided through a good research synthesis. Further, a research synthesis can identify fields and gaps that lack of research and require further research. Another important fact worth mentioning is that also the strengths of the available evidence and the quality of included studies is communicated.

Jesson, Matheson and Lacey (2011, 10) argue that the literature review as an academic task is what helps to show that one can interpret and further, is aware of what is already known. Another important aspect is that a literature review can help to identify gaps as well as to demonstrate contradictions in existing knowledge.

Tranfield, Denyer and Smart (2003, pp. 207) state that a key purpose of research for the respective academic and practitioner communities is to give the best evidence for practice and informing policy in any discipline by conducting a literature review. Often the objective of conducting a literature review is to allow the researcher the opportunity to develop the existing knowledge by specifying a research question and further, to map and evaluate the existing literature. Moreover, the authors outline that when it comes to management research and the related task of managing the diversity of knowledge for a specific academic inquire the literature review is key.

A literature review typically appears in three contexts. The literature review is often used as a major component of a thesis, dissertation or in context with another academic deliverable. Moreover, it is often showcased as peer-reviewed publication, typically as a chapter of a book or in a journal. Also, the literature review often represents the results of a research or consultancy project in the form of a report (Booth et al., 2016, 12).

Jesson et al. (2011, 11) state that literature reviews appear in different styles. Therefore, the authors distinguish between two styles of literature review, namely, the ‘traditional literature review’ and the ‘systematic review’. In the following those two styles of literature review will be explained.
2.2. The Traditional Literature Review and The Systematic Review

The traditional literature review is the existing knowledge on a topic in the form of a written appraisal where no prescribed methodology is used (Jesson et al. 2011, 10). The authors define the systematic review as a review with the following characteristics. This kind of review has a clear stated purpose, a defined search approach, a question, stated exclusion and inclusion criteria and the goal of producing a qualitative appraisal of articles (Jesson et al. 2011, 12).

In comparison to traditional reviews, systematic reviews are characterized through the adoption of a detailed technology that minimizes the bias by exploitive literature searches of unpublished as well as published studies. Moreover, the provision of a protocol that contains the reviewers’ procedures, decisions and conclusion is another characteristic that distinguishes systematic reviews from traditional ones (Cook, Murlow & Haynes, 1997, pp. 2). In the following Table 1 outlines in more depth the difference between literature and systematic review on the basis of Kysh (2013).

Table 1 - Literature Review vs. Systematic Review (own graphical presentation based on Kysh, 2013)

<table>
<thead>
<tr>
<th></th>
<th>Literature Review</th>
<th>Systematic Review</th>
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</thead>
<tbody>
<tr>
<td><strong>Definition</strong></td>
<td>Summarizes in a qualitative manner the evidence on a topic and therefore uses informal or subjective methods to collect and interpret studies.</td>
<td>High-level overview of primary research on a focused question. The overview identifies, selects, synthesizes, and appraises all high quality research evidence relevant to that question.</td>
</tr>
<tr>
<td><strong>Goals</strong></td>
<td>To provide an overview or a summary of topic</td>
<td>• Answer a focused clinical question</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Eliminate bias</td>
</tr>
<tr>
<td><strong>Question</strong></td>
<td>Specific question or can be a general topic</td>
<td>• Clearly defined and answerable clinical question</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Recommend using PICO as a guide</td>
</tr>
<tr>
<td><strong>Components</strong></td>
<td>• Introduction&lt;br&gt;• Methods&lt;br&gt;• Discussion&lt;br&gt;• Conclusion&lt;br&gt;• Reference list</td>
<td>• Pre-specified eligibility criteria&lt;br&gt;• Systematic search strategy&lt;br&gt;• Assessment of the validity of findings&lt;br&gt;• Interpretation and presentation of results&lt;br&gt;• Reference list</td>
</tr>
<tr>
<td><strong>Number of Authors</strong></td>
<td>One or more</td>
<td>Three or more</td>
</tr>
<tr>
<td><strong>Timeline</strong></td>
<td>Weeks to months</td>
<td>• Months to years&lt;br&gt;• Average eighteen months</td>
</tr>
<tr>
<td><strong>Requirements</strong></td>
<td>• Understanding of topic&lt;br&gt;• Perform searches of one or more databases</td>
<td>• Thorough knowledge of topic&lt;br&gt;• Perform searches of all relevant databases&lt;br&gt;• Statistical analysis resources (for meta-analysis)</td>
</tr>
<tr>
<td><strong>Value</strong></td>
<td>Provides summary of literature on a topic</td>
<td>• Connects practicing clinicians to high quality evidence&lt;br&gt;• Supports evidence-based practice</td>
</tr>
</tbody>
</table>
2.3. Research for the Thesis

For the research of the thesis several databases are used in order to find appropriate literature in journals. The aim of the research is to identify all existing and relevant journal articles on a national as well as international basis.

In order to fulfill those requirements a keyword-based search in title, abstract and keywords is used. Therefore, no publication date limitation is used and all subscribed journal papers in the following listed databases were used: ACM Digital Library, Digi (i.e. Das deutsche digitale Zeitschriftenarchiv) – Zeitschrift, EBSCO – Business Source Premier, Emerald, JStor, ScienceDirect, SpringerLink, Web of Science and Wiley. With regard to the relevant output especially EBSCO – Business Source Premier, JStor and Wiley are the most important ones.

The main Keywords used for the research of this Thesis are: opportunities, challenges, born globals, era of globalization. For specific research with regard to the opportunities and challenges of born globals, also more specific keywords were used.

In order to fulfill the requirements of this Master’s Thesis, it is dealt with (empirical) research findings in scientific as well as academic journals. The Thesis includes articles that are characterized by high-grade quality. Therefore, the attention is more based on the quality instead of quantity of papers.
3. Terms and Definitions

This chapter has the purpose to provide the terms and definitions needed. Therefore, it will help to give an understanding of what start-ups are, what is globalization and what to understand under the term era of globalization. Moreover, a definition of born globals will be outlined.

3.1. Start-ups

There is a lack of formal definitions for the term start-up. Nevertheless, Saini and Plowman state that with the term start-up small companies that are at the beginning of developing a product or service, are meant. Often, those companies are characterized by a high technological focus. Start-ups gain a competitive advantage by being able to change directions very quickly and not needing a lot of time for decision-making procedures and the implementation of decisions (Saini & Plowman, 2007, pp. 203).

Blank & Dorf define a start-up as “a temporary organization in search of a scalable, repeatable and profitable business model” (2012, 23).

According to Bürgel (1998, 9) start-ups are a legally independent companies, operating in the high-tech sector and not being older than ten years.

In the 1990s the start-up boom began and has evolved to an irregular trend. Although, due to crisis and slowdowns of the economic growth, start-ups still continue to arise. Often start-ups fail, based on their lack of management and poor communication (Saini & Plowman, 2007, pp. 203).

In comparison to large corporations, where managers typically have the status of an employee, in start-ups the entrepreneurs are the major shareholders in their firm. It is also argued that ownership and control is less separated in start-ups than in large companies (Franke, Harhoff & Henkel, 2008, pp. 11).
3.2. Globalization and the Era of Globalization

Based on the literature and viewpoints of several authors it can be stated that several different definitions of what globalization is and on what it is based, exist. Moreover, according to the disagreement in literature, it is also difficult to determine the exact time or point when the idea of globalization evolved and the phenomenon itself started (Douglas & Wind, 1987, John, Ietto-Gillies, Cox & Grimwade, 2002; Prilleltensky, 2012; Ritzer, 2007).

The discussions about globalization started in the late 1970s and early 1980s. Research in the last years has shown that globalization and the concerns of it have started way earlier, centuries ago. Nevertheless, the idea of globalization was fully recognized and included in academics as well as political discussions in the late 1980s or early 1990s. An essential event for the spread of the idea of globalization was the fall of the Berlin Wall in 1989 and further, the beginning of the collapse of communism (Ritzer, 2007, pp.54).

Shahzad (2006, 204) argues that globalization can be seen as the development of global linkages, the coordination of social life on a global basis and also the establishment of a global awareness. Moreover, the author defines globalization as a process of economic integration and economic interconnection among the different world nations. Also, globalization can be seen as the cross-border extension of a nation’s economic activities by crossing political boundaries. The author further states that the expansion of global linkages was completed in the 20th century when capitalism was spread across the world.

Others define globalization as “A social process in which the constraints of geography and social and cultural arrangement recede and in which people become increasingly aware that they are receding” (Waters, 1995, 3). Another definition states that globalization is “The inexorable integration of markets, nation-states, and technologies to a degree never witnessed before in a way that is enabling individuals, corporations and nation states to reach around the world farther, faster, deeper and cheaper than ever before” (Friedman, 2000, 27).

Prilleltensky (2012, 613) defines globalization based on three elements, products, persons and processes. Therefore, the author states that globalization is about the transfer of products, people and processes from one country to another one. Prilleltensky (2012, 613) argues that the three elements are closely connected with each other, but each is as important to deserve individual attention.
Ritzer (2007, pp. 55) states that globalization is mainly based on the following dimensions. Those dimensions are the cultural, the political, the economic and further, the social one. The author argues that that none of these dimensions is more important than the other. Moreover, the author argues that globalization includes several different topics such as global governance, global citizenship, migration, human rights and much more. It is also outlined that globalization is based on two major directions, namely, the increasing in global consciousness as well as increasing global connectivity.

John et al. (2002, pp. 218) argue that up from the late 1950s globalization has gained increasing importance. The authors outline several reasons for the increasing globalization and its forces. As the key feature of globalization, the worldwide homogenization of consumer tastes was identified. Moreover, the formation of global brands such as Levi 501 or Coca Cola allowed the realization of major marketing and advertising economies. Another important aspect is the simplification and global standardization of products. Therefore, the production of standardized products allowed the generation of economies of scale whereas national producers had no access to scale economies. Economies of scale lead to the fact of cost reductions which in turn where of high importance for the global competitor in terms of price advantages. Another reason for the development and revolutions in telecommunications and information technology, is transport but also the drastic reduction in cost and time of travel and communication between the geographic separated subsidiaries of a multinational company. The authors also state that the reduction of international trade barriers due to GATT was a major trigger for globalization. Providing standardized products to the world market allowed companies to spread the high fix costs of Research and Development (R&D) across a greater volume. Another important aspect worth mentioning is the strategic response to global competitors, by doing so, companies globalize itself.

In literature, globalization is not only seen as a phenomenon but also causes criticism. Douglas & Wind (1987, 19) already express with the title of their publication “The Myth of Globalization” their critics on globalization. The authors argue that it is way too optimistic, even naive to adapt strategy towards a more standardized one. The concerns are justified by the authors, stating that the complexity caused through operations in international markets and additionally the formulation of effective strategies to enter those markets is simply ignored and underestimated. Moreover, it is argued that although standardized brands and products may suit some markets and segments it is not recommended to adopt a global strategy due to fact that other markets are not suitable for standardization and will cause major strategic challenges.
John et al. (2002, 221) not only, as outlined above, listed reasons for the increasing globalization and the advantages caused through it. The authors also found some critique on the concept of globalization. Therefore, it is mentioned that only a few corporations or industries are truly global. This can be attributed to the fact that only a small group of companies has the ability to gain the size and resources needed to become a global player. Another negative aspect of globalization is the standardization of products, whereas customer differ in their preferences and those can be fulfilled more easily when responding with national strategies. Furthermore, companies should not underestimate the continuing importance of governments and their influence on making it more challenging to develop global markets but rather supporting regional and national markets.
3.3. Born Globals

Born globals are characterized by being international from inception, to sell products or services in multiple countries and to generate a competitive advantage from the use of resources (Oviatt & McDougall, 1994, 49). It is argued that hybrid structures are used by born globals to get access to needed resources for their internationalization process and activities (Januten, Nummela, Puumalainen & Saarenketa, 2008, 158).

Choquette et al. (2016, 2) define born globals as new ventures that generate their turnover right from the start not only in the home market but rather on international markets. Moreover, the authors state that born globals are a unique firm archetype.

Tanev (2012, pp. 5) states that born globals are ventures that have the goal to exploit a niche on a global basis right from the first day of its operations. The author also outlined several essential characteristics of born globals. Born globals are shaped by a high activity and operations in international markets which starts at the founding of the company. Due to size of born globals, which normally is small, the access to tangible and financial resources is limited. Born globals are not a phenomenon within the tech industry but rather something that occurs across industries. Normally, the managers of such companies are characterized by a strong international mindset, outlook and entrepreneurial orientation and already have gathered experience in international business. The competitors of born globals are about to internationalize soon or have already taken that step.

Hennart (2014, pp. 126) also outlines several characteristics of born globals. The author argues that born globals sell their international customers niche products and services, whereas for those products and services no adaption of the marketing mix is necessary. The cost of delivery and communication are low and normally born globals are located in a country where the domestic market does not demand the products or services of those born globals.

Over the last three decades research regarding born gobals has increased tremendously. Especially the scope, speed and precocity of born globals has been in the focus of discussions. (Hagen & Zucchella, 2014, 498). Also, Tanev (2012 5) argues that the internationalization of business made it more important that researchers and practitioners examine and understand the factors that affect born globals.
4. Strategic Perspective: The Characteristics of Born Global Start-ups

This chapter is about giving a general overview what strategy is. The second step is to explain the difference between strategy and global strategy. Therefore, several frameworks will be introduced and used to explain how to build a global strategy upon strategy. Especially the framework of Yip (2012) represents the basis of the discussion. The last important point within this chapter is the analysis of the concept of Barlett & Goshal which will be introduced shortly while focusing on transnational strategy of born globals afterwards.

4.1. Strategy in General

Michael E. Porter (1996, 10) argues that people suffer from distinguishing strategy and operational effectiveness. Therefore, Porter (1996, 13) defines strategy as about being different and resting on unique activities. It is about delivering a unique mix of values by consciously choosing a different set of activities. Moreover, the classical approach to strategy is that “profitability is the supreme goal of business, and rational planning the means to achieve it” (Porter, 1996, 33).

The beginnings of strategy formulation go back to the economics of the eighteenth-century in Scotland, whereas the assumptions about strategic implementation steam from the militaristic ideals of Ancient Greece (Porter, 1996, 33). Nevertheless, the author states that positioning, what once was the heart of strategy, is not suitable anymore for today’s markets. Nowadays markets are too dynamic whereas positioning is considered as too static. Also, step by step management tools have replaced strategy (Porter, 1996, 10). The author defines strategy as the creation of a position that is of valuable and unique characteristics by involving a different set of activities. Moreover, the key of strategic position is to differentiate from rivals by the way of choosing activities (Porter, 1996, 13).

Phillips (2011, pp. 926) states about strategy that, taking strategy seriously is something people can fail with. Managers that faced operational issues argued that strategy was something executives did once a year by formulating statements that had no or little effect on the people within the organization that were producing goods and services. Around the 1980’s the author started to investigate more about strategy and now argues that strategy is about the what and why and not about the how and when. Moreover, it is outlined that strategy is the question what to do to achieve the objectives and goals and why.
Oliver (2001, pp. 7) argues that time can be saved in the establishment of the strategy formation process, when a company is able to define a working definition of strategy. In fact, there are many definitions for strategy but none of them is perfect. The author defines strategy as "understanding an industry structure and dynamics, determining the organization’s relative position in that industry, and taking action to either change the industry’s structure or the organization’s position to improve organizational results" (Oliver, 2001, 7). Moreover, the determination of what is realistically possible to achieve, and the specification of the broad parameters of earnings and growth are the industry structure and dynamics. The firm’s relative position in the context of industry structure defines the firm’s scope of strategic opportunities and the specific achievement profile. The industry or organizational change is about the determination of organization responses that are specific to positional and structural objective as well as circumstances (Oliver, 2001, pp. 7).

Hitt, Ireland and Hoskisson (1997, 115) state that strategy is a coordinated and integrated set of actions and commitments to take usage of core competencies and acquire a competitive advantage.

Mintzberg (1994, 23) argues that strategy is a guide, a plan, a direction or course of action towards the future. In other words, a path to get from here to there. Furthermore, a consistency in behavior over time is strategy in terms of a pattern.

In order to help an organization to achieve its goals, strategy is related to the actions taken and the plans made (Miller & Dess, 1996, 38). Also, Higgins and Vincze (1989, 166) define strategy as the determination of an organizational plan for action in order to achieve a major organizational objective.

Drucker (1999, 43) states that operating on a theory of business is something every organization does. The authors definition of strategy is that it transforms this theory of business into performance. The objective of the strategy is to enable an organization in an unpredictable environment to achieve the desired results.
Hax and Majluf (1991, 6) define strategy as “a coherent, unifying, and integrative pattern of decisions; determines and reveals the organizational purpose in terms of long-term objectives, action programs, and resource allocation priorities; selects the businesses the organization is in or is to be in; attempts to achieve a long-term sustainable advantage in each of its businesses, by responding properly to the opportunities and threats in the firm’s environment, and the strengths and weaknesses of the organization; engages all the hierarchical levels of the firm (corporate, business, functional; and defines the nature of the economic and non-economic contributions it intends to make its stakeholders.

Gandellini, Pezzi and Venanzi, (2013, pp. 3) argue that strategy is something that is of high individuality for each company. One will hardly find two companies which adopt the same strategy due to various factors such as choices of products, technologies, markets, competitors vs. approaches, the manner in which these choices are implemented and much more. Moreover, the authors outline how strategy is formulated.

Figure 2 summarizes the interrelationship of some of the most important aspects to consider when it comes to strategy formulation, the authors call it the strategic management process and the place of strategy. Therefore, strategy is embedded in and influenced by several aspects. A company’s mission and vision a necessary to define the objectives and further to be able to have a strategic analysis and control whether the company’s direction is right and according to the plan. Moreover, the organizational setting has a huge impact on strategy. The people, structures, processes, rewards and systems have a high impact on the company strategy. Also, the organizational setting influences directly the actions such as responsibilities, stapes and deadlines of the firm. Those actions further have an impact on the strategic control and analysis. Moreover, the strategic analysis and control has an influence on the vison and mission, the objectives and therefore indirectly on strategy, but furthermore influences strategy in a direct way (Gandellini, Pezzi and Venanzi, 2013, pp. 3).
As the various definitions outlined above imply, strategy is nothing that has only one definition. Therefore, easily confusion can arise about what is strategy and what strategy is not. The article of Singer (2008, 96) discusses what cannot be seen strategy. The author argues that nowadays people are about to define every action and utterance as strategy.

Singer (2008, 96) clearly states that the internet and technology are not strategy. It is argued that the digital overly that is provided through cyberspace is a unique geography that brings the advantage of adding another feature to strategy, but it is not strategy itself. Moreover, in terms of technology, no company will gain a competitive advantage by letting technology lead the strategic vision. Strategy is not dependent technological power, although one may think so due to ever-expanding and specialized technology applications that make it possible to achieve nearly every possible operational vision. Another important aspect is that the texture and shape of strategic visions does not come from “messaging” but rather from “discovering new language to frame action and new management techniques that work horizontally across organizational and national boundaries” (Singer, 2008, 96). When it comes to strategy, people matter. The author states that strategy always has and always will have a human dimension (Singer, 2008, 96).

Mistaking components of strategy for strategy itself is a huge mistake that causes a heavy price to pay. Furthermore, nowadays stand-alone “tactical” strategies do not work anymore. The same applies to “enterprise-wide” networks that stops within the firm’s sources of information and assets. Today it is indispensable to be aware of that strategy operates in a systematic level. Moreover, the intellectual framework for strategic framework seen from a holistic perspective is less analysis but more art (Singer, 2008, 96).
4.2. From Strategy to Global Strategy

In section 4.1, definitions of strategy and what strategy is, are outlined. Within this section a distinction between a local and global strategy will be made.

In the third millennium companies think that it is necessary to globalize, especially certain aspects of their organization and moreover, their strategy. By globalizing, it is certainly not enough to just spread activities around the globe, indeed more aspects include globalizing. Therefore, it is important that firms are operating global networks, maximize their profits on a global basis and are globally integrated, meaning that the usage of global strategy is characterized by coherence (Yip, 2012, 1). In order to create global strategy three major components need to be considered in a step by step process. These components namely are the development of a core business strategy, the internationalization of the core strategy and the globalization of strategy. Figure 3 illustrates the components of a global strategy and in the following, each of the three components will be explained (Yip, 2012, 4).

*Figure 3 - From Core Strategy to Global Strategy (own graphical presentation on the basis of YIP, 2012, 4)*
Every company normally in a first step develops a core business strategy not depending on whether it wants to stay local or expand the business international. The key elements of a core strategy according to Yip (2012, 5) are:

- Selection of the type of products or services that the business offers
- The types of customers the business wants to serve or already serves
- The geographic markets to operate in
- Major sources of sustainable competitive advantage
- Functional strategy for each of the most important value-adding activities
- Competitive posture, including the selection of competitors to target
- Investment strategy

The development of an international strategy as a second step requires the internationalization of the core strategy when a firm enters new markets outside of the home market. Therefore, the most important thing and also the first step should be the selection of the geographic markets which the company wants to enter and further compete in Yip (2012, 5). Also, Johnson, Whittington, Scholes, Angwin and Regner (2014, 261) state that two main aspects lead to the implementation of an international strategy. One of them are the geographical advantages. The second aspect are the firm-specific advantages as well as several drivers also called internationalization drivers, which are motivating companies to internationalize.

Although a national business is already facing issues of geographic market selection when expanding within the home market, the choice in which foreign geographic markets to operate is of much more importance due to the issues caused by this decision. Issues that in general arise in both cases, expanding in the home market or outside the home market, are the identification of potential competitors, finding ways to adapt to the local requirements and conditions, identification of the market potential and finding a solution for managing a larger geographic are. The number of issues increases when expanding outside the home market, then a company must deal with more challenging issues such as import quotas and tariffs, language, differences in taste and behavior, trade barriers and much more Yip (2012, 5).
The last step is the development of a global strategy. As already mentioned above the process of internationalization causes several challenges. In order to overcome these challenges a globalization strategy is required that allows to manage and integrate for a worldwide competitive advantage and a business leverage. Therefore, the question: “What aspects of the strategy should be globalized?” emerges. The question can be answered through analyzing the drivers of globalization for the specific industry operating in as well as analyzing the industry conditions. Moreover, an understanding of the several ways a globalization strategy can be used provides a solution for the question. Also, an insight into how the organization’s infrastructure factors can affect a global strategy implementation and the evaluation of costs and benefits of globalization are essential to a globalization strategy (Yip, 2012, 6).

A globalization strategy is not only for overcoming the challenges of the internationalization process, it also brings advantages and benefits to implement a global strategy. Those benefits for example are the improvement of product and program quality, an increasing competitiveness, reductions in costs and a better understanding of customer preferences and therefore an adaptation of e.g. products and services to those preferences (Yip, 2012, 16).

Also, the concepts, perspectives and viewpoints of other authors, on strategy and the development of global strategy are interesting and of high relevance. John et al. (2002, pp. 214) states that a company needs to set a strategic direction not depending whether the company operates on a national or international market. The author talks about a ‘basic generic strategy’ a firm must take a few strategic decisions as either to compete on the basis low price and cost or on by differentiating one’s business through factors that allow unique products and services.

Moreover, the author outlines the differences of multidomestic and global industries and further, the key differences for developing strategy for both industries. When talking about multidomestic industries the “international firm operates in what is effectively a series of separate national markets segregated by tariffs, trade barriers, differences of culture and byer behavior, hence the term ‘multidomestic’” (John et al., 2002, pp. 215). In comparison, the author characterizes a global industry as one that rather is a series of linked industries where rivals compete on a worldwide basis and not as a collection of domestic industries. Table 2 gives an overview about a multidomestic and global strategy according to John et al. (2002, 2017).
Table 2 - Global Strategy and Multidomestic Strategy (own graphical presentation on the basis of John et al., 2002, 217)

<table>
<thead>
<tr>
<th>Global Strategy</th>
<th>Multidomestic Strategy</th>
</tr>
</thead>
<tbody>
<tr>
<td>To capture linkages between countries the company must integrate its activities worldwide.</td>
<td>International strategy collapses to a series of domestic strategies.</td>
</tr>
<tr>
<td>The maintenance of some country perspectives is necessary although the global competitor must consider the international activities as an overall system.</td>
<td>A high degree of independence is required for national strategies.</td>
</tr>
<tr>
<td>Portfolio management should be used by the firm to coordinate international activities.</td>
<td>A country-centred strategy determined by competitive conditions in each country.</td>
</tr>
</tbody>
</table>

Douglas and Wind (1987, pp. 28) came to the conclusion that a global strategy may suit some firms whereas others certainly will gain an advantage by responding to local or regional preferences. It is recommended to do an in-depth investigation about the drivers and difficulties of globalizing especially in comparison to the company’s position to find out if going global is the right choice for the own firm.
4.3. International Strategies

This chapter will dig deeper into different strategic options when going global. As a basis of the discussion Bartlett and Ghoshal (2002) will be used. The authors distinguish four main different strategies based on local responsiveness and global integration.

Bartlett and Ghoshal (2002, 7) state that forces such as globalization made companies overthink their strategic position and adapt it according to the arising forces. It is argued that “global chess”, which is a synonym for competitive strategy, is only played by those firms that have a coordinated global strategy but manage at the same time to have worldwide operations as independent units. Those companies who didn’t manage to integrate their local subsidiaries but instead treat them as independent profit centers, cannot hang on to the competitors of playing global chess.

4.3.1. Introduction

Bartlett & Ghoshal (2002, pp. 6) differentiate four types of companies based on their strategic orientation. Those four types namely are multinational, global, international and transnational companies. The four types of companies differ in their strategic orientation. This can be based on two main factors, the force for global integration and the force for local differentiation or also known as local responsiveness. Companies stay competitive by taking advantage of global-scale economies that are shaped by technological, economic and social trends and development. Moreover, also Johnson et al. (2014, p. 271) have outlined four international strategies based on the two opposing pressures local responsiveness and global integration. Those strategies namely are global, transnational, export and multi-domestic strategy.

Before explaining the differences between the types of companies and strategies outlined above by Bartlett and Ghoshal (2002) and Johnson et al. (2014), a clarification of what local responsiveness and global integration are, will be given. Therefore, the integration-responsiveness framework (I/R framework) will be used.

According to Doz and Prahalad (1984, p. 55) the I/R framework proposes to apply two contrary necessities to be able to compete on an international basis. Managers are challenged by being forced to strategically integrate their operations in different countries while having pressure for national responsiveness. The authors moreover outlined some factors that contribute to global integration and national responsiveness. Market and industry structures, channels of distribution, customer preferences and manufacturing process, are factors that push for national responsiveness while multinational customers, innovative technology, global competitors and experience in manufacturing demand global integration.
Also, Roth and Morrison (1990, p. 541) argue that on the one hand a company must generate a competitive advantage through the exploitation of market imperfections that steam from capacities on a multi-country level. On the other hand, due to the fact that an international business performs in several countries it is forced to by governmental regulations or the conditions of the market to respond in each location. Therefore, a successful international strategy is characterized by managing both imperatives, exploiting worldwide competitive advantages and meeting demands on a local basis.

In the following Figure 4 illustrates the Integration-Responsiveness Grid on the basis of Prahalad and Doz (1999, p. 24). Also, Roth and Morrison (1990, p. 544) outline the grid in their publication.

*Figure 4 - Integration-Responsiveness Grid (own graphical presentation on the basis of Prahalad & Doz 1999, p.24)*

In the following the different types of companies due to different strategic orientations will be explained. Multinational companies are characterized by a strategy and further, organizational capabilities that provides them with the opportunity to be responsive and sensitive to different national settings around the globe (Bartlett & Ghoshal, 2002, 16). To sum it up, those companies “manage a portfolio of multiple national entities” (Bartlett & Ghoshal, 2002, 16). As an example, the authors mention the consumer electronics producer Philips. The company has given strategic freedom as well as organizational autonomy to all its national entities (Bartlett & Ghoshal, 2002, 16).
Johnson et al. (2014, pp. 271) state that the multi-domestic strategy is characterized by a high or even maximum of local responsiveness. The consideration and adaptation to local customer preferences and market conditions build the foundation of this strategic orientation. In general, this strategy shapes an organization that consists of relatively independent units whilst activities of the value chain are modified according to unique local conditions. Mintzberg et al. (1995, 718) argue that the multi-domestic company has no particular pattern when it comes to market participation. Products and services are customized fully in each country, also, the marketing activities are on a local basis.

In comparison, other companies follow a more efficiency driven approach, efficiency in terms of globalization. Meaning, that those companies developed and implemented international operations that are characterized by a need for global efficiency. The world market is seen and treated as an integrated whole. These companies are truly global ones. Instead of a local market analysis the focus of interest for those firms lays in the worldwide consumer demand and the environment of global operating. Exploitation of the integrated world market while developing strategies and products for this intention is the purpose of those global companies. Often those companies expand their business by an expand strategy but centralize the manufacturing operations, product development and their marketing strategy (Bartlett & Ghoshal, 2002, 16).

The global strategy on a contrary to the multinational company has an interest in maximizing the global integration. There exists only one marketplace on a world basis and services as well as products are standardized by going for full exploitation of efficiency and integration in operations. Thereby, the goal of the company is to take advantage of scale economies and location economies while the coordination and control of value chain activities are centralized in the headquarter. The global strategy is most recommended when standardization leads to benefits in terms of quality or cost and moreover, when customer preferences are relatively similar across the different countries Johnson et al. (2014, pp. 272). The global company in terms of market participation has significant shares in important markets. The product and service offer are characterized by full standardization as well as marketing activities are consistent across countries (Mintzberg et al., 1995, 718).
When it comes to international companies the focus is on transferring and adapting the knowledge and expertise of the parent company to other markets. The subsidiaries have less autonomy and independence compared to multinational ones, although the national entities are allowed to adapt ideas and products to the requirements of a foreign market. For example, Procter & Gamble is using an international strategy to align products to different environments by keeping “the Procter way” and only slightly adapting the domestic organization in foreign markets (Bartlett & Ghoshal, 2002, 16). Johnson et al. (2014, p. 271) outline the international company as one with an export strategy. According to the authors the strategy is beneficial when the pressure for global integration as well as for local responsiveness is low. Normally, companies that are characterized by having a strong brand name and good reputation pursue an export strategy.

The fourth type of company based on strategic orientation is the transnational one. Over the past few years managers started to realize that there is a need for national responsiveness, global integration and developing as well as exploiting knowledge across countries. Surely, achieving those goals at the same time is more than challenging for a company and some of them struggle by only focusing on one aspect, at least on a temporary basis. Due to the importance of this strategy and the fact that it is the most challenging and complex strategy, the transnational strategy will be outlined in a separate subchapter below (Bartlett & Ghoshal, 2002, 65; Johnson et al., 2014, 272).

### 4.3.2. The Transnational Strategy

When a company is pursuing a transnational strategy, it focuses highly on both, global integration as well as national responsiveness. Furthermore, those companies also consider worldwide learning and innovation (Hébert et al., 2005, pp. 1456).

Johnson et al. (2014, 272) argue that the transnational strategy is of high complexity due to the fact that it pursues the maximization of both, global integration and national responsiveness. The focus thereby is to minimize the disadvantages of both, the global and the multi-domestic strategy while maximizing the advantages out of both strategies. Operational activities, services and products are standardized to a minimum and adaptation is done in each country based on the local preferences and conditions. The value chain in the transnational company on the one hand has a centralized manufacturing and on the other hand has a distributed assembly and local adaptations. Although, there is a raising importance or even necessity for companies to strive for a transnational strategy the challenges as well as complexity coming with it make it hard for companies to implement this strategy.
Bartlett and Ghoshal (2002, 19) outline in their book that according to their investigations all “surviving” companies where those that developed an approach towards a transnational strategy. The transnational company is one that strives for being competitive on a global basis and not only focuses on being efficient for its own sake. These companies realize that it is indispensable to be responsive to local requirements but at the same time stay flexible in terms of international operations (2002, 68).

Others argue that with regard to the transnational organization “the primary difficulty is to design an organizational form that is capable of being efficient and responsive, and that enables the transfer of knowledge across locations” (Boudreau, 1998, 121).

Several aspects need to be considered when it comes to building and managing the transnational organization. The management must build coordination processes that are flexible to respond to diverse responsibilities and roles within the organization. The aim is to manage every organizational task as well as unit in a proper way. Moreover, it is important that no domination among management groups occurs. Meaning, that a stable balance is necessary by no domination of one management group by another happens. Therefore, the organization must manage to find a balance of the capabilities and perspectives given. Nevertheless, the most challenging task of transnational managers is to find a way of strengthening a shared vision and personal commitment among individual members of the organization (Bartlett & Ghoshal, 2002, 76).

As already mentioned, the transnational strategy is the most challenging one out of the four international strategies. Boudreau et al. (1998, 121) underline this by outlining the key competitive issues of each strategy. The global organization faces the key challenge in being efficient, while the multinational has a lack of responsiveness and the international organization has a key competitive issue in learning. Nevertheless, it is the transnational organization that faces an issue in all three. Therefore, the transnational company must compete in efficiency, learning and responsiveness.
In the following Figure 5 summarizes the four international strategic options of companies based on Johnson et al. (2014, 271). As already outlined in the descriptions of the individual strategies, when the pressure for global integration is strong while the pressure for local responsiveness is weak a company should pursue a global strategy. On the contrary, when the pressure for local responsiveness is strong and the pressure for global integration is weak the multi-domestic strategy is the best option. When both aspects are weak the export strategy is recommended. The transnational strategy is the best option when both aspects, global integration and local responsiveness, are strong. The transnational strategy is highlighted separately due to the importance of this strategy, but also for being the most challenging and complex one (Johnson et al. 2014, pp. 271).

*Figure 5 - International Strategies (own graphical presentation on the basis of Johnson et al., 2014, 271; Bartlett & Ghoshal, 2002, pp. 16).*
5. **Globalization Perspective: The Opportunities and Challenges of Born Global Start-ups**

This chapter covers the main focus of the thesis. The aim is to investigate about the opportunities and challenges that born globals face when operating on a global basis, especially since globalization started. First, an introduction of what to understand under the terms opportunity and challenge in the context of globalization will be given. In a second step the opportunities and challenges of born globals in the era of globalization are analyzed.

As already outlined above this is the core of the thesis. By investigating about the opportunities and challenges of born globals in the era of globalization. Globalization truly developed new opportunities such as new and wider markets for trade or better access to private capital and technology, just to name a few. Nevertheless, although those aspects present great opportunities for born globals, the challenges should not be underestimated. The integration into a new environment brings requires a lot of adaptation as well as the acceptance of a more liberal trade. Moreover, increased competition on a global basis, differences in national consumer preferences and unfavorable foreign market policies represent just a few negative side effects for global start-ups in the era of globalization (Qureshi, 1996, 31).

According to Levitt (1993, pp.2) companies no longer gain any advantage of higher prices, profits and margins from abroad. Moreover, it is argued that differences in culture and national tastes are traces of the past. The more a company is represented on a global basis the higher is the number of differences in regional and national differences and in the future, there will be a little adaptation necessary for those differences. Nevertheless, the author further argues that there is a wrong perception about the immutability of those differences as the lack of adaptation is often an effect of other failures.

Based on Eckhardt and Shane (2003, pp. 340) opportunities occur in different ways and can be narrowed down to three types. Namely, the locus of change, the initiator of change and by the source of change itself. By locus of change it is meant that opportunities occur in various parts of the value chain through innovation and change. When talking about the initiator of change as a trigger of opportunities it is stated that the type of initiator of change has an influence on the process of opportunity recognition as well as the value and the span of those opportunities. By sources of opportunities the authors distinguish between those stemming from information asymmetries along competitors and opportunities that originate from new information caused by external events.
Based on the controversy statements and viewpoints (Levitt, 1993 and Qureshi, 1996) it is interesting to see what the state of literature states about the opportunities and challenges of born globals, especially in the era of globalization and if some opportunities are rather considered as challenges and vice versa due to misjudgment and wrong perceptions.

In the following Figure 6 outlines an overview on the covered opportunities and challenges.

Figure 6 - Opportunities & Challenges
5.1. Opportunities

5.1.1. Financial Perspective

Kanlian (2006, 1) state, that one of the benefits of international trade is the access to a broader customer base and further, increased sales.

“For most of the range, on the Degree of Internationalization (DOI) scale, incremental benefits outweigh the incremental costs of adding another nation, or dimension of internationalization” (Contractor, 2007,455).

Knight and Cavusgil (2004, 125) argue that the early internationalization brings two main advantages when it comes to reduce the transaction costs of expansion into foreign markets. The first one is the globalization of markets. Therefore, several firms are involved in sourcing on an international basis, international production and marketing activities but also alliance across borders to enhance product distribution and development. The preferences of buyers are associated to be more homogenous when it comes to globalization, this makes international business easier in terms of foreign market positioning and product development. The second advantage is that the internet, e-mail and other developed technologies have a huge impact on the cost of internationalization. The technological advances in production methods, information and communication technologies, international logistics and transportation have an influence on the growth in international trade and lower costs of business transactions.

Contractor (2007, pp.455) distinguishes between the costs of early internationalization (first stage) and later internationalization (second stage). Therefore, it is outlined that in the case of early internationalization significant costs will arise due to the fact of getting to know the new culture and nation. Moreover, the adaption to local requirement and behavior will cause costs. The second stage, later internationalization, which is characterized by more expansion on international markets is the point when costs of internationalization will be outweigh by the incremental benefits. Still, entering a new market will cause costs of coordination, learning, local adaptation and much more but benefits such as e.g. knowledge acquired from abroad, internationalization experience or the accumulation of market power due to wide multinational presence.

Alashban (2002, 22) state that the standardization of the brand name brings higher cost savings for a firm.
The authors outline that globalization has an influence on economic realities and moreover, form markets where economies of scale (EoS) not only lower prices but also reduce costs (Levitt, 1993, 20). Levitt (1993, 2) argues that companies are able to generate EoS due to globalization and its standardization of consumer products. The EoS often are developed in marketing, distribution, production and management. Moreover, the usage of those EoS in the price setting on a world basis leads to a competitive advantage.

Madar and Neacsu (2010, 63) state that the cost advantages are necessary in order to survive and perform on a global basis. The authors therefore argue that “savings are the results of rebate offered for big quantity of acquisition and from a balanced distribution of resources, on different markets, for research and development, marketing, production and management” (Madar & Neacsu, 2010, 63). The usage of a standardized strategy on a global basis or e.g. applying a unique marketing program, results in higher cost reductions. Due to this fact, firms can charge lower prices for better products at the same time (Madar & Neacsu, 2010, 63).

It is argued that preferences change constantly. The United States are used as an example of the largest single domestic market which is changing as well as shaping and reshaping permanently. Nevertheless, modern markets try to grow within the process of world homogenization. Therefore, advantages e.g. of cheaper transport and communication. The small market segments can feel the tension in the presence of global competitors now. (Levitt, 1993, 20).

The standardization of marketing activities often comes along with economic efficiencies. Therefore, the standardization of the brand name can lead to economies of scale that help to save costs in the fields of distribution, packaging and promotion., while the adaptation of brand names will result in less cost savings in the mentioned fields (Alashban et al., 2002, 29).

Companies that operate in one nation or even one city do not standardize everything. Instead of a product version and multiple channels of distribution those companies have a product line. Nevertheless, those companies due to customization of products for specific market segments are aware of the fact how hard it can be to find sales opportunities in related customer segments across the world, which are necessary to obtain the needed EoS to be able to compete (Levitt, 1993, 6).

Economies of scope (EoSco) are “the ability of either large or small plants to produce great varieties of relatively customized products at remarkably low costs” (Levitt, 1993, 9).
International liquidity has been increased tremendously through globalization. Therefore, the participants in the global capital markets have access to the liquid assets which have extremely increased (Das, 2010,3).

The financial globalization has been positively affected in the past two decades. It is outlined that there was a growth in global GDP from 1990 till 2004 to the double amount by rising from 58 percent to 131 percent. This allows advanced economies to be the most financially integrated ones (Jaumotte, Lall & Papageorgiou, 2013, 281).

Financial Globalization has led to several outcomes of microeconomic and macroeconomic nature. In terms of macroeconomic outcome, the allocation as well as investment level of funds to potentially productive projects can be improved by a developing economy with creditworthy that has access to private capital markets on a global basis. Moreover, this further allows a rise in the total factor productivity and in a next step an increasing gross domestic product (GDP). When talking about the microeconomic side it is argued that financial globalization helps to strengthen corporate governance in the financial institutions (Das, 2010,4).

5.1.2. Standardization

Madar and Neacsu (2010, 61) argue that when it comes to a standardization strategy it is meant that a unique market policy is implemented, or international programs of product development are affected by regional homogenization. It is further mentioned that along with the standardization, benefits arise as a consequence. Standardization not only brings advantages e.g. in cost reductions, the strengthening of the market position or the encouragement of an international image characterized by uniqueness but also in the distribution of global goods.

In the following the International Decision Process is presented based on Kotler (1986, 14). Figure 7 clearly outlines when a company should standardize its product(s) and other aspects like advertising, packaging and others that come with the product standardization.
The graph clearly outlines that standardization should be considered when first, a company's product has an international market and second, when a company can succeed with one product in the world market. Moreover, if both are given then it is about to find a universally good name, colors, packaging, advertising theme and more. Therefore, Design II is interesting in the sense of standardization. Meaning, that this Design can be applied to a product that can be exported to other countries and markets with a universal form and name as a “world car” or “world doll” (Kotler, 1986, 14).

The product life cycle is an important parameter when it comes to product standardization. Standardization is a feasible option when there is a given demand level that is similar among customers and moreover, when there is an equality between customers and the familiarity level of the product. Therefore, product standardization works when markets require products that are roughly in the same stage of the product life cycle (Rau & Preble, 1987, pp.23).
Standardization of Marketing Activities
Elinder (1961, 12) argues that: “We are all moving towards a uniform European style of advertising and then towards a uniform world style”.

One definition for standardizing marketing activities is: “the offering of identical product lines at identical prices, through identical distribution systems, supported by identical promotional programs, in several different countries” (Buzzell, 1968, 103).

It is stated that global marketing is getting more and more in the focus of practitioners and academicians nowadays. The argumentation is based on the homogenization of the world marketplace which allows standardized products and services all over the world, at the same time having identical strategies which further leads to cost reductions and in turn better margins (Jain, 1989, 70).

Also, Okazaki et al. (2006, pp. 18) argue that the last decades have given considerable attention to the topic of advertising standardization. The authors further outline that three main factors have major effects on the standardization strategy of a company. The study found out that three independent variables, namely the strategic factors, environmental factors and the level of control have a major influence on the level of standardization. Moreover, the independent variable, size of the industry, can also have a huge impact on the standardization level.

Elinder (1961, 12) argues that: “We are all moving towards a uniform European style of advertising and then towards a uniform world style”.

The standardization of an international marketing strategy includes the usage of a common price, distribution, product and product on a global basis (Jain, 1989, 70).

Buzzel (1968, 103) states about standardized marketing “the offering of identical product lines at identical prices, through identical distribution systems, supported by identical promotional programs, in several different countries”.

According to Okazaki et al. (2006, 28) as well as the study of Zou and Cavusgil (2002) it is argued that a global and standardized marketing strategy improves the performance of a company.
Hill and Still (1984) as well as Aydin and Terpstra (1981) argue that several factors have an influence on the extent of marketing strategy standardization. Those factors are values, attitudes, beliefs, education and aesthetic preferences of customers, further, the patterns and conditions of product usage have an impact on standardization of the marketing activities.

Moreover, it is stated that a marketing strategy and its standardization only can be successful when there is a given similarity of customer preferences among intermarket segments (Katsikeas et al., 2006, 872). Meaning, that a missing similarity of customer backgrounds hinders the standardization (Keegan et al., 1987; Wang, 1996). To sum it up, according to Katsikas et al. (2006, 872) “customer backgrounds and preferences need to be identical in all respects; rather, similarity is imperative only along dimensions that affect customer interaction with the product and the firm”.

The alignment or the strategic fit between the degree of standardizing marketing activities and the environmental conditions has a positive impact on the performance of companies in international markets (Katsikeas et al., 2006, 873).

Nevertheless, different factors and events, such as competition are having a negative impact on the standardization of marketing activities (Katsikeas et al., 2006, 873). Therefore, Cavusgil et al. (1993, pp. 495) argue that a higher degree of competition in the host market leads to the fact that more adaptation of marketing activities is required by the exporting firm.

When it comes to the standardization of brand names, it is recommended to do so to save costs. Moreover, the brand name standardization has positive effects on the sales volume, meaning that the sales volume appears to increase which further leads to the fact of increasing revenues. Nevertheless, these results cannot be generalized, the standardization of a brand name may work for some market segments and product categories, but not for others (Alashban, 2002, 42).

The standardization discussion not only outlines the advantages of doing so, further, there exist critics about standardization. Therefore, Cochoy (2002, 2) states that the labor market on a globalized basis faces one issue, namely, the standardization of international labor.

Kotler (1986, pp. 13) argues that a lot of international product failures can be attributed to the fact of a lack of product adaptation. Moreover, it is outlined that roughly 80% of the U.S. exports require adaptation in one or more aspects.
Jain (1989, 70) refers to Elinder (1961) as the one who first raised issues with regard to standardization of advertising. Jain states that “he stressed that emerging similarities among European consumers make uniform advertising both desirable and feasible” (Jain, 1989, 70). According to the literature the leading standardization issue seems to be the advertising one (Killough 1978; Miracle, 1968; Peebles, Ryans & Vernon 1977, 1978).

5.1.3. Innovation & Technology

Teece (1977, 242) argues that “the economic growth of every nation is inextricably linked to the successful international transfer of technology”.

Castells (1999, 2) argues that “without new information and communication technologies none of what is changing our lives would be possible”. In the 1990s the whole world was organized around telecommunicated computer networks with communication processes and information systems. Things, such as software development, which allows user-friendly computing or genetic engineering which e.g. makes it possible to manipulate life and to unveil the secrets of living matter. It is outlined that technology does not solve any social problems. Nevertheless, it does support the social and economic development of the world. Communication and information technologies help countries to skip stages of economic growth due to the ability to modernize production systems and therefore, being able to compete faster than in the past (Castells, 1999, pp. 2).

The past 20 years caused an increase in technological development across all income levels. This was measured by the share of Information and Communications Technology (ICT) capital in the total capital stock. This aspect is mainly driven by high income and advanced economies. Nevertheless, also other economies show an increase in technological progress (Jaumotte, Lall & Papageorgiou, 2013, 281).

It is stated that in the case of SMEs globalization has pushed them to adopt ICT in order to stay competitive and survive in the global market (Sharma & Bhagwat, 2006, 200). Clearly, technology has influenced the way of how business is done. Companies that have managed to integrate ICTs in their business process can generate a competitive advantage (Ongori, 2008, pp. 12).

Some authors argue the driving forces for adopting ICTs are external factors that put pressure on the organization, the readiness of the organization to adopt to ICTs, competition, the dependence of customers and suppliers, the requirement to improve customer services or the need to increase sales (van Akkeren & Harker, 2003, 208; Vrazalic et al., 2002, 114).
ICTs cannot be adopted by every company or in every country due to several different aspects. Therefore, developing countries face several challenges in doing so. High costs to access telecommunications, the lack of government policies towards ICTs, no adequate manpower, too less developed communication infrastructure, not seeing the benefits of ICTs, just to mention a few challenges (Jain, 2002, 57; Moodle, 2001, 96; Mutula, 2004, 151; Mutula & Brakel, 2006, 410).

Nevertheless, there exist strategies that help companies to decrease the barriers to be able to adopt ICTs. In the following Figure 8 outlines the 4 strategies (Ongori & Migiro, 2010, pp. 98).

Authors argue that the government should be responsible for offering the infrastructure strategy by providing subsidies and encouraging providers of ICTs to offer discounts and therefore reduce costs. Moreover, other ICTs policies are the provider of tax incentives to invest into ICTs, subsidizing the training of ICTs and therefore building incentives for online activities. Another policy that offers consulting opportunities based on financing and business aspects, services, the simplification of registration procedures and more. Also, the establishment of a legal framework should help to legitimate the ICTs adoption or usage (Chiware & Dick, 2008, pp. 145; Mutula & Brakel, 2006, 410; UNDP, 2007, pp. 13).
To sum it up, communication and information technology is the most important tool to guarantee material well-being and economic development, further, it causes power, knowledge and creativity. In order to be able to generate information and communication technology, information-oriented institutions as well as an inter-related system of flexible organizations is necessary (Castells, 1999, 4).

Another important aspect is that for long-term economic growth it is crucial to follow technological innovation. Incremental changes in already existing industries is what mostly is considered as technological innovation. Favorable environments and aspects as compressing product cycles or established corporations offer companies the ability and opportunities for incremental technological changes. However, in order to make sure that economic security and growth are sustainable it is necessary to continuously introduce new services and goods, in other words, technological innovations that are of radical nature and have the ability to create new industries or disrupt existing markets (Branscomb & Auerswald, 2002, 1).

Also, Lettl and Gemuenden (2008, 219) argue that the economic growth as well as long-term competitiveness of a company are influenced by radical innovations. Therefore, those innovations address different aspects like creating new markets, the shift of existing market structures, influencing the organizations of an industry and new core technologies on a sustainable basis.

In order to turn a technological innovation into a market success it is necessary to consider different factors. It is important to focus on managerial, entrepreneurial and technical experience. Further, it is necessary to understand that technology is not an innovation, as technology and a market need in combination build an innovation (Park, 2005, pp.739).

Levitt (1993, 2) argues that technology has led to the fact that places are made isolated and people strive for modernity’s allurements. Therefore, people around the globe want the things they have experienced via new technologies, they have seen or heard about. This leads to the development of standardized products in global markets. Companies use this reality to take an advantage out of scale economies in terms of distribution, marketing, management and production.
5.1.4. Trade, Network & Knowledge

Knowledge & Network

Through being present in different markets around the globe a company has the advantage of generating foreign knowledge whereas competitors with less internationalization focus or domestic competitors have no possibility to access this knowledge (Contractor, 2007, 456).

It is stated that knowledge regarding international operations and markets and further, the effectiveness of how this knowledge is gathered and learned influences the growth in international sales of entrepreneurial firms (Penrose, 1959, 37).

The strengths of networks lie in their ability to allow flexibility, to decentralize capacity, having a variable geometry, being able to adapt to new demands as well as tasks while not changing the general goals or destroying the basic organizational rules at the same time (Castells, 1999, 6).

Sharma and Blomstermo (2003, 739) state that in the case of born globals often already have acquired knowledge about international markets, although they haven't entered a foreign market yet. Therefore, the selection of how to enter the new, foreign market is dependent on the already existing knowledge but also on the knowledge generated through their network. The authors argue that born globals are characterized by hiring individuals with high scientific knowledge and that those companies itself are highly knowledge intensive firms (Sharma & Blomstermo, 2003, 745).

Johanson and Vahlne (1977, 23) argue that due to the U-model, firms build their internationalization process upon the available knowledge. Here, the experiential knowledge of companies is of main interest (Penrose, 2009, 70). The domestic operations of firms allow them to implement strong connections with firms that are operating internationally. Those companies are called client followers and are likely to start their internationalization despite the existence of cultural distance (Majkgard & Sharma, 1998, 9).

It is argued that “network research emphasizes the importance of inter-firm ties in accumulating and utilizing knowledge” (Sharma & Blomstermo, 2003, 744). The authors argue that by knowledge it is implied that information is valid due to implemented tests of proof and therefore, those knowledge can be used, and no additional analysis is necessary (Leibeskind, 1996, 94).

Granovetter (1992, 33) argue that networks are important, “as economic actions and outcomes, like all social actions and outcomes, are affected by actor’s dyadic (pair-wise) relations and by the structure of the overall network of relations”.

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Moreover, Sharma and Blomstermo (2003, 744) state that networks provide information to the company about events and what in general is going on in the market. Other firms in the market do not have the same information. Further, network ties influence the time when a certain company receives a certain kind of information. Also, it is outlined that firms with a better network, or in other words that are positioned centrally in a network, have the advantage of gaining early, better and more knowledge than compared to their competitors.

The findings of Sharma and Blomstermo (2003, 750) imply that born globals “are more willing to adapt their internationalization strategy to the need of the market”. Therefore, it is much more challenging for firms with no international connections and relationships but instead having a lot of domestic experience, to adapt their processes and models to an international setting than it is for born globals (Sharma & Blomstermo, 2003, 750).

According to Castells (1999, 6) networking as organizational form is crucial for the information age. Although relationships might be characterized by asymmetry, they are important for the functioning of the network, the circulation of money, technology, images, information, services, goods and people throughout the network. Networks provide the required flexibility in a global and interconnected economy.

Kanlian (2006, 1) outline that a new market can be seen as a place where new products are tried, growth is build and a company can learn about the trends in the own industry. Further, it is important to have a stable and good relationship, that is built with the customer first. Meaning, that the needs of the customer are put on top, as making the customer happy brings a benefit for the company in the long run.

Trade Opportunities
Since the 1980s the world trade has increased about five times, moreover the world Gross Domestic Product (GDP) trade shares have grown from 36 to 55 percent in the same period (Jaumotte, Lall & Papageorgiou, 2013, 280).

It is argued that over the past decades the world itself has become a much smaller place. In this period international trade has grown tremendously, even twice as the worldwide incoming. This can be based on certain factors such as the development of advanced technology. The increasing trade has contributed in reducing the gap between rich and poor on a worldwide basis (International Monetary Fund, 2007a, 70).
Globalization and its impact on rising trade of the world economy has caused attention over the last years. In comparison to the growth rate of the world output the growth rate of world trade has been higher almost in all years since 1960. Moreover, in the same period the cumulative increase in the volume of world trade is more than two times higher than the volume of the world output (Kose et al., 2003, 1).

Kanlian (2006, 1) argue that not only large companies have an advantage out of international trade. In contrast, small and medium-sized companies have an advantage in being more flexible and adaptable as well as seeing opportunities and acting faster on the global marketplace than larger companies.

Mikshin (2009, pp. 164) states that globalization is a key aspect for the development of economic growth. Domestic markets that open the market for foreign goods can lead to better financial development. The globalization of trade further leads to greater productivity, by simply focusing on what you are good at. Moreover, competition will be enhanced by the fact that domestic companies are forced to improve their products to stay competitive and survive in the market, which further, lead to the fact that economic growth will be supported.
5.2. Challenges

As outlined and explained above in more detail, globalization brings a lot of different opportunities for a company. Those opportunities arise in the standardization of not only e.g. products but also marketing activities. Moreover, several opportunities lead to the fact of cost saving through the generation of economies of scale. Nevertheless, globalization not only leads to opportunities, challenges occur as well. Therefore, this chapter will focus on the arising challenges that start-ups face when they operate on a global basis. “Globalization, the ongoing process of greater interdependence among countries and their citizens, is complex and multifaceted (Fischer, 2003, 2). The author moreover argues that the problems that the critics on globalization outline, are of real appearance.

5.2.1. Economic Challenges

Within this section the economic challenges that born globals face within the era of globalization will be discussed. The aim is to provide an overview about what obstacles are causing the economic challenges. The economic challenges covered, namely are poverty, inequality, international trade and the instability of the global financial system.

Poverty

Ravallion (2003, 740) defines poverty as the “absolute levels of living”, meaning, how many people are not able to reach certain “predetermined consumption needs”.

When it comes to economic challenges, according to Fischer (2003, 2) poverty can be seen as the biggest issue. Therefore, three main groups are addressed when it comes to addressing this issue. First, primarily the governments of the developed countries, as those have a huge impact on and responsibility for the operation of the international economy. Second, those who are responsible for the determination of the intellectual climate, which covers nongovernment and government organizations but also individuals. Third, the governments of the developing countries who have a huge impact in their countries on the economic policies.

According to Agénor (2004, pp. 26) there exist several channels through which poor can be hurt through the process of globalization. Therefore, the author suggests that opening markets for foreigners, leads to more competition and pressure for domestic companies by reducing their power in the home market. Moreover, financial openness and the therefore associated access to the world capital markets in general tends to be more asymmetric. It is easy for developing countries to borrow money on world capital markets, but when it comes to “bad times” reality delivers credit constraints to them.
Bergh and Nilsson (2014, 44) argue that poverty is affected by transition costs. The authors state that through the opening of the economy, the access to cheaper capital is given. This leads to a replacement of labor with capital in the production. Therefore, increasing poverty may happen before the fired employees find a new job. To continue this vicious cycle, as the openness causes the introduction of more capital intense production and further, the implementation of more advanced technologies which leads to the fact, that more skilled labor is required than in the beginning will be provided.

Although the number of poor people has been reduced due to modernization in some large countries such as China, India or Brazil, still, in most countries the number of poor people is growing (Castells, 1999, 8).

In general poverty rates have been declining in this century, especially in Asia, but still, poverty is an issue. Global poverty increasingly is being concentrated in Africa. Moreover, the poverty rates in Latin America have not declined in recent decades (Fischer, 2003, 11).

**Inequality**

Inequality is defined as the “disparities in levels of living”, to give an example, how much more do the rich people hold in comparison to the poor people (Ravallion, 2003, 740).

A growing inequality can have a negative impact on the world economy as well as it causes political consequences. The author argues that the changes in inequality among countries are not as important as the development of inequality within countries, due to political aspects. There was an increase in inequality in the United Kingdom as well as in the United States starting in the 1980’s till the last decade. In continental Europe this development of inequality did not occur probably because of the labor-market regulations, tax systems and social welfare programs (Fischer, 2003, pp. 9).

Also, Castells (1999, pp. 7) argues that several countries have fallen in increasing inequality, e.g. United States, Mexico, Brazil, United Kingdom, while other countries take the opportunity to improve their conditions, e.g. India, Spain and the Asian Pacific.

Although most countries in the world faced an increasing economic freedom and globalization over the last 30 years, the economic growth on the one hand led to increasing income inequality on the other hand (Bergh & Nilsson, 2010, 488).
The study of Jaumeotte, Lall and Papageorgiou (2013, pp. 278) outlines two main important aspects regarding income inequality. First, the authors argue that there exists a positive income growth in the last two decades. According to the authors this counts for “all quintiles in virtually all regions and all income groups during the recent period of globalization” (Jaumeotte, Lall & Papageorgiou 2013, 278). Nevertheless, the second aspect argues that an increasing income inequality happened less in low-income countries but mainly in middle- and high-income countries. Further, financial globalization and Foreign Direct Investment (FDI) supported the increasing inequality while the globalization of trade tends to reduce inequality (pp. 279).

Technology is one of the key factors that has an impact on inequality. Although technology positively influences those people that are higher skilled on the one hand, it affects the income distribution negatively in advanced and developing countries by simply asking for less lower-skill activities. Another important factor is education and its access. A given level of technology would require a greater access to education to reduce income inequality. Literature outlines that opportunities for education have increased across all regions but with high cross-country variations (International Monetary Fund, 2007b, 151).

**International Trade**

For a long time, the economic policy choices have accompanied the trade policy. Especially after World War II, most of the developing countries persuaded the import-substituting industrialization (ISI). Although the implementation of ISI brought positive results for some time, nevertheless, countries that focused more on export strategies where even more successful compared to those who tried to avoid the import. It is argued that countries that are more open generate growth, as the imported input has a positive effect on productivity (Fischer, 2003, pp. 11).

Rodrik (2001, p. 26) states that “No country has developed successfully by turning its back on international trade and long-term capital flows”.

Fischer (2003, 13) does not suggest that the best solution is a full trade liberalization or that imports help to grow. Rather the author argues that companies that have the aim to grow, should go towards a more integrated approach. Meaning, integration towards the global trading system to gain advantages of global than domestic markets as well as imports of capital, consumer goods and much more.
In comparison to developing and industrialized countries, those countries who belong to the OECD (Organization for Economic Cooperation and Development) faced the elimination of trade tariffs and therefore had greater growth in trade. Moreover, a lot of developing countries are good and efficient in the production of agricultural products, nevertheless, Japan, the United States as well as the European Union have protection measures for these products. The same counts for the import of textile products in those countries. Therefore, exporting agricultural or manufacturing products can be challenging for companies, especially for those streaming from a developing country (Fischer, 2003, 20).

**Instability of the Global Financial System**

The center of the globalization debate was hit by the emerging-markets and their series of financial crises. Starting in 1994 with Mexico going on to Asia, Russia, Brazil, Turkey, Argentina and again Brazil. The crises mostly were caused through large short-term capital flows. The author argues that countries that have the goal to participate and operate in the international capital market need to make sure that their fiscal policies are lasting and moreover, that their financial system is strengthened (Fischer, 2003, pp. 15).

Other important indicators that have a big influence on the global financial system are e.g. inflation, global credit market conditions, oil or food prices. In 2007 for example rising food prices even though kept the inflation contained, but putted pressure elsewhere (International Monetary Fund, 2007b, 2). Some countries, including for example emerging states in the European area, are dependent on inflows of external financing. Those countries did large foreign direct investments (FDI) due to facing good growth perspectives or made international bond issues that where denominated in foreign currencies. The flows and investments caused a higher risk aversion in the connection with turbulent conditions (International Monetary Fund, 2007b, 10).

In general, it can be stated that in order to overcome the economic challenges of globalization it is necessary that economic growth through the global system needs to be made in a more consistent as well as equitable way. This would be the best way to reduce global inequality and poverty at the same time. The industrialized countries have the future of globalization in their hands. Moreover, the governments of those counties are asked to support the right policies. (Fischer, 2003, pp. 23).
5.2.2. Competitors

Although multinational companies (MNC) from an advanced economy often have a competitive advantage, the local firms can use localized abilities and knowledge to compete against this MNC. Often it seems like the local firms cannot survive against the big competitors, but the situation is far from hopeless for the local companies. Foreign firms often have issues in overcoming or duplicating the advantages a local firm has. One big advantage of a local firm are costs. Often, foreign companies might have the advantage of EoS, nevertheless, local firms constantly have to look for opportunities and solutions in operations to cut costs. Therefore, the local company is an expert in the local economy when it comes to cost reductions. Another important aspect is, that the local firm already has made its place in the customer’s mind and moreover, has established a distribution channel (Rarick, 2004, pp. 1).

Also, Nakos et al. (2014, 170) argue, that a local company has for example an established distribution channel, further, access to industry-specific knowledge or government contracts.

In certain industries it is simply just possible to be successful when meeting local customer demands. For example, in the beer and retail banking industry companies compete on the basis of the relationship held with their customers. The preferences of customers are characterized by a big difference based on incompatible technical standards or different tastes. This implies, that MNCs cannot sell standardized products at a lower cost level in order to compete (Dawar and Frost, 1999, 120).

The knowledge of the local market and its circumstances provide the local firm an advantage in positioning the product based on the needs of that market. Knowing the local preferences and tastes can be a powerful competitive advantage. While foreign companies may be highly professional in international marketing, the local company has knowledge and insights into the culture and local market, that is also able to be acquired by foreign companies but associated with a lot of time. Moreover, the local company can use the consumer’s attachment to nationalism for promotion activities to put the own product over that of a foreign firm (Rarick, 2004, pp. 1).

Sales on an international basis surely bring some advantages in EoS, nevertheless, considering the local preferences is also important (Dawar and Frost, 1999, 120).
It is argued that the key to success is to focus as a local company on the advantages that are enjoyed in the home market (Dawar and Frost, 1999, 122). Moreover, it is outlined that in some cases, companies that are operating in local industries can go beyond defending their existing markets and expand to other markets. The right transferable assets success at home can be used by extenders as a platform for an expansion somewhere else (Dawar and Frost, 1999, 124).

“A selective policy of international expansion, carefully tied to the company’s key assets, can reap added revenue and scale economies, not to mention valuable learning experiences” (Dawar and Frost, 1999, 124).

5.2.3. Cultural Differences

Hofstede (1984, pp.81) states that “Culture” itself can be and has been defined in many ways. Hofstede itself prefers the definition, “culture is the collective programming of the mind which distinguishes the members of one group or society from those of another” (Hofstede, 1984, 82).

Another definition states “Culture consists of patterns, explicit and implicit, of and for behavior acquired and transmitted by symbols, constituting the distinctive achievement of human groups, including their embodiments in artefacts; the essential core of culture consists of traditional (i.e. historically derived and selected) ideas and especially their attached values; culture systems may, on the one hand, be considered as products of action, on the other as conditioning elements of further action (Kroeber and Kluckhohn, 1952, 181).

Schwartz (2009, 128) defines cultures as the following: “I see culture as a latent, hypothetical variable that we can measure only through its manifestations. The underlying normative value emphases that are central to culture influence and give a degree of coherence to these manifestations. In this view, culture is outside the individual. It is not located in the minds and actions of individual people. Rather, it refers to the press to which individuals are exposed by virtue of living in a particular social system”.

In business life culture is considered as an important aspect, especially when it comes to the interaction with employees, suppliers, stakeholders or customers. Therefore, when it comes to modern management techniques and practices, cross-cultural research enjoys great value and consideration (Jones, 2007, 2).
Cole and Parker (2011, 135) instead argue that they think of “culture as a dynamically changing environment that is transformed by the artefacts created by prior generation - an artefact is an aspect of the material world that has been modified over the history of its incorporation into goal-directed human thought and action – an artefact is simultaneously ideal (conceptual) and material. It is material in that it is embodied in physical form, whether in the morphology of a spoken, written, or signed word, a ritual, or an artistic creation, or as a solid object like a pencil. It is ideal in that this material form has been shaped by historical participation in (successful, adaptive) human activities. Culture can be seen as the medium of human development which prepares humans for interaction with the world”.

Cultural differences can be reflected in a various number of ways. Therefore, it can be reflected in the meanings a person attaches to different aspects of live, the way of how to look at the world and what the role of a person is in there, in the collective belief of a person what is “true” and what is “false” and much more (Hofstede, 1984, 82).

“Management within a society is very much constrained by its cultural context, because it is impossible to coordinate the actions of people without a deep understanding of their values, beliefs, and expressions” (Hofstede, 1984, 82).

Kanlian (2006, 1) outlines that one of the biggest challenges in doing international business are faced by the cultural differences as well as the way and means of communication. Moreover, it is argued that those aspects have a huge impact on the international success of a company. Another important aspect of international trade and the impact on success is, how good one knows the trading partner.

Cultural differences include for example language, etiquette and socializing habits. When it comes to business language, English probably is the most common one, however, one using English as a common business language needs to make sure that the English language is at a level that helps and further supports all parties during the communication process and for further negotiations (Gabrial, 2012, pp.70).

Another important aspect when it comes to cultural differences is sense. Doing business with a person from different cultural background implies to check if there is a common sense. People might have different perceptions and reactions of presenting ideas, how to do a discussion and how to express criticism. Moreover, different cultures have differing perspectives when it comes to timekeeping and punctuality (Gabrial, 2012, pp.70).
Culture affects the people’s values in their everyday lives and furthermore culture is learned within a society. Therefore, people from different cultures have different perceptions of the roles and aims corporations play. Thus, it is necessary for firms to study the perception of a corporation’s activities from different cultures to identify and focus on positive activities just as values and to deal with negative perceptions (Swaiden, 2011, 128).

Literature also outlines, that gender is an aspect that should not be underestimated when it comes to cultural differences. Across nations there exist differences in how to interact with the other gender. Therefore, in some cultures it is common to have a female person in the team when welcoming female members of the client company (Gabrial, 2012, pp.70).

Culture differences further occur when it comes to payment methods. Some cultures prefer to pay back their debts or loans within several years, whereas other cultures have the perception that a payback period of four or five years is too long (Gabrial, 2012, pp.70).

Within the following deeper insights into the cultural dimensions of Hofstede will be given. The insights should help to develop an impression how cultural differences build a challenge and especially how those challenges affect doing business with people that face a different cultural background.

Due to the fact that the work of Hofstede on Culture is the most widely cited in existence (Bond 2002; Hofstede 1997). Practitioners and scholar appreciate valuable insights into cross-cultural relationships based on the analysis and observations of Hofstede. The study of Hofstede is based on 116,000 questionnaires, where 60,000 people from over 50 countries participated. Hofstede worked with IBM from 1967 to 1978 to conduct this research. From this research Hofstede came up with the four dimensions Power Distance, Individualism/Collectivism, Uncertainty Avoidance and Masculinity/Feminity (Jones, 2007, pp. 1).
INDIVIDUALISM VERSUS COLLECTIVISM

Individualism can be described as “the extent to which people feel independent, as opposed to being interdependent as members of larger wholes” (Hofstede, n.d.). Individualistic people are more expected to only take care of their family and themselves (Hofstede Insights, 2018). Individualism can be seen as individual decisions and choices, moreover individualism is not the same as egoism. In terms of collectivism in a social manner it can be stated that one knows what the place in life is, collectivism cannot be associated with closeness (Hofstede, n.d.). Expressing the difference of Individualism versus collectivism with a metaphor from physics: “people in an individualistic society are more likely atoms flying around in a gas while those in a collectivist society are more like atoms fixed in a crystal” (Hofstede, n.d.).

POWER DISTANCE

This dimension is about the acceptance of expected and accepted unequal power distribution by the less powerful members of organizations and institutions (Hofstede, n.d.). In societies with low Power Distance people require the justification for inequal power distribution and strive for equal distribution of power (Hofstede Insights, 2018). The dimension has its origin in the agriculture and with it, of large-scale societies. Until that time it was the case that a person would personally know the leaders and group members. In large groups or where the life of more people has to be coordinated this is not possible. Therefore, today's societies would not work without the acceptance of leadership by powerful entities (Hofstede, n.d.).
MASCULINITY VERSUS FEMININITY
A society that is seen as masculine is characterized by assertiveness, heroism, a preference for achievement and material rewards for success. In general, it can be stated that such a society is more competitive. A feminine society stands for modest, caring for the weak, cooperation and quality of life. This society is more consensus-oriented. When it comes to business femininity is seen as tender while masculinity is seen as tough (Hofstede Insights, 2018). “Masculinity is the extent which the use of force is endorsed socially” (Hofstede, n.d.). Men are seen as tough but winning is important for both genders in a masculine society. The feminine society genders in general are emotionally closer, further, there is less open endorsement for competing (Hofstede n.d).

UNCERTAINTY AVOIDANCE
“Uncertainty avoidance deals with a society’s tolerance for uncertainty and ambiguity” (Hofstede, n.d.). Uncertainty avoidance should not be mixed up with risk avoidance, it is about distrust and anxiety in terms of facing the unknown, to know the truth and the wish to have habits that are fixed (Hofstede, n.d.). In other words, uncertainty avoidance is about expressing the degree to which a person or the members of a society feel unpleasant when it comes to uncertainty and ambiguity. The key issue for those societies is how to deal with the unknown future, should it be controlled or just let it happen? (Hofstede Insights, 2018).

LONG TERM ORIENTATION VERSUS SHORT TERM ORIENTATION
A long-term-oriented society deals with change. The long-term-oriented society has a culture that is focusing on preparing for the future. Therefore, education is based on how to prepare for the future. For the short-term-oriented society it is important to focus on how the world was created, so the past provides the guidance. Traditions and norms are of high importance for this societies and societal change is seen with suspicion (Hofstede, n.d.; Hofstede Insights, 2018).
INDULGENCE VERSUS RESTRAINT

“Indulgence is about the good things in life” (Hofstede, n.d.). The culture that is based on indulgences is about being free, doing what your impulse tells you. Life for the people of those societies makes sense and friends are important. Basic and natural human drives are allowed for people in this culture. In a restrained society the impression is more that life is hard, and the duties as a part of the way are seen as the normal state of being, there is no perception of freedom in this culture. This society is about not allowing gratification of needs but more about regulating it with focusing on strict social norms (Hofstede, n.d.; Hofstede Insights, 2018).

Although the research of Hofstede is considered as valuable and of high importance for scholars and practitioners, criticism arises upon the cultural dimensions model (Jones, 2007, pp. 3). Within the next sections a few points of criticism based on the Hofstede study will be outlined.

Schwartz (1991) argues that a survey is not the best option for an accurate measurement and determination of cultural disparity. Especially this is recognized when the culturally subjective and sensitive value is being measured as a variable.

Moreover, the study of Hofstede assumes that there is homogenization among the population. This criticism on the Hofstede study is considered as the most popular one (Jones, 2007, 5). Especially, due to the fact that most nations are recognized as groups of ethnic units (Nasif et al. 1991, 82; Redapth, 1997, 336).

Also, according to several researchers (e.g. Dorfman and Howell 1988, 129; Lindell and Arvonen 1996; Smith 1998, 62) Hofstede in his research is ignoring the importance of community and the influence the variation of communities has.

Another point of criticism is the one company approach. As the study is based on only using one company for the research of the study, critics argue that one company cannot cover the information needed to present an entire cultural system of a country (Graves, 1986, pp.14; Olie 1995, 135; Søndergaard, 1994, 449).

Further point of criticism would be the argument that the study is outdated and that four dimensions would not be enough to generate sufficient information to present cultural differences. Moreover, political influences at the time the study was conducted have influenced the outcome negatively. (Jones, 2007, 5).
5.2.4. Country Specific Barriers based on the CAGE Distance Framework

In the following the country specific barriers will be illustrated based on the CAGE Distance Framework. The framework outlines four dimensions. Each present one distance, namely the cultural distance, the administrative and political distance, the geographic distance and the economic distance. Figure 10 gives an overview of the CAGE Distance Framework.

![Figure 10 - CAGE Distance Framework (own graphical presentation based on Ghemawat 2001)](image)

- **Cultural Distance**
  - languages, ethnicities, social norms, religions

- **Administrative and Political Distance**
  - weak legal and financial institutions, political hostilities

- **Geographic Distance**
  - different climates, lack of adequate transportation

- **Economic Distance**
  - different information, knowledge or consumer incomes
The cultural distance is about how people are not only interacting with each other but also with companies and institutions based on the differences in religion, race, language and social norms which are representative for the distance between two countries. The administrative and political distance is based on the historical and political associations. Further, how these associations affect the trade between two countries. Therefore, trading agreements, common currency and political unions have a huge influence on trade. The geographic distance is about how far a country is away from the own country. The further two countries are apart from each other the harder it gets to conduct business with each other. Not only the kilometers separating two countries count into this dimension. Moreover, also aspects such as the physical size of a country or access to waterways are considered within the geographic distance. The economic distance is about the income or wealth of a country as this aspect is about creating distance between countries. Also, standardization of products and gaining competitive advantages for richer countries are examples for aspects that are considered within this dimension (Ghemawat, 2001, pp.3).

In the following each dimension of the CAGE Distance Framework will be outlined in more detail in order to get a better impression of how a challenge based on the four dimensions can look like.

**Cultural Distance**

Holmstrom et al. (2006, 2) states that culture is a complex dimension. Culture includes national language and culture, organizational culture, politics, work ethics and motivations on an individual basis. Literature further argues that the cultural distance can be high although the geographic borders are not that far, at the same time a huge geographical distance does not imply that the cultural differences are huge as well.

Based on the fact, that cultural differences are outlined in detail under section 5.2.3. the cultural distance will not be discussed in more depth.

**Administrative and Political Distance – Example: Corporate Social Responsibility**

In order to keep social activists and stakeholders better informed, especially global corporations have been under pressure based on being pressured to consider social responsibility more (Zahra et al., 2008, pp.118).

In companies, CSR is no longer seen as an unproductive cost or a resource burden, it is seen as enhancement of reputation and credibility among stakeholders. In fact, consumers evaluate companies as well as products in terms of CSR and consider it by their decision-making (Vancheswaran and Gautam, 2011, 85).
Globalization Perspective: The Opportunities and Challenges of Born Global Start-ups

Other points that make international corporate social responsibility so special or better said that can differentiate it from the national oriented one, can be the governmental regulations of the specific country in which CSR is executed (Ho et al., 2011, 430).

In dependence on the literature there are varying specifications around the globe. For some companies it is for example mandatory to provide a record of their corporate social activities, but there are also countries in which organizations can decide on their own whether they want to unfold their social responsible measures (Swaidan, 2011, pp. 128). In the following, regulations of different countries will be compared in order to see the specifics.

Public corporations e.g. in Sweden, Norway, France and Netherlands are obliged to show transparency and therefore they have to unfold their environmental reports. In the USA there are no regulations for CSR, which means that it is not mandatory to provide a CSR report. Nevertheless, government has had a lot of influence in encouraging CSR activities among corporations. In this context for governmental agencies it was the goal to increase the range of social responsibility regulations (Cecil, 2010, 43).

Also, in Austria ventures have the choice whether they want to lay their implementations and report about their CSR activities open in order to inform their stakeholders (Netzwerk Soziale Verantwortung, 2009, 48). In contrast, Sweden was the first country that demanded sustainability reports from state-owned enterprises. Moreover, the government asked these establishments to set several sustainability goals with focus on diversity, environment issues, human rights, working conditions, anti-corruption measures, business ethics and gender equality (Sweden Sverige, 2018).

The OECD-principles are a comprehensive instrument to support responsible business management. These principles have been appointed in a contract by the member states of the OECD and include recommendations for responsible economic activities abroad. Moreover, they contain target values of responsible multinational actions which should be followed by all members. These recommendations seem to be important for global acting companies, because they give hints and advice about how responsible business management can be fulfilled. Nevertheless, the signing states are obliged to fulfill these principles and they have to make sure that global acting companies meet them. In case of violation there are national entities that act as conciliation committee which tries to mediate the conflicts. The goal of this structured process is to find a common solution for the involved parties. Of course, the particular conciliation committee is impartial in nature (respAct, 2018).
Levy (2007, 610) argues that CSR is the key to a good governance on a global basis. By focusing on the establishment of a responsible government that is in accordance with development goals, MNE will have the possibility to serve all stakeholders. It is important that multilateral institutions implement global rules that represent the interests of developing, industrialized and emerging countries.

**Geographic Distance**

“Geographic Distance is best measured in ease of relocating rather than in kilometers” (Holmstrom et al., 2006, 2).

Literature argues that the geographic attributes of countries, despite some influence of humans, mostly come from natural phenomena. These geographic attributes have an influence on the economic activity, more precisely, on the cross-border economic activity. As geographic attributes are for example considered, a country’s infrastructure when it comes to transportation and communication, the absence of presence of a common land border, the occurring differences through having a different time zone or climate (Ghemawat, 2007, pp. 44).

**Economic Distance – Example: Economic Protection**

“Since the 1980s, historical, political, and economic ramifications of industrial policies have become the focus of theoretical and empirical analyses and a substantial amount of literature has accumulated on these aspects. This is because that chalking out a strategy to promote economic development has been a crucial problem for the developing countries, especially the newly industrializing countries” (Tsai and Chiou, 2017, 229).

When there exists a distinction between producers and consumers or further, between different groups of producers and consumers, the structure of a political system can be of high importance when it comes to trade protections. In general, trade protection creates benefits of trade for a small group of stakeholders within the protected industry, whereas the costs are distributed over a larger number of customers, where each of them loses only a small amount (Wha Lee and Swagel, 1997, 372).

In order to boost the growth of the local economy and to fight against the competitive advantage of foreign firms, newly industrialized countries adopted not only trade policies but also industrial policies (Tsai and Chiou, 2017, 229).

According to Furusawa et al. (2004, 446) the restriction of imports often was necessary in order to cause environmental protection and guarantee food safety.
The study of Wha Lee and Swagel (1997, 381) argues that protection is not dependent on the industry or country. It is outlined that the establishment of trade barriers is based on sectoral conditions. The authors further argue, that these findings are in consistency with the political-economy explanations of trade protection.

Examples for tools used in order to protect a countries economy are import quota or tariffs. The main difference between quotas and tariffs is that “a quota prohibits foreign firms from reacting to any change in the domestic output decision, while a tariff does not” (Chen, 1994, 36).

Krishna (1987, pp. 97) argues that in order to establish trade restrictions quotas are widely used. However, literature further argues that there is a common feeling that the superior way of restricting trade are tariffs. Moreover, it is outlined that different aspects influence the aspect whether quotas or tariffs should be used for trade restrictions. For example, when taking into consideration a quality aspect, according to the study of Krishna (1987, 112) it makes more sense to prefer quotas over tariffs.

The study of Rodriguez (1974) has different findings and outlines that “our analysis would seem to strengthen the policy presumption that tariffs are preferable to quotas” (Rodriguez, 1974, 298). Moreover, the findings suggest that an optimal retaliation of quotas has a huge influence on blocking international trade between countries (Rodriguez, 1974, 298).

Furusawa et al. (2004, 447) argue that there exist two advantages that are the explanation to prefer tariffs over quotas in the case that the industry is imperfectly competitive. The first advantage is based on the argument, that the government has the possibility to generate revenue from tariffs, in the case of quotas the foreign economy has the opportunity to collect part of the quota rent. The second advantage is that, if negative values are approved for tariff rates, the government has the opportunity to choose a negative tariff or an import subsidy to support imports.

The concluding remarks of the study of Furusawa (2004, 455) are in order to have influence on foreign production, tariffs are generally the better option, one reason therefore is that, as already mentioned, the government has the possibility to collect tariff revenue. Moreover, the authors argue that a foreign firm output level is affected by tariffs, not dependent on the type of firms, whereas quotas can influence the output of one type of foreign firm while not affecting the output of the other.
6. The Example of Airbnb

This section is about examining the example of Airbnb. Therefore, the opportunities and challenges of Airbnb will be outlined in order to discuss the findings with the opportunities and challenges above. First, a small introduction about Airbnb will be given before continuing with the opportunities and challenges.

6.1. About Airbnb

Within this section a short overview of what Airbnb is will be given by outlining how Airbnb started, how the journey and development looked like and where Airbnb is standing today.

Airbnb is a global travel community that was founded in 2008. The community has the aim to offer end-to-end trips. The service includes where to stay, what to do and which people to meet. Airbnb states about itself that “Airbnb uniquely leverages technology to economically empower millions of people around the world to unlock and monetize their spaces, passions and talents to become hospitality entrepreneurs” (Airbnb, About Us, 2018).

The marketplace of Airbnb offers the possibility to access places and accommodations in more than 191 countries. These places include villas, castles, apartments, treehouses and B&Bs. Airbnb brought all of this together in one website and app. The founders of Airbnb are Brian Chesky, Joe Gebbia and Nathan Blecharczyk (Airbnb, About Us, 2018).

Airbnb generates revenues from both, hosts and guests for offering this service. On the one side hosts are required to pay a service fee of 3% to cover the cost of processing payments. On the other side guests are charged, depending on the length of their reservation, a 9 to 12 % service fee for every reservation booked. In most locations Airbnb operates with minimal regulatory controls. This leads to the fact, that hosts as well as guests are encouraged to use signaling mechanisms to build trust. Airbnb was launched in 2008 and since then the business has had faced rapid growth. In 2012 Airbnb had over 50,000 renters per night and a market capitalization of 2,5 billion US-Dollars (Satariano, 2013).
6.2. The Strategy of Airbnb as a Born Global

6.2.1. Globalization and Localization at the same time

Airbnb itself states that the aim is to be “glocal”, meaning to be global and local at the same. In order to make Airbnb work, it is necessary to be everywhere (Solomon, 2016).

“Airbnb has seen widely varying degrees of traction within different local, regional and international markets both with respect to initial market entry and the rate at which it has been adopted within markets” (Zervas, Prosperpio and Byers, 2017, 697).

Having a strategy, that pursues being global and local at the same time, also brings along some challenges. Therefore, the main issue Airbnb faces is to manage the global-local gab. On the one side there are certain aspects like cleanliness standards that need to be applied in all places. On the other side, in order to compete against the hotel rooms in every single place it is necessary to be unique by considering the local differences (Solomon, 2016).

One example for customization of Airbnb is that it adapts offerings according to the local payment options. Before the Olympics came to Rio, the platform only supported U.S. dollars for the payment in Brazil. With the Olympics and the growth potential of the Airbnb market in Brazil a few more payment methods were added, e.g. national credit cards that can charge in the Brazilian currency, the Real. Another example for considering local differences are sign-up methods. In China, Airbnb accepts log-ins from users with Weibo or WeChat accounts, whereas in the United States the sign-up is made with a Google or Facebook account, which wouldn’t work for China (Solomon, 2016).

The goal of Airbnb is to become a lot more local within the next few years. The platform provider wants to understand what needs to be localized and what can be applied on a global basis (Solomon, 2016).
6.2.2. Marketing Strategy

In the following some aspects about how Airbnb deals with global marketing and the adaptation of marketing activities, getting more localized, based on market differences, will be outlined in more detail. One important aspect is, that Airbnb uses brand partnerships. Airbnb for example entered partnerships with the UK bookstore chain Waterstones, the French government or with KLM Royal Dutch Airlines. The idea behind it is to figure out what the customers of each brand would like and to find something that would appeal to both, Airbnb and the partnership brand, in a unique way - a crossover that brings a benefit for everyone involved (Bellissimo-Magrin, 2017).

Sentance (2018) states that using influencers is another key aspect of Airbnb’s marketing. In 2015 Airbnb built a floating house that was launched on the Thames, where the winners of a competition were allowed to spend a night in. The days before, Airbnb used the opportunity to invite journalists, bloggers and stars of Instagram to visit the house, publish articles and take pictures in order to generate as much publicity as possible. As a result, the floating house brought Airbnb 340 press articles only in the United Kingdom.

Another important aspect is to take risks and convert them into chances. When a man was locked inside a Waterstones bookstore overnight, Airbnb used the chance to turn the bad publicity of its partner into an opportunity for good publicity. Airbnb considered it as a nice opportunity to have a sleepover in a Waterstone bookstore and therefore did a competition which gave 19 people the chance to win a 12-hour overnight stay inside a Waterstones bookshop (Sentance, 2018).

Building a community is another important marketing aspect. Airbnb was able to build a community by creating trust between users. The engagement includes detailed profiles, helpful reviews and to enhance communication on a regular basis. Moreover, Airbnb was able to simplify the booking process by building a community (Bellissimo-Magrin, 2017).

Timing is important when planning partnerships, competitions, events or advertising stunts and Airbnb is careful in doing so. Moreover, organizing those events takes more than a tweet. Sometimes it takes time to CONSULATE with local governments before starting the planning and getting into work for months. Nevertheless, those things also allow Airbnb to form new and positive connections with governments, which are interested in promoting their tourist destinations (Sentance, 2018).
It is argued that the real success of Airbnb is based on the fact that the brand has become a lifestyle. The goal is to create a special moment that makes the guest appreciate it more than a hotel room and that is also the moment where a customer for life is won (Bellissimo-Magrin, 2017).

Airbnb currently is available in 26 languages and it took the platform provider only one week to set up their Japanese version, which is one example for how fast and flexible Airbnb is with its localization process (Kornienko, 2016).

When it comes to digital marketing strategies and digital technologies as well as the adaptation of these, literature states that local businesses in general are slow in doing so. The reason therefore is that the owners of small local businesses have more tasks to fulfill and many responsibilities which states staying on top of the marketing trends to the end of their list. New technologies and further, their adaption require a lot of time and small businesses do not have the required resources, e.g. in-house digital expertise, in order to meet the requirements for a faster adaptation (Shaoolian, 2017).
6.3. Opportunities and Challenges of Airbnb in Global Strategic Management

6.3.1. Opportunities of Airbnb in Global Strategic Management

In the following, Figure 11 outlines the opportunities of Airbnb in Global Strategic Management that will be examined in more depth within the following sections. Those opportunities are namely the favorable tax environment Airbnb faces in several countries due to a lack of regulations. Moreover, the disruptive innovation and shared economy aspect of which Airbnb takes an advantage of. Brand identity and social media are the last aspects that will be examined in more detail.

*Figure 11 - Opportunities of Airbnb in Global Strategic Management*
Favorable Tax Regulations
For example, in Toronto, the tax rates for commercial property are 1.8 to 2.6 times higher than the tax rates for residential property. Therefore, hotels and bed and breakfasts pay more and have a disadvantage compared to operators of short-term rentals (Jamasi, 2017, 8).

The economic impact of avoiding tax payments in the short-term rental industry is of high negativity. Studies in the United States reveal that the activities of Airbnb have negatively influenced the revenue of hotels in Austin by roughly 10 to 13 percent. Jurisdictions in e.g. Seattle, Chicago, Louisiana and other cities have imposed taxes on the listing price of short-term rentals. Nevertheless, those new implemented tax rules do not represent any challenge or cause influence on short-term rental in order to strengthen the hotel industry. Moreover, the implemented actions build a tax revenue loss for the local governments (Jamasi, 2017, 8).

In general, based on the fact that Airbnb renting takes place in the informal sector, paying taxes can be avoided by guests whereas in the traditional accommodation sector taxes need to be paid by guests. The hosts of Airbnb currently are not charged any accommodation taxes and therefore are considered as “free riders”. The hosts benefit from destinations tourism promotion efforts while Airbnb rentals benefit from gaining a competitive advantage over traditional accommodations (Guttentag, 2015, 1201).

The author argues, based on the aspects outlined above, that there is a need for implementing tighter rules and more effective enforcement models (Jamasi, 2017, 8).

Disruptive Innovation and Shared Economy
“Shared economy is a sustainable economic system built around the sharing of private assets. This rather new system mostly relies on information technology to empower individuals and other profit and non-profit organizations with ways of sharing excess capacity in goods, knowledge and services” (Zekanovic-Korona and Grzunov, 2014, 1791).

Priporas et al. (2017) state that “the sharing economy is an emerging phenomenon facilitated through online platforms, in which broad segments of the population can collaboratively make use of under-used inventory via monetary exchange sharing” (Priporas et al., 2017, 2280).
The socioeconomic system called shared economy was introduced in the late 2000s. Shared economy is also known under the synonyms peer-to-peer economy, on-demand economy or collaborative consumption (Botsman & Rogers, 2011; Belk, 2014; Guttentag, 2015). Shared economy faces a huge growth in different product and service categories with a large number of users. Uber and Airbnb are an example for companies that use the opportunity and further take advantage out of technology coming with online social networks. An example is the establishment of new resource redistribution ways among customers in order to provide the fulfillment of unmet demand (Tussyadiah, 2016, 1).

Literature argues that the most and well-known example for the sharing economy in the case of the hospitality industry is the online business model of Airbnb (Ert et al., 2016; Oskam and Boswijk, 2016; Richardson, 2015).

According to Richardson (2015, pp. 121) Airbnb identifies itself with three key elements of the sharing economy. First, Airbnb is a great example for offering an online platform where several potential producers and consumer are connected via a digital intermediary that reduces costs of connecting. Second, the business is peer-to-peer, meaning that the client and service provider can be both at the same time, in other words, the Airbnb hosts are also travelers which use the Airbnb service for renting by themselves. Third, Airbnb is access-based, meaning that Airbnb, instead of owning a service or resource, uses the ability to buy access for a resource or service for a period.

Airbnb is an example for a new e-business model that helps individuals to rent their accommodations or living space to guests (Zekanovic-Korona and Grzunov, 2014, 1791).

Also, Tham (2016, 393) argues that the tourism industry got turned around and transformed through the arising of the sharing economy. Airbnb and Uber are two examples the author mentions for being main organizations or disruptors.

Boesler (2013) states that established industries are shaked by new sharing ventures that are characterized by being successful. This causes a shift in ownership from individual ownership to shared ownership or short-term rental.

Botsman and Rogers (2011) further argue that sharing makes sense in terms of economic and practical aspects for the consumer, the community as well as the environment. Moreover, it is a great opportunity for businesses that are forward thinking, flexible and innovative.
It is outlined that “collaborative consumption could be as important as the Industrial Revolution” (Belk, 2014, 1599).

Literature states that “shaking los of the former wisdom that ‘You are what you own’ and converting to a new wisdom, ‘You are what you share’, indicates that we just may be entering the post-ownership economy” (Belk, 2014, 1599).

“The term disruptive innovation was proposed by Christensen (1997) to characterize the sudden, and often unforeseen developments that radically alter the competitive forces within a particular industry” (Tham, 2016, 395).

Literature argues that the innovative approach of Airbnb towards the tourism sector and other companies of a similar manner is best presented by the theory of disruptive innovation. The theory is about how disruptive innovation influences the changes of markets and further, can have a huge impact on previously dominating companies in an industry. It is stated that the disruptive appearance of Airbnb will have a huge impact on disruptive innovations in other areas of tourism or sectors, e.g. private flights, tour guides and car rentals. Therefore, further research on Airbnb and its implications as disruptive innovation are of high importance (Guttentag, 2015, pp. 1204).

Disruptive innovations are “inferior good enough products that modify the prevailing value proposition, as the disruptive product improves over time, it can increasingly satisfy the demands of mainstream consumers who adopt it as a substitute for existing products” (Guttentag, 2017, 2). The concept of disruptive innovation seems to apply well for Airbnb. Compared to hotels the platform offers additional benefits such as economic savings or authenticity. Nevertheless, it has never been examined empirically that Airbnb is considered as disruptive innovation (Guttentag, 2017, 2).

However, also critics arise about the theory of disruptive innovation. Therefore, Assink (2006, pp. 215) argues that the lack of international misalignments or a culture for change can be reasons for the need of disruptive innovation.

Further, Yu and Hang (2010, pp. 435) outline that there should be a more nuanced perspective when it comes to disruptive innovation as different studies have used different angles to investigate disruptive innovation.
Brand Identity and Social Media

Literature argues that the brand narrative in the case of Airbnb can be based on peoples’ photographs and videos that capture their stories. The Airbnb website highlights the role of the host and puts forward the accommodation with the use and help of professional shots and high-quality photographs. This approach is of importance for the brand narrative, “as it provides a visual representation of normal, typical people putting a room in their homes for rent and allows a process of identification with and between members” (Yannopoulou et al., 2013, 87).

Also, Tussyadiah (2016) argues that “the proliferation of social media has encouraged Internet users to create and manage an online identity that signifies their personal brand” (Tussyadiah, 2016, pp.2). The study identified five clusters of host descriptions, namely, The Creative, The Local Expert, The Personable, The Global Citizen and The Established. The descriptions differentiate themselves by adjectives used for host branding. For example, while The Creative prefers to follow a positive self-presentation approach, The Personable and The Established are rather honest (Tussyadiah, 2016, pp.2).

Several studies have investigated the motivation of tourists’ why to choose Airbnb. Therefore, Tussyadiah (2015) found out that the price or economic benefits are important factors why tourists' book Airbnb, the studies also reveal that the price often is the most important motivator to book via Airbnb. Quinby and Gasdia (2014) argue that household amenities and space are the top two factors for tourists to rent via Airbnb.

According to Lamb (2011) authenticity is the primary motivation for booking via Airbnb. Although, Airbnb accommodations underperform when it comes to aspects like security and cleanliness, the accommodations offered via Airbnb win when taking factors like experiencing a more local authenticity, considering the price level as being relatively inexpensive and offering benefits in terms of comfortability while staying in a home into consideration (Guttentag et al., 2018, pp. 343).

The internet has created a new economic space called electronic market, which brings more than a billion of potential customers. Despite all the elements that a classic market has to offer, the e-market offers even more and shows completely new ways of how to do business, one example therefore is shared economy (Zekanovic-Korona and Grzunov, 2014, 1791).
6.3.2. Challenges of Airbnb in Global Strategic Management

The challenges Airbnb faces in Global Strategic Management are outlined in Figure 12. Airbnb faces challenges when it comes to governmental regulations and legality aspects. Moreover, the established tax regulations and cultural differences build other hurdles that Airbnb has to deal with.

![Figure 12 - Challenges of Airbnb in Global Strategic Management](image)

**Governance & Legality**

Tham (2016, 393) examined how Airbnb enters the market in Australia and Singapore. The research is based on theoretical frameworks of disruptive innovation and smart tourism ecosystems. The findings state that governance structures had a huge influence on how Airbnb carried out its operations in those two countries.

In 2012 Airbnb entered both countries, Singapore and Australia. An interesting fact is, that at the time Airbnb set up offices in each country, the legality of Airbnb in these countries still was not clear (Tham, 2016, 393).

In many cities around the globe, governments face the task of balancing the forces of innovation with the requirement to establish a regulatory framework, this also affects platforms such as Airbnb. Toronto faces some serious troubles when it comes to short-term rentals, including the disruption of the hotel industry as well as the tightening of supply in a hot housing market (Jamasi, 2017, pp.1).
“The most widely accepted definition for a short-term rental is the rental of a dwelling (house, town house, condominium, apartment, and secondary suites) on a platform for less than 30 days” (Jamasi, 2017, 2). Nevertheless, the period for short-term rental can vary among cities, therefore, Seattle and Denver define short-term rental as a booked stay of 29 nights or fewer. In Quebec short-term rental is not lasting over 31 days (Jamasi, 2017, 2).

Some cities have started to implement regulations to manage the impact of short-term rentals. New York for example has completely forbidden the activity (Jamasi, 2017, pp. 2).

Guttentag (2015, 1200) outlines that many cities are prohibiting short-term renting without having any special permission. In New York City a law was established. This law forbids short-term rental unless the host remains present. Paris has adopted even stronger laws, where renting is not allowed for less than a full year. According to literature, cities have reasons to have those laws, for example, wanting tourist accommodations to fulfill certain safety and health standards or avoiding that renting gets annoying for neighbors.

The most common regulation implement in most North American cities is the legalization of short-term rental by asking hosts to register at their local city office and obtain a business license. For example, in Chicago the registration for hosts is for free, but the registration has to be done once a year. If a host has more than one listing, each listing has to be registered on an individual basis. Denver introduced a licensing framework, where hosts have to issue a rental license for primary residence and the setup of a tax account is required. Besides demanding a registration also, Las Vegas requires the payment of an annual fee of 500 US-Dollar for each rental unit. These are just a few examples about how different cities regulate short-term rentals (Jamasi, 2017, pp. 4).

Legal issues are what will affect the future growth of Airbnb. The platform faces an issue when it comes to the fact that rental activities are actually illegal and further, Airbnb is not meeting its full tax obligations (Guttentag, 2015, 1200).

Another challenge hosts and further, Airbnb are facing, are health and safety standard regulations. Several jurisdictions require health and safety standards to make short-term rentals qualified for a license. Those safety rules have an impact on the reduction of units, as some are not built for being used like hotel rooms. The accommodation industry is positively influenced by those measures. To give an example, in order to apply for a dwelling license in New Orleans, it is indispensable to provide the city with a floor plan that marks locations of smoke detectors in every bedroom, exits and fire extinguishers. Moreover, for the license qualification the host needs to prove that the dwelling has a liability insurance for 500,000 US-Dollars (Jamasi, 2017, 9).
Airbnb cofounder Brian Chesky states that, “There were laws created for businesses, and there were laws for people. What the sharing economy did, was create a third category: people as businesses” (Kessler, 2014), where it is often not clear how existing laws are going to be applied. Airbnb had to address those regulatory challenges and make sure that users know about the legal and regulatory regimes in the operating field (Kaplan and Nadler, 2017, 108).

**Taxes**

Some cities do not have a regulatory framework for short-term rentals, therefore when it comes to taxation, operations are conducted in a grey area (Jamasi, 2017, 4).

The online marketplace avoided its confrontation with the legal as long as possible and followed the strategy of rooting itself as deeply as possible. Based on the fact that Airbnb has established itself firmly and therefore, causes attention from governments all over the world, the time for dealing with those legal issues has arrived (Guttentag, 2015, pp. 1201).

When it comes to the issues Airbnb is facing, Taxation is on top of the list, which is clearly demonstrated by the challenges the company faces in New York City. It is argued that it is still unclear if taxes might have to be paid by some of the users of Airbnb in New York City (Kaplan and Nadler, 2017, 109).

Around the world governments, e.g. in San Francisco or Spain, start to take the legal issues of short-term rentals serious. In New York the legality of all short-term rentals is questioned, even in the case where the host is present (Guttentag, 2015, pp. 1201).

San Francisco is in the focus of the tax issue, as Airbnb was requested in April 2012 to pay accommodation taxes. Airbnb opposed by requiring an update of accommodation tax laws for new services like Airbnb (Guttentag, 2015, 1202).

In literature it is argued that “it is logical that Airbnb would want to clarify the legality issue in conjunction with the tax issue, as Airbnb can use the promise of tax dollars as leverage in the legality discussions, plus it would be paradoxical for cities to tax an illegal business” (Guttentag, 2015, 1202). The result that will be reached in the case of San Francisco has a high likelihood to influence further negotiations in other cities (Guttentag, 2015, 1202).
It is hard to predict the future of Airbnb based on the fluidity of the regulatory environment of Airbnb. Still, it is interesting to investigate about potential threats of Airbnb’s future growth, the potential disruption of the traditional sector and further, the impact that Airbnb has on potential destinations (Guttentag, 2015, 1204). An example of what could happen in the future is “governments could significantly intensify crackdowns against Airbnb host, who can easily be located through the website, which would cause a detrimental reduction in listings” (Guttentag, 2015, 1204).

Culture
Airbnb is represented in 191 countries, which implies a lot of diversity to handle. This includes communication with people that have a different mother tongue or handling diverse points of view from people with different backgrounds. Airbnb uses the slogan “belong anywhere” which challenges Airbnb due to doubts from people about Airbnb is doing enough to fight discrimination. Brian Chesky, CEO of Airbnb, reacted by stating that whether discrimination nor racism would have any place on Airbnb (Chen, 2016).

Before Airbnb, other foreign internet companies entered the Chinese market. Those companies often face huge problems and challenges by not knowing the territory. A lot of foreign companies failed in China due to not familiarizing itself with the culture and different management style. For Airbnb the biggest challenge in the Chinese market is represented by the characteristics of this special market (Yimin, 2015).

Also, it is argued that Airbnb probably faces bigger cultural challenges in China, compared to Uber or other tech companies that enter the Chinese market. The biggest challenge for Airbnb seems to be the establishment of trust between the hosts and renters (Minter, 2017).

One of the biggest local competitors of Airbnb in the Chinese market is Xiaozhu.com. The company has invested three years of work in optimizing and adjusting their business model for the Chinese market. Airbnb definitely cannot ignore the competitive advantage the company has gained by adapting their business model to Chinese market characteristics (Yimin, 2015).
7. Discussion

In the following, a discussion of the most important aspects will provide an overview on the different or similar viewpoints of theory and practice based on the opportunities and challenges outlined above. Especially, the discussion will focus on the differences and similarities in theory and Airbnb as an example for practice. Although, the thesis focuses on more aspects in opportunities and challenge, the discussion will focus on main aspects and findings that are confirmed in practice that theory identifies or that theory outlines but that are not confirmed by the example of Airbnb and why it is so. The three main points this discussion is based on are Standardization, further, Innovation, Technology & Knowledge and Culture & Competitors.

Standardization

Although it is argued in theory that global marketing is getting more and more in the focus of practitioners and academicians nowadays (Jain, 1989, 70), Airbnb currently is available in 26 languages and it took the platform provider only one week to set up their Japanese version, which is one example for how fast and flexible Airbnb is with its localization process (Kornienko, 2016).

Moreover, it is stated that a marketing strategy and its standardization only can be successful when there is a given similarity of customer preferences among intermarket segments. Nevertheless, different factors and events, such as competition, are having a negative impact on the standardization of marketing activities (Katsikeas et al., 2006, pp. 872). Therefore, Cavusgil et al. (1993, pp. 495) argue that a higher degree of competition in the host markets leads to the fact that more adaptation of marketing activities is required by the exporting firm.

Airbnb is adapting its marketing activities by getting more localized, based on market differences, moreover, Airbnb uses brand partnerships. Airbnb for example entered partnerships with the UK bookstore chain Waterstones, the French government or with KLM Royal Dutch Airlines (Bellissimo-Magrin, 2017). Also, sometimes it takes time for Airbnb to consulate with local governments before starting the planning and getting into work for months (Sentance, 2018).
Although, the focus of practitioners and academics is more on the standardization of marketing activities (Jain, 1989, 70), the example of Airbnb clearly outlines that the standardization of marketing activities in practice is still challenging, due to the fact that Airbnb corporates with local companies or governments in order to localize their marketing activities (Bellissimo-Magrin, 2017; Kornienko, 2016; Sentance, 2018). Nevertheless, theory also argues that standardized marketing would require to meet certain aspects such as offering e.g. the same price, promotion system and further, that several factors such as value, beliefs or education need to be considered that would influence a standardized marketing strategy (Aydin and Terpstra, 1981; Buzzel, 1968; Hill and Still, 1984). Moreover, the leading standardization issue seems to be the advertising one (Killough 1978; Miracle, 1968; Peebles, Ryans & Vernon 1977, 1978), which may explain why Airbnb is still adapting its marketing activities to local circumstances.

**Innovation, Technology & Knowledge**

Castells (1999, pp. 2) argues that communication and information technologies help countries to skip stages of economic growth due to the ability to modernize production systems and therefore, being able to compete faster than in the past. Clearly, technology has influenced the way of how business is done. Companies that have managed to integrate ICTs in their business process can generate a competitive advantage (Ongori, 2008, pp. 12). Shared economy is a rather new system that mostly relies on information technology to empower individuals and other profit and non-profit organizations with ways of sharing excess capacity in goods, knowledge and services” (Zekanovic-Korona and Grzunov, 2014, 1791).

Literature argues that the most and well-known example for the sharing economy in the case of the hospitality industry is the online business model of Airbnb (Ert et al., 2016; Oskam and Boswijk, 2016; Richardson, 2015; Tham, 2016). Airbnb identifies itself with three key elements of the sharing economy. Airbnb is a great example for offering an online platform where several potential producers and consumer are connected via a digital intermediary that reduces costs of connecting. The business of Airbnb is peer-to-peer, meaning that the client and service provider can be both at the same time. Moreover, Airbnb is access-based, meaning that Airbnb instead of owning a service or resource uses the ability to buy access for a resource or service for a period (Richardson, 2015, pp. 121).
Another important aspect is that for long-term economic growth it is crucial to follow technological innovation. Theory argues that in order to make sure that economic security and growth are sustainable it is necessary to continuously introduce new services and goods, in other words, technological innovations that are of radical nature and have the ability to create new industries or disrupt existing markets (Branscomb & Auerswald, 2002, 1). Also, Lettl and Gemuenden (2008, 219) argue that the economic growth as well as long-term competitiveness of a company are influenced by radical innovations. Therefore, those innovations address different aspects like creating new markets, the shift of existing market structures, influencing the organizations of an industry and new core technologies on a sustainable basis. It is argued that the innovative approach of Airbnb towards the tourism sector and other companies of a similar manner is best presented by the theory of disruptive innovation. The theory is about how disruptive innovation influences the changes of markets and further, can have a huge impact on previously dominating companies in an industry (Guttentag, 2015, pp. 1204). The concept of disruptive innovation seems to apply well for Airbnb. Compared to hotels the platform offers additional benefits such as economic savings or authenticity (Guttentag, 2017, 2).

Clearly, Airbnb is well known in theory as a great example for the concepts of shared economy and disruptive innovation. Further, it is argued that the disruptive appearance of Airbnb will have a huge impact on disruptive innovations in other areas of tourism or sectors, e.g. private flights, tour guides and car rentals. Therefore, further research on Airbnb and its implications as disruptive innovation are of high importance (Guttentag, 2015, pp. 1204), especially as it has never been examined empirically that Airbnb is considered as disruptive innovation (Guttentag, 2017, 2).

Culture and Competitors
Hofstede (1984, pp.81) argues that “Culture” itself can be and has been defined in many different ways. Kroeber and Kluckhohn (1952, 181) state that culture is something that consists of patterns, behavior that is transmitted and acquired symbols and much more. In business life culture is considered as an important aspect, especially when it comes to the interaction with employees, suppliers, stakeholders or customers. Therefore, when it comes to modern management techniques and practices, cross-cultural research enjoys great value and consideration (Jones, 2007, 2).
Kanlian (2006, 1) outlines that one of the biggest challenges in doing international business are cultural differences as well as the way and means of communication. Moreover, it is argued that those aspects have a huge impact on the international success of a company. Considering the example of Airbnb, which is represented in 191 countries, implies a lot of diversity to handle. This includes communication with people that have a different mother tongue or handling diverse points of view from people with different backgrounds. Airbnb uses the slogan “belong anywhere” which challenges Airbnb due to doubts from people about whether Airbnb is doing enough to fight discrimination (Chen, 2016).

Cultural differences include for example language, etiquette and socializing habits. When it comes to business language, English probably is the most common one, however, one using English as a common business language needs to make sure that the English language is at a level that helps and further supports all parties during the communication process and for further negotiations (Gabrial, 2012, pp.70). Nevertheless, Airbnb currently is available in 26 languages, which clearly implies that Airbnb is adapting to cultural differences in terms of language (Kornienko, 2016).

When it comes to competitors, especially local competitors in the foreign country, firms often have issues in overcoming or duplicating the advantages a local firm has. One big advantage of a local firm are costs. Often, foreign companies might have the advantage of EoS, nevertheless, local firms constantly have to look for opportunities and solutions in operations to cut costs. Therefore, the local company is an expert in the local economy when it comes to cost reductions (Rarick, 2004, pp. 1). One of the biggest local competitors for Airbnb in the Chinese market is Xiaozhu.com. Xiaozhu has invested three years of work and money in optimizing and adjusting their business model for the Chinese market. For Airbnb it is not possible to ignore the competitive advantage the company has gained by adapting their business model to the requirements of the Chinese market (Yimin, 2015).
While foreign companies may be highly professional in international marketing, the local company has knowledge and insights into the culture and the local market, that is also able to be acquired by foreign companies but associated with a lot of time. Moreover, the local company can use the consumer’s attachment to nationalism for promotion activities to put the own product over that of a foreign firm (Rarick, 2004, pp. 1). Before Airbnb, other foreign internet companies entered the Chinese market. Those companies often face huge problems and challenges by not knowing the territory. A lot of foreign companies failed in China due to not familiarizing itself with the culture and different management style. For Airbnb the biggest challenges in the Chinese market are represented by the characteristics of this special market (Yimin, 2015). Also, it is argued that Airbnb probably faces bigger cultural challenges in China compared to Uber or other tech companies do, that enter the Chinese market. The biggest challenge for Airbnb seems to be the establishment of trust between the hosts and renters (Minter, 2017).

The discussion clearly outlines that in the case of standardization the findings of theory and practice are not going in the same direction. While theory is focusing on a more globalized approach, the example of Airbnb definitely shows different results. Especially, as the goal of Airbnb within the next years is to become a lot more local by understanding what needs to be localized and what can be applied on a global basis (Solomon, 2016). In the case of Innovation, Technology & Knowledge it can be argued that theory and the example of Airbnb have a lot of similar findings. Nevertheless, further research is required as there exists no empirical evidence that Airbnb can be considered as disruptive innovation. Further, the implications of Airbnb as disruptive innovation are of high importance for further investigations and application in related industries (Guttentag, 2015; Guttentag, 2017). When it comes to Culture & Competitors the practical findings based on Airbnb imply concordance with the theoretical findings as culture still is one of the greatest challenges in entering a foreign market.
8. Conclusion

The aim of the thesis was to investigate the opportunities and challenges of born globals in the era of globalization based on theory and the practical example, Airbnb. The choice for Airbnb as an example was based on the fact that Airbnb is a born global that experienced massive growth within the past years (Satariano, 2013).

The thesis focused in theory on the opportunities and challenges occurring for born globals. The opportunities are financial perspective, standardization, especially the standardization of marketing activities due to the fact that Airbnb has issues in doing so (Bellissimo-Magrin, 2017; Kornienko, 2016; Sentance, 2018), innovation & technology as well as trade, network & knowledge. Born globals face challenges with competitors, especially local ones, further country specific barriers have been outlined on the basis of the CAGE Distance Framework. Poverty, inequality, international trade and the instability of the global financial system are considered as economic challenges. Another important aspect is culture. The framework of Hofstede gives deeper insight into the challenges that accompany with culture.

The example of Airbnb outlines that the company has opportunities in favorable tax regulations or in other words, no tax regulations at all due to offering a completely new business model. Moreover, Airbnb takes an advantage out of using shared economy and being considered as a disruptive innovation. Another important aspect is brand identity and social media. In the case of challenges Airbnb has issues with governmental regulations and legality. Moreover, the not yet clarified tax question is putting more and more pressure on Airbnb. Culture definitely is one aspect that forces Airbnb to localize what cannot be globalized.

The results of the analysis and discussion show that in the case of standardization theory has different findings than the example of Airbnb. Therefore, the company wants to focus more on localization by investigating what can be globalized and what needs to be localized (Solomon, 2016). Another important point is that theory as well as the investigation about Airbnb show that when it comes to innovation, technology & knowledge the findings are on a common basis. Further, this also occurs for cultural aspects. Theory outlines cultural differences and competitors as big challenges and the example of Airbnb clearly outlines those challenges based on the need for local adaption not only based on the advantages competitors in the foreign country gain.

Nevertheless, further research is required, especially due to the fact that there exists no empirical evidence that Airbnb can be considered as disruptive innovation. Further, the implications of Airbnb as disruptive innovation are of high importance for further investigations and application in related industries (Guttentag, 2015; Guttentag, 2017).
9. Bibliography


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