

Permanence Abroad and Strategic Renewal of a Digital Born Global from an Emerging Market: a Case Study

Permanência no Exterior e Renovação Estratégica de uma *Born Global* Digital de Mercado Emergente: um Estudo de Caso

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Abstract: Studies on born globals from emerging countries are relatively unexplored, especially addressing the growth path of digital born globals. The literature also lacks an analysis of the strategic renewal of firms and their path for the development of new capabilities to remain in foreign markets (permanence). Thus, the objective of this article is to investigate the influence of strategic renewal on the permanence abroad of a digital born global from an emerging market. The study was based on a single case study of a born global from an emerging country, Brazil. Our main findings suggest that the firm underwent strategic changes, both in relation to its permanence in the market and to its decision to follow a path without external investments to later accepting selling the firm to a North-American multinational. Its trajectory points to a path of how to aggregate knowledge, connecting the concept of strategic renewal to that of born globals from emerging markets. Using unstructured interviews with the founders of the firm and secondary data, it was possible to provide evidences on the role of entrepreneurs and networks, the strategic renewal, driven by the dynamic exploration and exploitation

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capabilities, and how such factors influence the internationalization and the permanence of firms in the foreign market.

Keywords – Born-global firms; Emerging Markets; Digital Born Globals; Strategic Renewal; Permanence abroad.

Resumo: Estudos sobre *born globals* de países emergentes são relativamente inexplorados, especialmente no que tange estudos sobre a trajetória de crescimento das *born globals* digitais. A literatura ainda carece de uma análise da renovação estratégica e da trajetória das empresas para o desenvolvimento de novas capacidades para permanecer no mercado externo. Assim, o objetivo deste artigo é investigar a influência da renovação estratégica na permanência no exterior de *born globals* de mercados emergentes. O estudo foi baseado em um estudo de caso único de uma *born global* de país emergente, o Brasil. Nossas principais conclusões sugerem que a *born global* brasileira sofreu mudanças estratégicas, tanto em relação à sua permanência no exterior quanto à sua decisão de seguir um caminho sem investimentos externos para posteriormente aceitar a venda da empresa para uma multinacional norte-americana. Assim, torna-se um exemplo que agrega conhecimento, conectando o conceito de renovação estratégica ao de *born globals* de mercados emergentes. Usando entrevistas não estruturadas com os fundadores da empresa e dados secundários, foi possível fornecer evidências sobre o papel dos empresários e redes de relacionamentos, a renovação estratégica, impulsionada pelas capacidades dinâmicas de *exploration* e *exploitation*, e como tais fatores influenciam a internacionalização e a permanência de empresas no mercado externo.

Palavras-chave – *Born Globals*; Mercados Emergentes; *Born Globals* Digitais; Renovação Estratégica; Permanência no exterior.

Introduction

The presence of born globals is still a relatively rare phenomenon in the international market and their number has not increased significantly yet (Braunerhjelm & Halldin, 2019). Empirical studies have shown that to survive in foreign markets, born globals seek to keep their path throughout their insertion and positioning themselves in business networks (Ngasri & Freeman, 2018), developing new capabilities and adapting themselves to new markets (Sadeghi et al., 2018). For born globals from emerging economies, the international path reflects other kinds of challenges and strategies. They need the advantage of trade associations and other sources of competitive intelligence in order to overcome the liabilities that permeate newness and foreignness (Falihat et al., 2018).

Empirical studies on born globals in the field of International Business (IB) have been conducted largely on born globals in the context of developed countries, such as the European Union nations and North America (Paul & Rosado-Serrano, 2019). Cahen and Borini (2019) have shown that while such empirical studies primarily analyze firms with physical modes of entry, exporting born globals, or foreign direct investment, a relatively unexplored field of research remains on the phenomenon of digital born globals, which are companies that operate through virtual markets. Although these companies have aroused the interest of researchers from both developed markets (Brouthers et al., 2016; Ojala et al., 2018; Chen et al., 2019) and emerging markets (Cahen & Borini, 2019), little has been made to understand their survival and long-term development (Sui & Baun, 2014; Ojala et al., 2018).

Thus, the insertion in networks facilitates the development of exploration and exploitation capabilities (Monferrer et al., 2015), which are relevant capabilities for pace of internationalization of born globals (Lin & Si, 2019). Considered as dynamic capabilities (DCs), exploration capabilities are new ideas and new resources, while exploitation capability is the development of internal assets (Prange & Verdier, 2011). When balanced, these capabilities work in ambidexterity and make up what the literature calls international ambidexterity (Prange & Verdier, 2011; Vahlne & Jonsson, 2017). Bandeira-de-Mello et al. (2016) when investigating multinationals from emerging countries, presented four periods that involve the processes of exploration and exploitation: origin; growth; development and implementation. However, these issues still are under-investigated in the case of digital born globals literature, specifically those from emerging countries.

As by other scholars, we do consider that exploration and exploitation are DCs (Prange & Verdier, 2011), which in our understanding can drive the strategic renewal of firms (Prashantham, 2008; Riviere & Suder, 2016), changing their path through the transformation of their intentions and strategic capabilities (Schmitt et al., 2018).

Moreover, we believe that this context instigates questions about the influence of strategic renewal in the permanence of a digital born global from an emerging market in foreign markets. We, therefore, have as a main purpose of this study to investigate the following research question: **How does strategic renewal influence the permanence abroad of a digital born global from an emerging market?**

Specifically, this article brings an exploratory research, using a unique case study of a Brazilian digital born global, which has moved to a developed country, the United States (US), and after operating in this market, the firm was acquired by a global competitor, a North American multinational. Based on the assumption that born globals are firms that have their first international activity 3 years after their foundation (Knight et al., 2004), the chosen firm has undergone strategic changes since its foundation in relation to its performance in the market and in redesigning its decision from progressing alone to accepting the purchase proposal of a multinational firm. It is, thus, a suitable case for our research purpose, since it provides significant evidence of strategic renewal and permanence in the foreign market, enabling to analyze the relationships between them (Siggelkow, 2007).

Thus, this article seeks to contribute to the theory of IB in several ways. First, by addressing the phenomenon of digital born globals from emerging markets that undergo strategic renewal. Moreover, considering permanence is still aligned with performance, this study is an attempt to contribute to the discussion of a construct, analyzing permanence as a multidimensional concept, which covers beyond performance, time abroad, number of markets served, and expansion time. This means a long term and sustainable commitment in the foreign market. In terms of managerial implications, the study contributes to managers' knowledge by providing specific insights on the strategic renewal as a dynamic capability and the way how it may be considered as a fundamental pillar of permanence.

Therefore, in addition to the introduction, this article is divided into five more sections. In the next section, we present the theoretical basis with concepts and characteristics of born globals from emerging markets, digital firms and strategic renewal. In section three, the methodology of the study is presented. The fourth section brings a brief history of the firm and its internationalization process. The fifth section brings the results and discussion of the study. In the last section, the final considerations are presented, as well as some suggestions for future research.

Theoretical background

Born globals from emerging markets and digital firms

Empirical studies have shown that the likelihood of born globals to be acquired by large Multinational Companies is about 5% up to its 5 years initial post-entry in foreign markets, however. The likelihood to leave those markets is about 60% (Andersson & Xiao, 2016). In this context of dynamic markets, born globals need to develop innovation capabilities (Efrat et al., 2017) or even business model innovation (Abrahamsson et al., 2019), to sustain its growth and to keep operating in those foreign markets (permanence).

Born globals are firms that from their foundation operate in the foreign market (Knight & Cavusgil, 2004). These firms need to develop entrepreneurship capability to survive and succeed, associating themselves to collaborative ventures, using relationship networks (Cavusgil & Knight, 2015), and for all being resilient and persistent to build legitimacy in the international market (Bangara et al., 2012).

In the literature, studies on born globals focus on the important role of the founders (Baum et al., 2013) and attribute their success in the international market to the experience of the entrepreneur and the networks built by the firm abroad (Oviatt & McDougall, 1995). The resources of the actors of the foreign market networks as well as the continuous insertion of new network members enable firms to survive (Gabrielsson & Gabrielsson, 2013). In addition, the configuration of the network is an important dynamic feature in which continuous resource building is required for firms to explore their relationships (Ngasri & Freeman, 2018).

Other scholars, like Prashantham (2008), have focused on the role of social capital in supporting the strategic renewal of internationalization-seeking born globals. And Monferrer et al. (2015) have focused on the market orientation of networks towards the development of dynamic capabilities in the case of Spanish born globals. The authors argue that network insertion facilitates the development of exploration and exploitation capabilities, where dynamic exploration capabilities involve adaptive and absorptive capabilities that, in turn, influence the capability to exploit knowledge through innovation. Regarding the performance of born globals, Sadeghi et al. (2018) affirm that the rapid international expansion offers some important financial and non-financial growth opportunities. However, to take advantage of such opportunities it is necessary to learn with the experiences, to develop new capabilities and to adapt them to new markets.

In this context, the interaction between exploration and exploitation capabilities, as pointed by *Bandeira-de-Mello et al. (2016)* for the case of multinationals from emerging markets, can evolve into four different periods. The first period comprises the origin (exploration) of the internal capabilities that help in the competitiveness in the firm's domestic market. The second period refers to the growth (exploitation) of these capabilities in the domestic market. The third and fourth periods involve the international market, where the third refers to the development of new capabilities and the fourth to the exploitation of domestic and international capabilities.

Emerging markets “have undergone significant structural transformation in the recent past” (*Luo & Tung's, 2007, p. 482*). However, these environments are still characterized by under-developed institutions (*Cuervo-Cazurra, 2008*), weak capital market, regulatory infrastructures and fast-paced turbulent change (*Marquis & Raynard, 2015*). Thus, unlike developed countries, provide stronger ownership advantages (*Cuervo-Cazurra & Genc, 2008*), resources, opportunities of growth and accelerated international expansion (*Bangara et al., 2012*), economy of emerging countries are not favorable in the generation of property advantages (*Gammeltoft et al., 2010*). In this way, born globals from emerging markets need the leverage of trade associations and other sources of competitive intelligence in order to overcome the liabilities that permeate newness and foreignness, as well as strengthen the marketing strategy, where network capability is one indicator, resulting in better outdoor performance (*Falahat et al., 2018*). Born globals are small firms, with insufficient resources, which also need to deal with the liability of smallness (*Khan & Lew, 2018*).

In the literature of born globals from emerging markets (as shown in Table 1), we can find a broad scope of studies. For instance, while *Dib et al. (2010)* and *Machado & Bischoff (2018)* have highlighted the role of the entrepreneur and network (*Lin et al., 2016*), others have attempted to address the topic of innovation performance and improvement based on client-oriented strategies (*Kim et al., 2011; Karatepe et al., 2016*). We also identified studies that have investigated the family business born global (*Wach, 2014*), or the likelihood exporting firms to turn into born globals (*Cancino & Coronado, 2014*), the role of social capital (*Zárate – Montero & Torres – Ortega, 2019*) and the risk perception by such kind of focal firms (*Stocker & Abid, 2019*).

Permanence abroad and strategic renewal of a digital born global from an emerging market: a case study

Origin of Studies	Author(s) and Year	Main Findings
Brazil	Dib et al. (2010)	Compared to firms that go through gradual internationalization, born globals are more innovative, more customer oriented and with entrepreneurs with more technical knowledge; entrepreneurs are more susceptible to the risks associated with operations in international markets.
	Ribeiro et al. (2012)	Internationalization is influenced by the integration into global supply chains and the international management skills of entrepreneurs.
	Ribeiro et al. (2014)	Internationalization of born globals benefits from integration into a global production chain; born globals that take more than 5 years to internationalize benefit more from their location in an innovation environment, from their home country partnerships and from government policies towards internationalization.
	Cahen et al. (2016)	The main barriers to internationalization include external institutional barrier, internal organizational capability barrier, and human resource barrier.
	Zonta and Amal (2018)	Internationalization into a country with stable institutions positively affects innovation; Internationalization enables the exploitation of resources, financial growth, contact with new knowledge and the development of superior capabilities.
	Machado and Bischoff (2018)	Intangible and unique resources, niche operations and founders focused on the international market, all influence rapid internationalization.
	Stocker and Abid (2019)	Managers' experience and network insertion reduce the perception of risk.
Chile	Cahen and Borini (2019)	International digital competence consists of four capabilities: cross-cultural programming skills, global virtual networks, cross-border digital monetizing adaptability, and IB model reconfiguration; importance of the entrepreneur's international orientation.
	Cancino and Coronado (2014)	Foreign capital network, network of economic development agencies, cultural distance, location and size of firms are factors that influence the formation of a born global.
China	Vissak et al. (2012)	Born globals internationalize even with little knowledge.
	Lin et al. (2016)	Importance of the role of managers and networks in the internationalization process.
	Lin and Si (2019)	The interaction between exploration and exploitation capabilities influences the pace of internationalization of born globals.
Costa Rica	Zárate - Montero and Torres - Ortega (2019)	Social capital is important in the entry of born globals in the international market.
India	Kim et al. (2011)	The orientation of the client of born globals helps the innovative capacity of the firm.

	Bangara et al. (2012)	The important role of managers in the strategic behavior of firms.
	Kumar and Yakhlef (2014)	Importance of dynamic capabilities for the growth and survival of born globals.
Malaysia	Falahat et al. (2018)	The marketing strategy mediates the relationship between the entrepreneurial orientation and the networking capability and foreign market performance; foreign market performance is affected by entrepreneurial orientation and marketing strategy.
Nepal	Tiwari and Korneliussen (2018)	Entrepreneurs' experiential knowledge is important.
Pakistan	Khan and Lew (2018)	The survival of born globals is influenced by sensing, that means the founders' entrepreneurial orientations and network development capabilities; seizing, that is, the specialized product focus and niche market development; and reconfiguration, which is the transformation and renewal capabilities.
Poland	Wach (2014)	The internationalization time is longer for family born globals.
Turkey	Uner et al. (2013)	Procedural barriers to exports affect born globals.
	Karatepea et al. (2016)	Technological capability is a full mediator between customer orientation and innovativeness.

Table 1. Main studies on born globals from emerging markets (2010-2019)

Based on the literature review, Vissak et al. (2012) define born globals as firms that internationalize despite the low level of knowledge on foreign markets. Based on this perspective, and attempting to explain such phenomena, Ribeiro et al. (2012) studied new, small, technology-based Brazilian firms and suggested that these are rapidly internationalizing firms which are likely to be integrated into a global production chain. In addition, Ribeiro et al. (2014) suggest that when firms take more than 5 years to internationalize, they benefit from the location with positive innovation environment, from the partnership in the country of origin and the government support and policies to promote the internationalization of firms.

On the other hand, several studies have identified the kind of barriers to internationalization born globals face in emerging economies (Uner et al., 2013). In the case of Brazilian technology-based firms, Cahen et al. (2016) identified three kinds of barriers to internationalization: external institutional barrier, internal organizational capability barrier, and human resource barrier.

Like multinationals from emerging markets (Cuervo-Cazurra, 2012), small firms used to approach more traditional markets in search of opportunities that are scarce in their domestic market (Bangara et al., 2012). In this case, the internationalization in countries with stable institutions is likely to positively affect the innovation performance of firms, as well to explore new resources, financial growth, access to knowledge, and the development of superior capabilities (Zonta & Amal, 2018).

Khan and Lew (2018) studied born globals from Pakistan and revealed the important role played by entrepreneurs in the orchestration of capabilities, as well as the role played by dynamic capabilities in the permanence of firms abroad. Likewise, when studying emerging market-based micro-export firms from Nepal, with rapid internationalization, Tiwari and Korneliussen (2018) argue that entrepreneurs' experiential knowledge is important. It is acquired through previous experiences, social networks, and participation in international fairs, building network connections and knowledge in the external market. Finally, based on the case of Chinese born globals, Lin and Si (2019) have found that the interaction between the capacity of exploration and exploitation has a positive effect on the internationalization speed of born globals.

Boosted by information technology and the Internet, born globals play an increasing role in the international trade, where youth, lack of experience and scarce financial, human and tangible resources no longer hinder internationalization and success (Knight & Cavusgil, 2004). Since born globals can act mostly using virtual channels, their internationalization relies less on tangible resources and location. This process of internationalization can be explained by what Cahen and Borini (2019) call 'international digital competence' (IDC), which consists of four capabilities critical: cross-cultural programming skills, global virtual networks, cross-border digital monetizing adaptability, and IB model reconfiguration.

Digital born globals are firms that develop digital products (Cahen & Borini, 2019) and can operate through digital devices, which are digital components, applications, contents media, platforms, sharing services, architecture, and infrastructure, which are digital tools and technology systems (Nambisan, 2017). In this sense, Brouters et al. (2016), when investigating digital firms that operate through platforms, state that these firms face liabilities of outsidership, because they need a large user base. Ojala et al. (2018) connect the term to networks and Chen et al. (2019) state that in addition to suffering from

liabilities of outsidership, the internationalization process depends critically on users' collective interactions.

Thus, given the speed with which markets change and the opportunities that constantly emerge for new entrants (Teece, 2007), factors such as learning (Prashantham & Young, 2011), dynamic capabilities (Kumar & Yakhlef, 2014; Turcan & Juho, 2016) and the exploitation of renewal capabilities (Khan & Lew, 2018), which are strategic by nature (Zahra & George, 2002), are important for the survival of born globals. Furthermore, the shift from the entry to the post-entry is a crucial phase of transition to born globals and its permanence abroad (Romanello & Chiarvesio, 2017), wherein the strategic renewal capabilities are central for these companies to learn and renew themselves from the opportunities and incessant changes of the international environment.

Strategic renewal

Rapidly changing environments lead firms to integrate, build and reconfigure their internal and external competences (Teece et al., 1997), in order to renew or replace organizational attributes (Agarwal & Helfat, 2009). In this way, the capability for strategic renewal, which refers to the "activities that a firm undertakes to change its dependence on their path" (Volberda et al., 2001, 160), is driven by DCs (Riviere & Suder, 2016).

Of a strategic nature, dynamic capabilities are geared towards organizational changes, defining the path of firm evolution and development (Zahra & George, 2002). Transformation capability, which involves the continuous renewal of the firm, together with the identification and assessment of opportunities in the country of origin and abroad, i.e., sensorial capability, and the mobilization of resources globally to address opportunities and capture value to do so, are the three groups that orchestrate the organizations' management (Teece, 2014).

Used for the exploration of opportunities (Mckelvie & Davidson, 2009), the dynamic capability structure is the result of learning and developing skills and competencies of the firm, which promotes the reconfiguration of the business when external conditions undergo transformation (Teece, 2007). Thus, dynamic capability can be understood and defined as a "learned and stable pattern of collective activity

through which the organization systematically generates and modifies its operational routines in the pursuit of improved effectiveness." (Zollo & Winter, 2002, p.5).

The more dynamic capabilities are embedded in the organizations' resources, the more they strengthen a sustainable competitive advantage, since within an organization, business models, dynamic resources and strategy depend on each other (Teece, 2018). Thus, dynamic capabilities permeate the "capability to renew organizational competencies over time, aiming at the creation and maintenance of competitive advantages." (Floriani et al., 2009, p. 370).

Internationalization knowledge and strategic renewal are also factors that are influenced by dynamic capabilities, which, when strong within firms, allow them to perceive market changes and thus alter their resource base (Riviere et al., 2018).

Dynamic capabilities can also lead to new positions and paths, understanding the development of exploitation and exploration capabilities (Helfat & Peteraf, 2009) along the way, as well as their balance (Dosi et al., 2003). Within this perspective, the fast pace of change in which firms are immersed causes them to seek to internationalize the development of internal assets (exploitation) and new ideas and resources (exploration), by performing an ambidextrous process (exploitation and exploration) in order to acquire different dynamic resources and increase the internationalization performance (Prange & Verdier, 2011).

The ambidexterity capabilities of exploitation and exploration are the ones that allow firms to remain competitive (Dosi et al., 2003; Helfat & Peteraf, 2009; Prange & Verdier, 2011), with international ambidexterity being the basis of a sustainable international firm (Prange & Verdier, 2011) and part of the strategic renewal process (Crossan et al., 1999).

It is through the modification of the organization's resource base that strategic renewal becomes important for dynamic capabilities, and involves multiple dimensions of change, influencing routines and processes for decision-making and implementation, among other organizational issues (Agarwal & Helfat, 2009). "If a firm has resources, it can create and capture additional value by staggering them globally." (Pitelis & Teece, 2010, p.11).

Riviere et al. (2018) state that advances and improvements in the knowledge base of internationalization provide the discovery of new knowledge as well as adjustments to the firm's strategy, which increases the perspective of future success. Therefore, strategic renewal "refers to the process that allows organizations to change their path dependency, transforming their intentions and strategic capabilities" (Schmitt et al., 2018, p.1).

From the point of view of the IB literature, international exposure provides the contact with stimuli to innovation, which causes firms to develop renewal capabilities through the search and change routines, geographic and environmental stimuli and learning abroad (Riviere & Suder, 2016). Strategic renewal may influence the organization's future prospects (Agarwal & Helfat, 2009), and it is essential for firms to remain in the dynamic market in which they operate (Riviere et al., 2018; Schmitt et al., 2018).

In the case of born globals, the exploration of technological knowledge helps these firms to develop a more suitable product offer to the international market, thus, strategic renewal is important to achieving pre-internationalization innovation outcomes (Prashantham, 2008).

In Figure 1, we present our main theoretical framework, in which we establish the connections between internationalization of digital born globals and strategic renewal, captured through the exploitation and exploration capabilities. In our framework, we discuss the internationalization from the perspective of permanence, which, as explained earlier, reflects the conditions by which firms can sustain their internationalization in the long run.

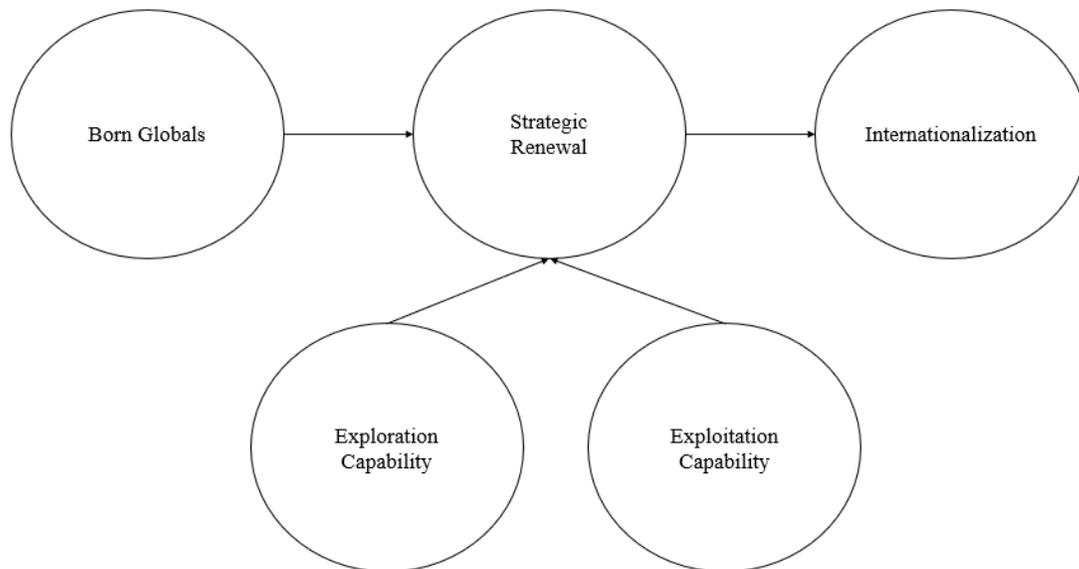


Figura 1. Theoretical Framework.

The IB literature states that strategic renewal, driven by dynamic exploration and exploitation capabilities, influences the internationalization of born global companies. However, after entering foreign markets, companies must constantly adapt to the movement of the international market (Teece, 2014). In this sense, while the literature has focused on the understanding of this process in the selection of markets, or foreign entry modes to serve these markets, without considering the time and the dynamic of the process. Also, little is known about the strategic renewal and its influence on the permanence of born globals from emerging markets, particularly in the case of digital born globals (Vadana et al., 2019).

Therefore, our main purpose in this article is to provide a general framework that shows the connections between the concept of digital born globals from emerging countries, strategic renewal, and its influence on the permanence of such firms in the international markets through an exploratory research.

Methodology

In order to achieve the objective of this study, which is to investigate the influence of strategic renewal on the permanence of digital born globals from emerging markets abroad, the exploratory qualitative research method was used. Qualitative research, besides enabling the study of firms that act

internationally in the contexts of globalization (Birkinshaw et al., 2011), it also allows the use of a more inductive case study approach, with the development of theoretical propositions for future research avenues (Eisenhardt, 1989).

As a significant example to study the issues raised above (Siggelkow, 2007), a unique case study was adopted. A unique case study promotes the scientific progress (Flyvbjerg, 2006), since it involves a holistic analysis of the phenomenon (Baxter & Jack, 2008). Thus, for the chosen case to meet the theoretical framework and the variables under study (Ghauri, 2004), we adopted the following criteria: a) emerging market firm, since most studies on born globals focus on developed countries (Paul Rosado-Serrano, 2019); b) digital born global, since the born global literature focuses on studies of companies with physical entry modes, exporters or those making foreign direct investment (Cahen & Borini, 2019); c) internationalization 3 years after foundation, following the arguments of Knight et al. (2004) for firms to be considered born globals; d) strategic changes incorporated throughout the firm's path, so that we could explore the relationship of strategic renewal and permanence (Schmitt et al., 2018).

These criteria led us to the case of Decora, a digital Brazilian firm that works with the creation of Computer Graphic Imagery (CGI) to 3D model the products of retail furniture and decoration customers. Regarding the emerging market criteria, Decora represents a case of internationalization of a firm from an emerging country, Brazil, facing difficulties to innovate adequately for serving a developed and technologically more advanced market, the United States (south-north movement). As the criteria for being a digital company, Decora is characterized as a firm that offers digital service, has digital suppliers and customers.

In terms of the criteria of speed of internationalization, Decora was created in 2012 and internationalized in 2015, within 3 years of its foundation, thus being considered a born global. In addition, in the course of its path, the firm underwent strategic changes both in relation to its market performance and in relation to its decision to follow a path without external investments and later accept the proposal of purchase by a multinational.

Since studies on digital born globals investigate the Brazilian internet industry (Cahen & Borini, 2019) or digital born globals of developed countries (Brouthers et al., 2016; Ojala et al., 2018; Chen et al.,

2019), Decora's case enables the analysis of the strategic renewal and permanence of a digital company from an emerging country. The company has global service providers and clients around the world, thus demonstrating that even with a domestic market that does not absorb the newness, the company has pursued a more advanced commitment strategy to enter the US market. From this movement, the company realized the need for a strategic renewal to remain in the international market. Thus, the case is adequate for this study, supporting the variables of analysis.

Data were collected through interviews, an efficient empirical data collection tool that may, though, generate doubts in relation to data reliability (Eisenhardt & Graebner, 2007). We thus opted for unstructured interviews, a model recommended for exploratory studies, which allows the respondents to freely talk about the subject (Gerhardt & Silveira, 2009). As a technique for collecting and addressing interviews, we use the Grounded Theory to minimize errors in attributing cause to strategic renewal and permanence abroad (Starks & Trinidad, 2007). This type of approach allows the core aspects to emerge naturally, without intentional approach, thus contributing to the theory of IB (Gligor et al., 2016). The interviews were run with the CEO and the Commercial Director, both founders of Decora, and were recorded, during the second half of 2018.

Data were collected through secondary data as well, which included online material from the official website, press releases and press interviews from both the case study and the multinational company that acquired the company. Thus, the results of the interviews were triangulated with the secondary data and the investigated theory in order to increase the validity and reliability of the study (Yin, 2017).

As for the case analysis (as shown in Table 2), we analyzed and codifies the material according to previously established theoretical categories: digital born globals; strategic renovation, with exploration and exploitation subcategories; and permanence, in which references were considered to performance, time abroad, number of markets served and expansion time.

Analytical categories	Definition	Authors
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Digital born global	Digital born globals are companies that develop digital products and have digital customers, suppliers and/ or infrastructure in foreign markets.	Brouthers et al. (2016); Nambisan (2017); Ojala et al. (2018); Cahen and Borini (2019); Chen et al. (2019).
Strategic renewal	Driven by the dynamic capabilities of exploration and exploitation, strategic renewal comprises path rejection in order to transform resources, capabilities and intentions of firms.	Volberda et al. (2001); Riviere and Suder (2016); Riviere et al. (2018); Schmitt et al. (2018).
Exploration capability	Capability to identify opportunities and learn from external changes.	Helfat and Peteraf (2009); Prange and Verdier (2011).
Exploitation capability	Capability to develop knowledge, improving existing capabilities.	Helfat and Peteraf (2009); Prange and Verdier (2011).
Internationalization: Permanence	By permanence, we mean the firm's commitment over time in foreign markets. That is, the concept includes not only the first entry, but particularly reports the post-entry process. We try to capture this process through the following variables: performance, time abroad, number of markets served and expansion time.	Authors' definition.

Table 2. Categories of analysis and definition

Finally, we used content analysis to systematically evaluate the data (Kolbe & Burnett, 1991). In this sense, we analyzed the company's history in the home market, as well as its growth, identifying the development of exploration and exploitation capabilities that led to strategic renewal. Subsequently, we analyzed the development and implementation of these capabilities, with a view to strategic renewal in the foreign market and the permanence of the company.

A brief history of Decora and its internationalization process

Founded in 2012, Decora is a Brazilian firm created by two students of Business Administration, who sought to start a business in the sector that demanded innovation. At the time, with the information that the Brazilian decoration market was growing considerably, the founders decided to create a platform for this sector. They then looked for the help of an incubator for the development of the platform.

Thus, the firm began its operations through a platform that connected decorators, architects and designers to clients interested in creating environments. The firm that had almost 200 service providers (collaborators) located throughout Brazil (NDOnline, 2018), managed to democratize decoration projects, which resulted in a design and innovation award to the company.

However, despite the good acceptance of the service provided, this model was not very successful, since, according to one of the partners of the firm, "the demand was very small and the revenue was insufficient to maintain the firm" (NDOnline, 2018, p.3). The founders then decided to use e-commerce firms that would use the material developed by Decora. However, they realized that for the success of the business it was necessary to work in scale with large retailers, which became the great differential of the firm in relation to photographs studios. The studios work manually with the products, costing up to 10 times and taking more time.

After two changes in the firm's business model, Decora began to invest in the platform's technology. From the interest of one customer, the company focused on CGI technology to create 3D images. It thus started to operate on a large-scale base, attracting global professionals who create CGI to 3D model products of furniture and decoration retail customers. This network connected professionals from countries like Argentina, India and Pakistan. It allowed to lower the cost, since, for example, a job performed by an Indian designer costs 20% the cost of the same job made by a Brazilian designer, and only 5% than of the cost of an American designer (CEO, 2018). Thus, taking advantage of a global digital platforms, the firm was able to reproduce a much larger number of environments at a significantly lower cost than if the customer used a photo studio.

From the consolidation of its services, and a 100% increase in domestic sales, three other members joined the founders, becoming partners of the firm. Decora tried to expand its operations. With an initial investment in the North American market of USD \$70,000 (CEO, 2018), the partners started to invest all the resources and revenues generated by its growth, and taking advantage of the opportunities provided by the United States market. The US market was already advanced in the use of CGI in films and games, but not in the specific area Decora was developing.

Thus, in 2015, the firm, which already had 5,000 professionals spread around the world, began operating in the United States (CEO, 2018). This was motivated by the support of a Brazilian program, which selects micro and small enterprises in the state of Santa Catarina (South of Brazil) to help in their operation in the United States. In addition to assistance and support of the Brazilian program, which began in 2014, one of the partners of the firm moved to the United States during this same period, which allowed the firm to trace its path in the process, opening a branch in the Research Park of Florida Atlantic University, a business incubator located in Boca Raton, Florida. In addition to the incubator, the company also had help from the Florida state government, which provided free market research, tax incentives and physical structure.

The company then started to invest in events in the area of design, technology fairs and e-commerce fairs. Through its participation in fairs, Decora won its first clients in the United States market, which enabled it to stay abroad without the need of external investors.

It was at one of the trade fairs that Decora met the head of marketing for the largest US retailer. Seeing the retailer's presence at the fair, Decora sought to present its services, but did not receive much interest from the company. But what surprised Decora was that a few months later, the retailer contacted them. The retailer then requested 2000 images within 6 months. Even considering this a difficult demand to meet, the entrepreneurs accepted the challenge (CEO, 2018).

With the deadline met, Decora signed an agreement with the largest decoration retailer in the world. Thus, as commented by one of Decora's partners, by winning this customer, the firm's visibility as well as its competitive potential increased in the North American market, which led the firm to receive its first offer of purchase worth ten million dollars, by Creative Drive. Creative Drive is a New York-based North American firm that has an average of one hundred and fifty creative studios, strategically distributed around the world, creating content in scale (Creative Drive, 2018).

The partners did not accept the proposal, since during 2017 the firm growth was above 1000%. However, in March 2018, the founders and partners opted to sell their startup to Creative Drive for USD \$100 million, the second greatest business in Brazil after 99 has been sold to a Chinese group (Exame, 2018). Table 3 briefly describes Decora's timeline.

2012 Foundation. At that time, the firm operated through a platform that connected decorators, architects and designers, to clients interested in creating environments.

2012-2014 Strategic Renewal: this business model was not successful, so the firm began to operate focusing on e-commerce. Once again, without positive results, the firm realized the need to work in scale with large retailers.

2014 Participation in the Brazilian program and one of the partners of the firm moves to the United States.

2015 Internationalization by entering the United States market. Participation in fairs. Firm wins the largest decoration retailer in the world as a customer.

2016 Growth in the North American market. First offer of purchase by Creative Drive, however the firm decided to keep growing alone.

2017 Firm growth continues, now stealing customers from its main competitors.

2018 Strategic Renewal: firm is sold to Creative Drive.

Table 3. Timeline

Myles Peacock, CEO of Creative Drive, said Decora's technology is innovative and that "Decora's scalable content creation platform offers 'smart content' already prepared for augmented reality and virtual reality, platform agnostic and capable to understand the needs of today's and future retailers"(NSC Total, 2018, p.2).

However, even after the acquisition of Decora by a North American firm, the founders and partners remained in charge of the firm. This was established in the negotiation, which lasted one year from the first offer until the sale, and had the price increased due to customers who moved from Creative Drive to Decora. The firm currently has an international network of more than 4000 service providers (designers) in India, Russia and Argentina, all on their online database, and more than 100 employees working in their premises in the areas of design, programming and quality control (SCINOVA, 2018).

Decora continues to be used by the managers as their own brand, but the name of Creative Drive comprises the final product and digital scenarios (El Economista, 2018). With more than 90% of the firm's revenue coming from US retailers, the firm aims to start working with other industries, such as fashion, beauty and car parts, as well as operating in markets in Europe and, next, in Asia (Estadão, 2018).

Results and Discussion

As we have already discussed in the literature review, given that exploration and exploitation capabilities comprise DCs and these, in turn, lead to strategic renewal, this article analyzes through exploration and exploitation capabilities the strategic renewal of the digital born global. For this, we adopted the general framework of approaching the evolution and internationalization path of firms (Bandeira-de-Mello et al., 2016), by which we consider four main periods: the origin, growth, development and implantation. For our case study the origin and growth cover the period from 2012 to 2014; and development and implantation periods take place from 2015 to 2018.

Origin and growth: exploration and exploitation in the country of origin

Regarding the origin that corresponds to the exploration of capabilities in the country of origin, Decora was founded in 2012. From foundation to the current model, it underwent some changes in its business model. At the beginning, the firm worked with a platform that connected decorators, architects and designers to customers interested in creating environments. Since this model was not successful, the founders then turned their activities to the use of e-commerce. Once again, the expected result was not achieved, but it made the founders identify an opportunity for their product.

Due to organizational learning (Crossan et al., 1999), the firm realized the opportunity to work in scale with large retailers, which resulted in a new alternative through the firm's exploration capability (Prange & Verdier, 2011). The firm then sought to invest in the technology of the platform, creating CGI for 3D models to be able to work in scale, attracting professionals and growing through the improvement of existing capabilities, that is, its exploitation capability (Prange & Verdier, 2011).

Decora sought to integrate, build and reconfigure its internal and external competences (Teece et al., 1997), focusing on another niche market. Based on its abilities, it was able to renew its attributes (Agarwal & Helfat, 2009). As a result, through its dynamic capabilities, the firm underwent evolution and development (Zahra & George, 2002), serving large national retailers and renewing its strategy.

With the new business model coming from the strategic renewal process adopted by Decora, which had exploration and exploitation capabilities as part of the process (Crossan, et al., 1999), the firm started

to produce a much larger number of environments at a lower cost. Soon after, it managed to become competitive in relation to photographs studios, its main competitors.

In 2014, the firm that had 12 employees working in its facilities, and more its international network (Falahat et al., 2018), which enabled the firm to labor with insufficient resources (Khan & Lew, 2018), decided to try to expand its activities to the international market. The partners, who were analyzing potential global competitors, realized that there was nothing similar in the foreign market with what Decora offered. Thus, the entrepreneurs were able to manage the orchestration of its capabilities (Khan & Lew, 2018) seeking the internationalization of the firm.

The firm participated in a Brazilian program, but it was just a booster to the internationalization, not really a support, characterizing an under-developed institution (Cuervo-Cazurra, 2008). The operate in the North American market really began with one of the partners moving to the United States. Investing all its cash, USD \$70,000, in advertising and participation in fairs, the owners, with entrepreneurial and proactive characteristics, decided to take the risk (Cavusgil & Knight, 2015) and begin expanding. The entrepreneurs' experiential knowledge was acquired with the participation in fairs and the network building (Tiwari & Korneliussen, 2018). Moreover, the benefits to be in a developed country (Cuervo-Cazurra & Genc, 2008; Bangara et al., 2012) was commented by the CEO: *"It was very easy (US) to open a company, request something, everything works, it's much better, you feel safe to invest and do your job."*

The four capabilities proposed to digital company by Cahen and Borini (2019) are presented in the case of Decora. Cross-cultural programming skills, global virtual networks, cross-border digital monetizing adaptability and IB model reconfiguration are factors that allowed the internationalization. However, the case became evident the exploration and exploitation capabilities throughout the firm's trajectory. The firm could realize the United States market (traditional economy) offered opportunities for CGI, and it was much more advanced than the Brazilian market (emerging economy) (Bangara et al., 2012). Thus, the strategic renewal allowed the firm from emerging markets to pursue its growth beyond the home country.

Development and implantation: exploration and exploitation in a foreign country

It was through the participation in fairs that the firm began to know and win big retailers as customers, confirming what Tiwari and Korneliussen (2018) argue about participation in international fairs as one of the factors for the construction of network connections and the knowledge of the external market.

With its focus on large retailers, Decora was able to demonstrate that through 3D design it was possible to reduce the cost of the firm in relation to the volume of images and in reducing the time for the image to be available to the final customer. In addition, the product's ambience makes it possible to increase the average retailer's ticket and differentiate it from competitors like Amazon. *"They know that price is very difficult to beat, so they want to inspire the consumer, and to inspire the consumer you need more beautiful, inspiring images"* – CEO of Decora.

The firm needed to develop its exploration capability in order to understand the American consumer desires, which are different from those of the Brazilian consumer, and might even have internal differences, *"the North American consumer from California is different from the consumer from Miami, who in turn is different from those from New York"* – CEO of Decora. This knowledge led to adapting the product, that is, the implantation of the exploitation capability, thus integrating the dynamic capabilities of the firm (Helfat & Peteraf, 2009), and the more they are incorporated to the resources of the organizations, the more they strengthen sustainable competitive advantages (Teece, 2018).

In 2015, while participating in a fair, Decora won as a client the biggest retailer of the world in the area of decoration. In order to serve this large client, it was necessary to expand the network of architects and designers, which was only possible through the global production chain in which the firm is inserted (Ribeiro et al., 2012).

In this same year, the firm began to build a structure in the United States. However, 90% of its structure is still located in Brazil. After winning more customers, the firm came to be seen as a direct competitor to Creative Drive, which in 2017 started talking to Decora about a possible acquisition. The sale only took place in March 2018, when after the loss of other customers to Decora, the purchase value that started at USD \$10 million reached USD \$100 million (Exame, 2018; Commercial Director, 2018).

Regarding the acquisition of Decora by Creative Drive, the Commercial Director stated that the born global began the business with the intention of seeking a portfolio of its own, without external investment. However, it ended up closing the sale to the North American firm due to two factors. The first factor was the condition that the partners would continue to have autonomy over the business and the possibility of entering new markets faster, since Creative Drive has 150 offices worldwide (Exame, 2018).

Because of the movement that characterizes the global market, firms suffer with the risk posed by from new entrants (Teece, 2007), so, in the case of Decora, the firm realized that even if the global competitor created another firm with a focus on CGI, they would still be 2 or 3 years ahead. However, the technology market evolves very fast, and in a short time, a new technology could appear that would make Decora obsolete. In the same way, firms are created all the time, in other markets, other processes, being able to have higher quality and lower price, characterizing a competitive market.

Decora was able to cope with the liabilities of newness, foreignness and smallness in the United States market. However, the firm realized the importance to expand before new entrants, identifying its liability of timing. Because in the digital business technological changes use to happen frequently, as well firms operating in the sector using their own resources (Cahen & Borini, 2019), firms will face a new kind of liability, which we call liability of timing. This is how resources become dynamic (Ngasri & Freeman, 2018). Thus, firms in the digital business, in order to overcome their liability of timing, have to lead significant changes before the market or the competitors do.

The liability of timing always needs to be overcome by firms, but in the case of technology-based born globals, the liability of time needs to be overcome day to day, as new technologies are developed all the time. The CEO comments: *"It may be that 2 years from now Decora will not exist anymore, because a new technology has entered in India, China. The market is very competitive."*

Therefore, the strategic renewal of the firm involves the decision to sell to a multinational, where through the exploration capability of the firm the partners realized that in their area of action they could suffer with the emergence of new entrants, which could hinder the firm's objective to be a pioneer in other markets. The born globals' founders states that the firm was not known and that it was necessary for Decora to seek new customers to its sustainability over time in the international market. Thus, the name

of a multinational, with large international clients, would help in its expansion. The exploitation capability to internally develop new ideas from exploration capability (Prange & Verdier, 2011) led the firm to accept the proposal to sale the firm, which has been a fundamental mechanism to overcome the liability of timing.

For technology-based born globals, the strategic renewal is fundamental to overlap the liability of timing, as these firms must always be innovating and reinventing themselves in the shortest time. The important result from our case is that the permanence of Decora abroad encompasses to improve its performance, that depends on its capability to learn from the previous experiences, to develop new capabilities and to adapt them to new markets (Sadeghi et al., 2018), increase its time abroad, expand the number of markets served and overcome its expansion time. We regard these variables as the main components of a multidimensional construct, which means a long-term sustainability in the foreign market.

To conquer new markets the company needed to face and cope with the liability of timing, renewing its own strategies (Agarwal & Helfat, 2009). This suggests that learning abroad (Riviere & Suder, 2016) have led Decora to change its path and redraw a new path (Schmitt et al., 2018). Through its exploration and exploitation capabilities, Decora has realized the importance of renew its strategic and entering in other countries faster than other competitors and how international recognition could accelerate its international expansion, overlapping the liability of timing.

The strategic renewal is important to improve the internationalization, but in the permanence abroad, the strategic renewal requires a new level of resources and capabilities that are not available in the domestic market. In developed countries the firms can increase stronger ownership (Cuervo-Cazurra & Genc, 2008) and make progress with new opportunities.

The findings resulted in a conceptual framework that is illustrated in the Figure 2.

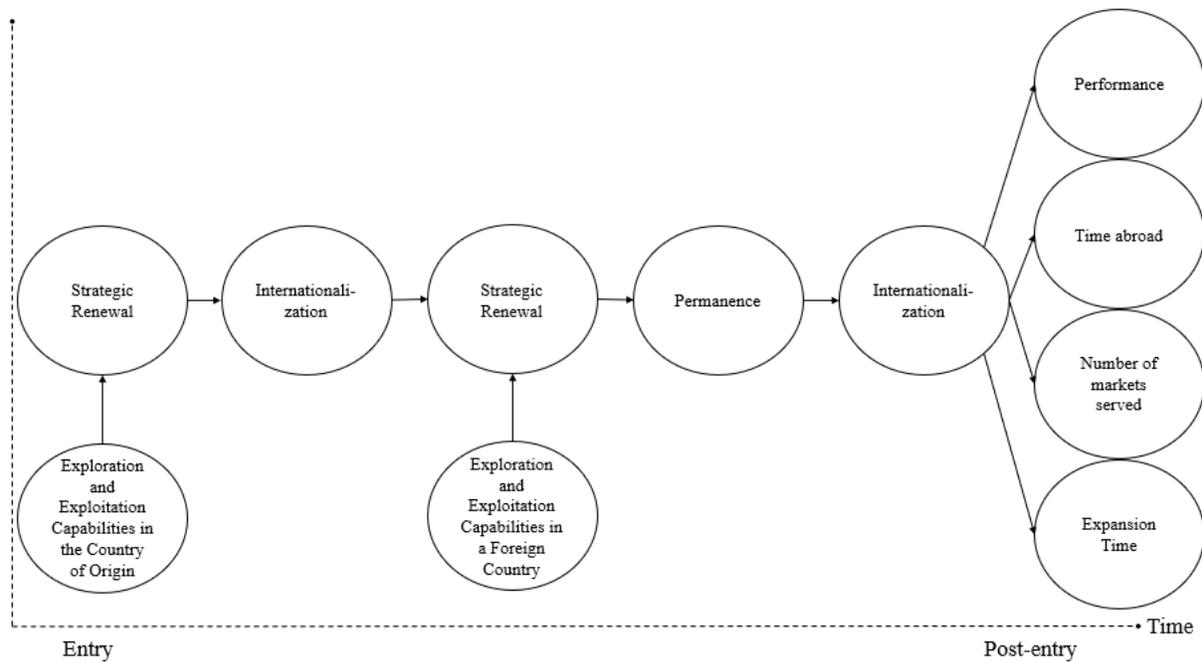


Figure 2. Conceptual framework.

The conceptual framework captured the importance of strategic renewal to the internationalization, but in the case of the permanence abroad the strategic renewal from the exploration and exploitation in a foreign country are required. Strategic renewal is still important to overcome the liability of timing, allowing the permanence abroad that reflects permanence, time abroad, number of markets served and expansion time. Although the research investigates a digital born global from emerging markets, the capability of strategic renewal can be relevant to other firms and their permanence in the international market.

Conclusion

This article shows a unique case study of a Brazilian digital born global from an emerging market, who underwent internationalization to the North American market after strategic changes in its performance, and three years after internationalization, it chooses to accept a proposal to sell the firm to a multinational in the United States.

The case of Decora has shown the role of the entrepreneurs' vision, from the foundation of the firm to considering the international market and its opportunities as a main strategy of growth and capabilities building. The insertion in networks, through their virtual service providers (collaborators), allowed the firm to hold large-scale operations in the domestic market, and later expand to the interactive market in which the network of service providers was increased, encompassing worldwide collaborators. In addition to the role of the entrepreneurs and of their network, the firm was able to redraw its strategy, driven by exploration and exploitation capabilities, and promoting, therefore, its internationalization.

After the internationalization, the firm entered a new phase which we labeled as development and implementation. During these two periods, the firm was able to develop and implement the exploration and exploitation capabilities in a foreign country. However, during the whole process of internationalization, the firm faced several barriers and liabilities, like the traditional liability of foreignness, but also the cost of geographic distance, the liability of newness (Falahat et al., 2018) and smallness (Khan & Lew, 2018).

Our case study also suggests a new kind of liability that digital born globals may have to face and cope with. We call such liability, liability of timing. We referred to this liability as the risks and costs that may occur when the firm's operations involve a technology that is at risk of being replaced or used by a competitor with lower prices, or even more advanced technologies. In this case, the firm realized the need to expand its performance before new entrants are able to make the catch up. The decision-making comprised the exploration and exploitation (development and implantation) capability of the firm, with the knowledge of the market being acquired and internalized. The capabilities led the born global to renew itself strategically, considering that the strategy of the firm that was to grow alone was redesigned in order to stay in the foreign market.

This paper contributes to the IB literature, linking strategic renewal driven by the dynamic capabilities of exploration and exploitation in a foreign country to the permanence of digital born globals from emerging market abroad.

Although born globals represent a rare phenomenon in the international market (Braunerhjelm & Halldin, 2019), the number of digital firms in the world has increased considerably (Cahen & Borini,

2019). However, studies that investigate digital born globals are still limited, addressing the internationalization of their services from networks (Ojala et al., 2018), their liabilities of outsidership (Brouthers et al., 2016; Chen et al., 2019) and their competences for internationalization (Cahen & Borini, 2019).

Nevertheless, as advocated by Efrat et al. (2017) and Abrahamsson et al. (2019), in the context of dynamic markets, born globals need to constantly innovate to sustain their growth and permanence abroad. In this sense, our findings suggest that the capacity for strategic renewal, carried out through the capabilities of exploration and exploitation (Prashantham, 2008; Riviere & Suder, 2016), in addition to permeate the home market and internationalization, includes the development of higher capacities that are only available in the foreign market.

As post-entry is a crucial moment for survival (Romanello & Chiarvesio, 2017), digital born globals seek, through the digitalized world, to develop competitive advantage (Ojala et. al., 2018), but for that they face rapid market changes. Our results highlight the fundamental role of strategic renewal (Prashantham, 2008; Riviere & Suder, 2016), contributing to the literature of digital born globals regarding the effects of exploration and exploitation capabilities. Exploration capabilities are reflected in the firm's ability to identify opportunities and learn from the foreign market and its changes, and exploitation capabilities in the development of knowledge, improving existing capabilities. Therefore, we suggest the following proposition:

Proposition 1: While the effects of exploration capabilities allow digital born globals to identify opportunities and learn from external changes, exploitation capabilities develop knowledge, improving existing capabilities.

Since such process is a dynamic process, which means it depends on time, digital born globals need to manage the complex process of innovation through strategic renewal. In other words, as explained above, such firms have to cope with other kinds of liability, which we called liability of timing.

As digital technologies transform the international market, where firms operate through digital devices, platforms, and infrastructure (Nambisan, 2017), the rapidity with which new technologies are developed also requires these same firms to strategically renew themselves. Therefore, in addition to

participating in networks (Cavusgil & Knight, 2015) and highlighting the role of entrepreneurs in rapid internationalization (Machado & Bischoff, 2019), our results suggest that digital born globals need to develop strategic renewal of capabilities to achieve this and overcome the liability of timing, achieving active permanence abroad. Thus, we make the following proposition:

Proposition 2: Strategic renewal allows overcoming the liability of timing.

The permanence of firms abroad is not only limited to their performance in the foreign market, or to the time they are operating abroad, but also depends on the number of operating markets, which strengthens the international presence of firms, and on the expansion time, which allows that the faster the company is able to look for new markets, the stronger it is in relation to new entrants.

Thus, we empirically showed the importance of strategic renewal for internationalization, but especially the extent to which this capability can enable the company to overcome the liability of timing, which requires firms to seek to expand before new entrants appear with more advanced technologies.

Unlike the study by Cahen and Borini (2019), who state that digital firms have their products exposed to virtual markets and thus internationalization occurs almost involuntarily, although they recognize in the study that being available does not mean that the product is attractive, our study exposes the efforts of an emerging market digital company to internationalize and expand in the international market, seeking legitimacy (Bangara et al., 2012).

Our case exposes the expansion of an emerging market digital born global to a developed country in search of opportunities and expertise not available in the domestic country, which, as mentioned, favored the development of higher capabilities. The results show, in addition to liabilities of newness, foreignness, and smallness, a new liability, specific to digital born globals, which we call liability of timing.

Such phenomenon can induce firms to several constant renewal processes in the post-entry period in foreign markets, and, more specifically, the development of exploitation capabilities for their permanence in these markets. In this sense, time management becomes relevant to increase the barriers against new entrants or substitute products, or their acquisition by large and multinational companies. Therefore, we suggest:

Proposition 3: Strategic renewal, from the exploration and exploitation in a foreign country, can influence the permanence of firms abroad.

Managerial contributions can also be made for this field, highlighting the role of entrepreneurs, networks and the development of strategic renewal capabilities, which lead firms to redraw a new path, influencing their permanence abroad. In addition, this study draws attention to the importance of developing strategic renewal capabilities, which can assist managers in their decisions and strategies of international operation, but which mainly enable the company to overcome the liability of timing, with which digital born globals are faced. Although the article does not address the multinational's view, the fact that the founders, even after the sale, continue to manage the firm underlies the research results.

This study has limitations and statements cannot be seen as deterministic, but the proposed framework provides the foundation for future studies. In further research, we suggest studies with multi-case perspective with digital born globals from emerging countries to test the propositions, primarily our suggestion of liability of timing. Moreover, significant cases of digital born globals from emerging markets could be investigated through quantitative studies to test the propositions. Regarding the permanence construct, a quantitative method would enable to find out which variable is more strongly connected to the permanence abroad. Finally, studies can investigate the proposition in firms from developed markets, distinguishing these firms from emerging markets firms.

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