

Internationalisation Process of A Coffee Producer: Born Global and Effectuation Logic

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ABSTRACT

Keywords:
coffee; born global;
effectuation;
internationalisation;
Indonesia

The entrepreneurial process of young exporters in the coffee industry in Indonesia lacks investigation. This study examines how a young company in the coffee industry is able to enter international markets early and rapidly since its inception called a born global company. Effectuation theory was employed to understand how entrepreneurs in the coffee industry made decisions and behaved in pursuing international opportunities. Data was collected through an exploratory case study of a born global firm in the coffee industry in Aceh, Sumatra, Indonesia by doing a semi-structured interview with the CEO of a co-operative. The study's findings revealed that a born global company applied the effectuation logic both in the new venture creation and in the early stage of the internationalisation process. According to the effectuation theory, the entrepreneur's network of domestic partners and prior experience allowed the business to quickly join the international market. The results showed that serendipity discovery was a key factor that enabled early internationalisation to occur. Moreover, serendipity discovery played a role as a base of a cognitive source of opportunity discovery and entrepreneurial acquisition of knowledge of international opportunities.



Introduction

The phenomenon of an increase in the number of small businesses operating abroad from the beginning of their operations has been documented in the literature (Andersson, 2011; Kalinic et al., 2014; Nummela et al., 2014). These businesses, known as "Born Global firms" (BGs), are frequently young, resource-constrained, enterprising small businesses. (Knight & Liesch, 2016). BGs are often described as organisations that have sought superior worldwide commercial performance since their inception or shortly thereafter by the use of knowledge-based resources to the selling of outputs in numerous countries (Knight & Cavusgil, 2004). Their primary focus on worldwide markets and the allocation of special resources to global activities set these businesses apart from the pattern of classic internationalising corporations (Crick, 2009; Knight & Cavusgil, 2004). Unlike the customary trend of businesses that initially operate in the home market for a long time before progressively engaging in the international market (e.g. Johanson &

Vahlne, 1977), beginning with a global perspective of their markets, BGs develop the skills necessary to realise their global objectives at or very soon after the firm's founding. (Cavusgil & Knight, 2015; Thai & Chong, 2008). Such companies are able to conduct international business from the very beginning of their development and grow quickly (Karra et al., 2008; Nummela et al., 2014) despite the fact that they face a number of internationalisation constraints, such as a lack of international experience and insufficient financial and human resources (Freeman & Cavusgil, 2007).

Some academics' interest in BGs has grown rapidly along with their proliferation. There have been discussions on a number of research topics, including the traits of BGs and their entrepreneurs (Kalinic & Forza, 2012), the difficulties BGs face in growing and surviving (Nummela et al., 2014), the importance of networks in internationalization (Vissak & Zhang, 2016b), the importance of knowledge in the internationalisation process (Chandra et al., 2009), the reasons BGs are able to internationalise (Rialp, Rialp, & Knight, 2005), and how financial management affects BGs (Gabrielsson et al., 2004). However, it has made just a small addition to our understanding of the decision-making process on how entrepreneurs act in the development of BGs (Andersson, 2011; Nummela et al., 2014). Additionally, prior research frequently ignores the process of serendipitous discovery in relation to global prospects or the internationalisation of BGs. As a result, the purpose of this work is to solve this problem with regard to BGs' decision-making process and chance contacts.

There is still a need for theory and concepts to better comprehend and explain BGs, especially in emerging economies, despite the fact that BGs have garnered significant study attention in international business and international entrepreneurship over the past few decades. Prior published research have not examined BGs in emerging economies, despite the fact that BGs from these nations are increasingly important players in the global economy. The majority of them frequently emphasise developed economies (e.g. Andersson, 2011; Crick, 2009), while BGs may appear in any markets that support international trade (Wright et al., 2005). When new businesses from emerging markets go global, they frequently have to deal with the liabilities of foreignness and newness, which put them at a competitive disadvantage due to the higher failure rates that younger or newer businesses experience (Wood et al., 2011). Additionally, given the surroundings of emerging nations that appear to be "unstable," such as legislative changes, market uncertainty, and inadequate infrastructures, BGs from these economies frequently face a particular challenge to get through these obstacles (Yu et al., 2017). Investigating BGs in the context of rising economies would therefore be fascinating.

Contributions to this field of study are crucial to broaden the extent of this phenomena because the literature on Born Globals from emerging economies is currently few and of a limited scope. The subject of decision-making in the context of international entrepreneurship requires more research. International entrepreneurship is "*the discovery, enactment, evaluation, and exploitation of opportunities—across national borders—to create future goods and services*" (Oviatt & McDougall, 2005). An approach to entrepreneurial expertise based on decision-making cognitive logic that can be placed under uncertainty, known as effectuation theory (Sarasvathy, 2001), has the potential to help understand and explain the BGs phenomenon in the field of international entrepreneurship (Jones et al., 2011; Sarasvathy et al., 2014). Therefore, the goal of this study's research is to create a dynamic model that accounts for decision-making logic in the early internationalisation of BGs from emerging nations. It also seeks to analyse the impact of serendipity in identifying international opportunities.

Southeast Asia has several rising economies, one of which is Indonesia. This nation is a major global main producer of numerous agricultural tropical products, such as coffee, due to its large and rich fertile soils. According to ICO (2018), one of the top countries in the world for both production and export of coffee is Indonesia. After Vietnam, Indonesia is the second-largest producer in Southeast Asia. Since 2012, almost 70% of Indonesia's yearly production of coffee beans has been exported, mostly to markets in Japan, Western Europe, South Africa, Canada, and the USA (Indonesia-Investments, 2018). The majority of Indonesia's coffee production, especially of the Arabica bean variety, is grown in the Sumatra island province of Aceh. The highlands of Gayo Land, such as Takengon, Southeast Aceh, and Gayo Lues, are frequently used for the cultivation of Arabica coffee. The majority of Aceh's coffee producers are cooperatives whose members are also coffee farmers. In Indonesia, there hasn't been any research done on the BG phenomena. This research tries to close that gap.

In conclusion, this research broadens our comprehension of BGs' decision-making, explores the role of serendipity in the internationalisation process, and thereby advances the subject of global entrepreneurship. Additionally, it responds to the desire for research into entrepreneurial internationalisation, particularly in BG enterprises (Knight & Liesch, 2016; Nummela et al., 2014). An exploratory case study of an Indonesian coffee producer is utilised to demonstrate how BGs make decisions. The theoretical foundation for the notion of effectuation and serendipity is first presented in the sections that follow. After that, we discuss the results and describe the methodology. We conclude by presenting the analysis and recommendations.

Literature Review

The following literature discusses the theory of effectuation and serendipity to guide this research.

The theory of effectuation

Effectuation theory was first presented by Sarasvathy (2001) as a way of thinking that experienced entrepreneurs use to identify opportunities and start new businesses. Effectuation describes a fluid and iterative process for developing new opportunities, businesses, enterprises, goods, and markets (Sarasvathy, 2001; Wiltbank et al., 2006). As opposed to causality, which focuses on accomplishing the desired goal through a specific set of predetermined means, effectuation is a sort of logic that focuses on a collection of developing ways to reach new and different goals (Sarasvathy, 2001). The causal method is helpful when the future is foreseeable, objectives are clear, and the environment is unconnected to human actions while the effectuation approach is advantageous when the future cannot be foreseen, goals are ambiguous, and human power controls the environment (Sarasvathy, 2001). In order to distinguish between effectuation and causation logic, Sarasvathy (2001, 2008) constructed five behavioural principles, including: (1) starting with a set of means or a given goal; (2) taking into account the potential risk/affordable loss or expected returns; (3) forming partnerships and pre-commitment or competitive market analysis; (4) embracing contingencies or avoiding surprises; and (5) controlling an unpredictable future or predicting a risky future.

The theory of effectuation, which explains how entrepreneurs think and make decisions, is based on five principles. The method begins with three categories of entrepreneurs' means, according to the "bird in hand" principle: "Who I am" (personality traits, abilities, and skills), "What I know" (knowledge, experience), and "Whom I know" (social and professional networks). According to Dew et al. (2009) the affordable loss principle describes how business owners determine what they can afford to lose and what

they are prepared to lose. Thirdly, the effectuation of the crazy patchwork concept encourages selecting partners to lower market uncertainty and competitive risk. Fourthly, the lemonade concept advises businesspeople to make use of eventualities and view moments as sources of fresh opportunities as opposed to conducting goal-oriented searches that rely on utilising prior knowledge. As a result of its understanding that the future is unpredictable and subject to numerous changes, the final principle, or the pilot in the plan, effectuation, does not emphasise prediction. Therefore, effectuation seeks to influence such features of the future rather than forecasting them.

Serendipity in entrepreneurship

Most people consider serendipity as luck, chance, or a fortunate encounter, however other academics disagree. Dew (2009) provides a good job of describing the function of serendipity, particularly in the investigation of opportunity in entrepreneurship. According to him, serendipity occurs when a search results in an unexpected finding. The finding of opportunities through systematic research and spontaneous recognition play two distinct roles, according to the literature (Chandra et al., 2009; Fiet et al., 2005; Peiris et al., 2013). Between these two concepts, serendipity occurs: people are hunting for something when they unintentionally discover something else (Dew, 2009). Prior knowledge, search, and contingency are the three conceptual building components in the framework that enable accidental discovery. When an entrepreneur is looking through these three areas, serendipity may occur; if they can retain the moment, it may result in significant prospects.

According to Dew (2009), the first area of opportunity discovery is previous knowledge, which refers to the knowledge that a unique person has amassed over the course of their unique life experiences (Venkataraman, 1997). Entrepreneurs, according to Shane (2000), find opportunities that are related to their prior knowledge. The act of deliberately looking for something in order to learn new information falls within the second category of activities covered by search. It is possible to conduct searches with or without prior knowledge. Contingencies, often known as events that are not logically important or could not have occurred, are the third domain in Dew's paradigm. In other words, a contingency could happen out of the blue or from an unknown source.

Research Methods

This study adopts the concept of methodology advocated suggested by Alvensson and Deetz (2000) who do not examine the veracity of theories but rather use empirical evidence to support insightful and compelling interpretations. According to this study, effectuation is an alternate viewpoint to the theory of causation (Andersson, 2011). This revised view of the internationalisation choice offers fresh perspectives that deepen our comprehension of the phenomenon of BGs. This study used a single case study to develop a detailed and in-depth description of a phenomenon (Eisenhardt & Graebner, 2007). One case study can serve as the foundation for theoretical generalisation and provide an explanation of the correlation between the variables under investigation (Hillebrand et al., 2001). To maintain privacy, the company's name is fictitious. In order to understand the internationalisation process of SMEs in Indonesia, the researcher did some screening interviews. Through snowball sampling, she discovered a born global firm that she employed in this study.

The ASN is a cooperative of coffee producers that was founded in 2013 with the export of coffee as a primary objective to reach customers in international markets. It is situated in the Indonesian highlands of Gayo, Aceh, and Sumatra. Thirteen people started

the ASN. 22 permanent employees worked for the company. 2,494 coffee producers have been reached by the member. The company makes green Arabica coffee beans. One type of business entity that aims to promote the wellbeing of its members is a cooperative. Since the situation of ASN is unique to Indonesia, more research was done to determine how the company internationalised so quickly, why it did so, how the entrepreneur took decisions, and who was involved. In-depth interviews with the key informants of the firm who were involved in crucial decisions regarding internationalisation were used to gather the primary data for the analysis. This cooperative is still designated as a SME because its annual revenue is less than IDR 50 billion and it employs fewer than 100 people permanently (BPS, 2018). In actuality, the entrepreneur or a small group of people typically holds the majority of the decision-making authority in SMEs (Kalinic et al., 2014), and the entrepreneur plays a major and dominant position in society (Zucchella et al., 2007). In this instance, the researcher conducted key informant interviews with the entrepreneur who served as both the cooperative's creator and CEO. Due to the CEO's remote location, two interviews were conducted via Skype and online messaging. All interviews were recorded and transcribed, and a semi-structured interview guide was employed. To supplement the information from sources like the firm's website, electronic articles, and press releases from businesses and governmental organisations, secondary data was employed. The author created the descriptions of the company's foreign expansion based on the data gathered. As a result, the information from the interviews was rearranged to create descriptive narratives, which aid the researcher in recognising significant events and the case's history. The researcher then supplemented the interview data with some further data from secondary sources. We contrast theoretical elements in the literature review with the narrative summaries derived from the case in order to analyse the data.

Results and Discussion

This study was inspired by effectuation and serendipity to answer the question, "How do entrepreneurs in BGs identify and exploit international opportunities?" We report the analysis and give the results.

Internationalisation process of the ASN

The ASN cooperative is a particular kind of business that, from the moment it was founded, has pursued a goal of going global without having first experienced a protracted domestic phase. Within three years of its founding, this company attained a foreign sales income of at least 25% and strives to gain a sizable competitive advantage through the use of resources and the exportation of outputs. It might be said that this company was "born" international (Knight & Liesch, 2016). Since its inception, the following has been the company's business philosophy:

“Our company has set international markets not domestic markets as our target market.. we use export as a method to serve our customers in foreign markets”
(The founder and CEO of ASN)

This company, like other SMEs, faces resource limitations that prevent it from taking advantage of emerging opportunities in the global market. These limitations include a lack of worldwide networks, a lack of understanding of global markets, a lower level of technology adoption, and a lack of skills and competencies.

The first foreign customer came from the UK via indirect export using a distributor agent. The company decided to use direct export starting in 2016, following participation in the export training programme sponsored by the Indonesian government. The company

has exported green coffee beans to numerous nations, including the USA, the UK, China, Sweden, and the Netherlands.

The entrepreneur gained through the business networks while attending the international trade exhibitions led the entrepreneur to several global chances.

“I think the ways we got potential customers were mostly from attending international trade fairs..where every year we always participate in international coffee trade shows such as in Europe and America.”

Serendipity discovery

In terms of global entrepreneurship potential, serendipity is crucial. Through luck, the company came across its first overseas opportunity. This study indicated that, as opposed to planned actions or systematic information, a serendipitous finding was a trigger to decide on entry into an international market. The findings provided compelling evidence that serendipity emerged as a result of personal and professional networks, as well as tight customer relationships.

“We discovered the first international opportunity when the ministry of industry looked for 100 companies in Indonesia to participate in export coaching programs...then our company was chosen to represent SMEs and cooperatives in the coffee industry from Indonesia in the international coffee trade fair in Dublin, Ireland”

The company took advantage of the opportunity to explore new overseas markets, meet new clients, and form partnerships by taking part in the event. The company found a potential customer at the trade show, and an order was placed. In other words, the company has made the first straight export entry made possible by government assistance.

“So, in Dublin, I met the importer ...we met I gave a sample of green coffee beans, he was interested with our product then he ordered”.

When a buyer from New Zealand visited Aceh to check on the condition and quality of green coffee beans, a chance encounter led to the discovery of the next international opportunity.

“We have a new potential opportunity in the new market in New Zealand...We are planning to export in this country...We had made an agreement with the buyer when the customer from New Zealand came to Aceh year to assess coffee productiontheir visit going to Aceh usually has been scheduled once a year.”

Effectuation process:

The mapping of the five effectuation principles from the interview is explained in this section.

Principle 1: Means-driven: who I am, what I know, and whom I know

Who am I (The founder and the first CEO)

The company was founded by thirteen persons. The main leader, though, was the most powerful among them. In this scenario, the leader assumes the primary duties of a decision-maker and a marketing strategy. The founders (including the leader) lacked any prior international commercial expertise in the coffee sector. The leader has a degree in civil engineering and has worked for five years in a nonprofit organisation to aid in Aceh's post-earthquake and post-tsunami recovery as well as three years as an engineer in a local government programme to empower society. He thought he could start and run a cooperative with a similar premise to help locals improve their standard of living based on his experiences in his prior employment.

“I think because I have had the experiences collaborating with foreign people and empowering society, I believe that I can run a cooperative that has a similar principle to help the community.”

What I can do

After receiving government training, the entrepreneur created a business strategy with assistance from a marketing team and carried out market research and analysis. The businessman, however, preferred to consult with his acquaintances who had previous export expertise before deciding which country to enter. The crucial selection in the process of internationalisation is the CEO. The business didn't have a specific target nation in mind.

“We did not discuss which country to choose rather if there is any opportunity to obtain a potential customer, we will take it”.

Whom I know (Networks)

The local and international networks were crucial for ASN's early development, particularly in the early years when it was crucial to establish a solid reputation in order to attract foreign customers. Existing networks have been regarded as having an impact on business performance. In order to assist the opportunity's exploitation and help the business choose its entry market and learn about pricing strategy, demand, and the peculiarities of the international consumer, the entrepreneur relied on a reliable friend and the domestic business organisation in the coffee sector. In this instance, the entrepreneur's choice in the internationalisation process is influenced by the well-known local contacts and strong linkages.

Not every chance that was found was taken advantage of. The entrepreneur had to determine which business prospects were practical to pursue. The entrepreneur frequently consults social networks, including dependable friends and competitors with exporting expertise, to assess the viability of possible international clients. Although there are numerous coffee growers in Aceh involved in exports, they support one another. As explained by the entrepreneur: *“I received advice from the other cooperative, from seniors, old friends...while we enjoy a cup of coffee and a cup of hot tea...we discuss...not formal...from them I get recommendations”.*

Despite having few resources, the entrepreneur built networks that enabled them to assess global potential. Usually, the entrepreneur found new potential clients by attending the yearly trade fairs conducted in Europe and America.

“The more often I participated in the trade fair, the more I am well-known by customers and got trust from them”.

Principle 2: Affordable loss

The process of going global presents various difficulties for business owners. The business owner recognised the value of specialised events, like trade fairs, to account for this. This event helps the business establish a name for itself among foreign clients and cultivate possible international prospects. The company received financial help from the government for going to international trade events for almost two years. However, as the incentives expired, they had to pay for the event out of their own pockets. The entrepreneur used the concept of an acceptable loss because attending trade shows will enable them to find global opportunities. The business was prepared to fly internationally to attend trade events on its own dime.

“The government program ended in this year... so for the future ...we have to do by ourselves, using our own money to participate in the coffee trade fairs”.

The corporation also had to deal with the risk of maintaining coffee quality. The lengthy preparation process needed to get high-quality coffee green beans ready for sale. Then, it typically takes 15 to 30 days to ship the product to the host country. Due to the lack of a port or airport in Aceh, it was necessary to utilize a truck to transfer products from Aceh to Medan (North Sumatra), a journey that took a day. The journey was then carried out via ship, and it took between 15 and 30 days to reach the final target countries. Although the absence of infrastructure in Aceh province continues to be a significant challenge for the business, the entrepreneur was able to control the time and money problems (such as payment delays). The business is confident that by performing quality control and tasting coffee, they can ensure the quality of the coffee beans.

Principle 3: Leveraging contingencies

Entrepreneurs seize unexpected opportunities when they arise. When faced with uncertainty, the effectuation strategy advises businesspeople to accept surprises rather than pursue a goal-oriented search that focuses on taking advantage of previously acquired knowledge (Sarasvathy, 2001). The government's invitation to the company to represent Indonesia abroad was the first international opportunity, which is an example of a surprise. Entrepreneurs that operate globally may have cross-border uncertainty due to factors like cultural and geographic distances, political, economic, and social hazards, a lack of resources) (Sarasvathy et al., 2014) and employ all backup plans that rely on their capacity to resolve them. By relying on their entrepreneurial skills and their personal and professional networks, the company was able to manage the risks and unpredictability (Kalinic et al., 2014; Sarasvathy, 2001).

"I usually browse on the internet or ask my friends who had exported early. In the coffee business, they have known the coffee traders. When I mention the names of the international traders/importers, my friends who experienced making previous transactions must be familiar with their names."

Principle 4: Crazy Quilt

The effectuation strategy places a strong emphasis on entrepreneurs quickly establishing communication with various stakeholders, including potential competitors as well as employees, consumers, suppliers, and government agencies (Sarasvathy et al., 2014). By building trust and pre-commitment with the key partners in the early stage business, entrepreneurs can reduce uncertainty and co-create the new markets with self-selected stakeholders. Trust built early can facilitate open communications with main participants, as entrepreneurs may be eager to arrange a shared commitment with stakeholders on a degree of their vision (Goel & Karri, 2006). This case illustrated that the firm had applied crazy quilt principle to make internationalization decision. The entrepreneur is actively building communication and interacting with new stakeholders.

"Almost every year we participate in international coffee trade shows...in these events, they recognize our firm, and we are getting more potential buyers...we communicate, send a product sample, and then we make a deal to make the transaction"

Principle 5: Control the future

Controlling unforeseen future events is the basis of effectuation. According to BBC (2018), the climate change that has affected coffee harvests has led to decreasing crops for Gayo Aceh coffee growers. Unpredictable weather variations are another indicator of climate change. The relationship between the weather and the growth of coffee flowers is shifting. For instance, it usually rains yet it's hot in the middle of the season, which prevents fruit seeds from forming. On the other hand, it turns out to be raining consistently during the harvest season, which prevents coffee beans from drying

properly. The entrepreneur also disclosed that the rising temperatures were hampering coffee output and driving up prices. When faced with an uncertain future, the entrepreneur took a number of different choices. Small mistakes or risks can have expensive repercussions on the quality of those green beans that might occur, such as insect damage or prolonged temperature exposure, during the long voyage before reaching the customers. In terms of delivery circumstances, if the coffee is received by the customer in poor condition, they will demand a refund, which may result in time loss and financial risk. To address the issues, the business has set up a warehouse and hired quality control personnel to ensure the coffee's flavour and quality.

“We must keep maintaining the quality consistently...by maintaining the water level is below 13% it will not impact the quality that will last up to three years.”

The company was required to submit the green bean export health certificate in order to expand their business and gain recognition abroad. Additionally, the business offers training programmes like perform cupping, in which coffees are scrutinised to detect visual characteristics, particular flavours, attributes, and flaws.

“So the coffee that we want to export must be cupped first, whether it tastes appropriate or not. There are standard criteria for export quality...yes this is the right taste....it can be exported.”

Conclusion

The theory of effectuation is supported by the case study of an Indonesian coffee born global firm. Additionally, this study offered fresh perspectives on how an Indonesian entrepreneur chose to internationalise both when starting a new business and in the early stages of developing a born global as well as a tool to take advantage of new opportunities. In contrast to the typical pattern of decision-making process of causation logic, such as a set of specific goals, conduct market analysis, choose target markets, design marketing strategies, and plan marketing programmes, this study's empirical results showed that the entrepreneur made the decision about possible actions or goals based on the resources (Chetty et al., 2015). Using effectuation reasoning, the entrepreneur began his internationalisation trip and made use of his networks to access markets and acquire new resources. The resource-based view (Coviello & Cox, 2006) and networks (Nummela et al., 2014) have been noted as prior research findings that provide a substantial contribution to understanding the internationalisation process of born globals. This study expands our understanding of how entrepreneurs maintain current networks and create new, global networks that can help them successfully expand their businesses by embracing the effectuation hypothesis. This study expands our knowledge of how entrepreneurs in born global firms perceive, assess, and take advantage of global opportunities in response to international entrepreneurship's uncertain conditions using the insights from effectuation theory, despite the rational planning perspective that has dominated many earlier studies on born globals (Rialp, Rialp, Urbano, et al., 2005; Vissak & Zhang, 2016a).

This study also showed that chance offers the newly-born global firm additional opportunities. They used their own assets, including the knowledge, talents, and opportunistic viewpoints of its people, to identify and seize global possibilities. The business owner claimed that his proactive approach, willingness to take risks, growth of his personal and professional networks, market presence, trust-building, and close relationships with his stakeholders are what cause serendipity to happen. By doing this,

he opened himself to serendipity, which may result in new prospects for his company and almost certainly contribute to its growth.

According to this report, the government in Indonesia significantly contributed to the development of cooperatives and SMEs. This analysis thus confirms other research that found the government frequently meddles in the way private businesses operate through a variety of environmental restrictions and corporate incentives (Njinyah, 2018; Shamsuddoha et al., 2009). By influencing some firm- and management-related aspects that affect a firm's performance in international marketing, government export support initiatives played a significant part in the process of internationalisation of SMEs. The study discovered that government export support initiatives helped an Indonesian born multinational company determine its foreign marketing strategy and enhanced the firm's export performance.

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