**Early and accelerated internationalization:**

**the role of the niche strategy in a new generation of exporters**

**Abstract**

This study investigates the interplay between business strategy of the firm and its export activity, with a special emphasis on the effects of a niche strategy in the early and fast internationalization of new and young ventures. Theoretical arguments coupled with preliminary empirical evidence offer insights about how the niche strategic pattern can influence internationalisation. Furthermore, we discuss the evolution over time of this strategic pattern. The cases shed light on the ‘niche explorative phase’, in which opportunity creation and enactment processes take place, and on the ‘niche exploitative phase’, in which the strategic pattern is refined and supports increasing internationalisation. The exploitation process can lead to further changes in the strategic pattern of the firm and to its internationalisation strategy. The research also hypothesises the development of isolating mechanisms, mostly identified in the development of reputational assets, which protect over time the global competitive positioning of early and fast exporters.

**Keywords:** internationalization; export; business strategy; strategic niches; case studies

**Introduction**

The export activity has always been a central argument in the International Business discourse (Leonidou et al., 2010). To date, this topic is assumed to be well studied from several points of view: in particular the drivers of export growth and performance received much attention in the last three decades, as some reviews indicate (Miesenboeck, 1984; Aaby and Slater, 1989; Leonidou and Katiskeas, 1996; Zou and Stan, 1998; Leonidou et al., 2007; Leonidou et al., 2010). Nevertheless, there is still much to be said on export strategy. A number of issues are still controversial – like for instance the role of firm size and age. How can firms, which apparently lack resources and experience, achieve early and fast international growth? In addition, the contemporary economy raises a number of new challenges to exporters: the effects of the repeated economic and financial crises, the increasing pressure of the global competition, the growth of emerging markets, the opportunities and the threats of the digital economy, just to mention a few. These phenomena can prove particularly challenging for small and infant firms. At the same time, we can observe a number of companies, which explore and exploit global opportunities successfully (Eurofund, 2012). A ‘new generation’ of exporters – i.e. firms that started their activity in the last two decades, in an era of increasing globalization – can bring forward novel models of business or reinterpret older ones. They do not follow export stages, starting from the domestic market, and then progressively expanding towards psychically close countries, as one of the first export stage models hypothesized (Bilkey and Tesar, 1977). Their exporting is neither the result of unsolicited orders, nor a gradually planned activity. It is simply a natural part of their strategic pattern from the start. They are frequently reported as early and fast exporters and they can achieve quickly a global selling capacity, notwithstanding their limited experience in foreign operations and the resources constraints usually attributed to smaller and younger firms. In addition, they show a continued growth pattern over the years. A deeper look into their business strategy represents a research gap, which needs to be filled. This initial strategic pattern explains their early and fast export activity, and its changes explain how their internationalization evolves later on.

There is only limited research regarding the impact of business strategy on the export activity and their reciprocal interactions over time. 30 years ago Cooper and Kleinschmidt (1985, p.38) wrote: “The field of export strategy has been a neglected one”. They also added that “few studies have dealt with the role of strategy, namely product/market selection, as a determinant of export performance” (ibid.). After three decades, this is still a gap in research (Melin, 1992; Morgan et al., 2012; Leonidou et al., 2010) and this particularly true in the case of small and medium sized firms (SMEs) (Wolff and Pett, 2000; Hagen et al. 2012, Hagen, 2010).

The aim of this study is therefore to investigate the impact of business strategies – defined as the choice of product and market (group of customers) combinations – on the internationalisation of the firm, and notably on its export activity and its evolution over time. We devote special attention to the case of smaller firms, which experience early and fast global growth. We intend to contribute to theory from different points of view. First, we offer a better understanding about how the strategic pattern of the firm (Wolff and Pett, 2000) can determine export orientation and performance, responding to a call for research in this field, as mentioned above. More precisely, this paper aims at exploring the role played by the pursuit of a niche strategy in the early and fast internationalization of new and young ventures. The role of a niche strategy in born global firms (firms which internalize fast since their infancy) has been advanced in international entrepreneurship studies, starting from the seminal work by Rennie (1993). However, this issue still represents a research gap, as some recent calls for studies suggest (Hennart, 2014; Knight and Liesch, 2015). The adoption of a niche strategy is neither exclusive of born global firms nor the only way to grow early and fast in global markets: however, we believe that it is playing an increasing role in the model of business of a new generation of exporters (Eurofund, 2012). Second, we discuss the evolution over time of this strategic pattern, with its consequences in terms of internationalization. Also from this point of view, we address a research gap in the longitudinal studies on early and fast internationalisers (Almor et al., 2014; Hagen and Zucchella, 2014).

After a literature review, focused on the niche strategy and its role on export growth, we analyse five illustrative case studies, from different countries. They are meant to elucidate and refine our conceptualisation and represent a preliminary explorative study. They all belong to traditional industries, from food and beverage to shoes, with the aim to observe how a new generation of exporters achieves global growth in industries, which have been mostly neglected in the international business and entrepreneurship literature (Zucchella and Siano, 2014). The cases provide a novel perspective of some key drivers of export performance, highlighting on one side the role of entrepreneurial resources (Coudounaris, 2011) and – on the other side – the role of business creation. The empirical work also permits to understand better the scarcely explored issue of business strategy and niche positioning in exporting firms, especially in early stages. Finally, we could outline a more complex set of factors guiding the long term international growth of the firms: the sustainability over time of the business rests on a set of competences which need to evolve continually, and on developing isolating mechanisms (Rumelt, 1987). Among the latter, we advance the hypothesis that reputational assets play a relevant role for these firms.

**The niche strategy**

The niche strategy of the firm has received relatively little attention from literature, especially in the international business and entrepreneurship field.

The issue of market spaces which could be broken down into niches and the idea that firms address with their offers these 'pockets' (Hooley and Saunders, 1993) or 'small spaces not served by competitors' (Keegan et al., 1992) still requires investigation, also for its consequences in terms of internationalization of the firm.

One of the first works which explicitly acknowledges a niche strategy is Penrose’s Theory of the growth of the firm (1959). The Author however provides a predominantly defensive view of the niche strategy and identifies the latter as a natural response of small firms to the competition of larger ones. The strategic management literature did not pay much attention to the niche, probably in view of its apparent residual nature *à la* Penrose. A shift occurred at the beginning of the ‘80s with the contributions of Abell and Porter. According to Abell (1980, p. 169) “a business may be defined in three dimensions. Customer groups describe categories of customers, or *who* is being satisfied. Customer functions describe customer needs, or *what* is being satisfied. Technologies describe the way or *how* customer needs are satisfied.” In his seminal work, Abell considers also the dynamics in businesses, and in particular business creation and change. “Finding a new way to segment a market, and differentiate the offering, especially one that cannot be easily emulated by competitors, is a ***creative act*** “ (ibid.p.177, italics and bold is ours). For the purpose of our study, Abell’s work is relevant for two main reasons: first, it provides the construct of business and its key dimensions and second, he explicitly recognises “the new way to segment a market as a creative act”, which means an entrepreneurial decision. Though Abell did not analyse specifically the niche strategy, his conceptualization can be used to identify the niche approach, adopting the business key constructs (technology, customer groups and customer functions). A niche strategy is characterized by a highly specialized technology, which addresses a specific need of a small group of customers.

In the same period, Michael Porter published his work “The competitive strategy” (1980), in which he acknowledges -along with the mass market oriented strategy- also the existence of a focus (i.e. niche) strategy, as a viable option to compete in certain market spaces. Later on, Porter (1996) describes three types of strategic niches according to their prevalent positioning (i.e. variety-based, need-based, and access-based positioning), the related specific sets of value chain activities and the resulting firm core competences. According to Porter (1980, p 38), the focus strategy is a viable option when the firm is “able to serve its narrow strategic target more effectively or efficiently than competitors who are competing more broadly” (Porter 1980, p. 38). From this point of view, the niche strategy might be based on differentiation or low-cost advantages.

Cooper et al. (1986) showed that a niche strategy is not necessarily a defensive move of smaller firms, in order to avoid competition from larger ones. A successful niche strategy permits in fact to small players to challenge larger ones. At the same time, the Authors caution “that the conditions which created the opportunity may erode in time, rendering the successful challenger vulnerable either to retaliation by the larger firm or challenge from subsequent entrants.” (ibid., p.247). Their contribution thus raises the issue of the sustainability over time of a niche strategy and invites research in this field.

Notwithstanding these influential pieces of work, the niche strategy remained a neglected topic in strategic management literature.. Also the entrepreneurship literature did not devote much attention to this topic, even though the above mentioned work by Abell suggested that a niche strategy could be the result of entrepreneurial creativity, through the enactment of new market spaces. Among the few works in this field, Siegel et al. (1993) found empirical support for focused strategies leading to more growth in new ventures. In contrast, Baum et al. (2001) showed that focus strategies correlated negatively with sales and employment growth in new ventures.

Moore (1996) noticed that certain firms could perform well over time through the exploration and exploitation of new market spaces, no matter of their size and resources endowment. We argue that it is crucial to understand better how the exploration and the exploitation of (international) opportunities take place. Is exploration the result of a discovery or is it an act of creation? How does then exploitation occur and along which paths? The perspective of the exploration and exploitation processes (March, 1991) fits well with our purpose to understand the strategic pattern and outcomes of young fast growing ventures. Peng Cui et al. (2014) found that in the foreign growth of smaller firms, it is relevant the fit between exploration and exploitation and the host country choice. In particular, they highlight that “host–home country similarity has a positive impact on an SME's international performance when the firm adopts an exploitation strategy. Conversely, host–home country similarity has a negative impact on an SME's international performance when it adopts an exploration strategy” (ibid. p.67). In the case of niche firms, similarity is achieved targeting a global group of customers with homogeneous needs and characteristics. Global niche strategy leverages on similarities among customers and their needs across countries. The niche strategy thus calls for more research also in the perspective of exploration and exploitation of global opportunities.

The next section will deal more specifically with the literature in international business (IB) and international entrepreneurship (IE) about the role of the niche strategy in firms’ internationalization.

**The niche strategy and its impact on the internationalization of the firm**

In international business studies, the relationship between a niche strategy and the internationalization of the firm is a relatively understudied issue.

The niche strategy has been acknowledged as a precondition and an enabling factor for small firms’ internationalization by some Authors (Dalgic and Leeuw 1994; Calori et al*.* 2000). A research conducted in Northern Italy on 40 SMEs (Zucchella and Maccarini, 1999) showed that fast global growth was strongly related to the choice of a niche strategy. Zucchella and Palamara (2006) analysed a group of small and medium sized companies, showing that their international performance was based on a creative niche strategy. It was not the defensive niche positioning identified by Penrose (1959), but it was the result of creating a market space that others had overlooked or did not exist before.

The export literature on SMEs underlines frequently the role of product uniqueness and customer focus for the international growth of smaller firms (Koh, 1991; Wolff and Pett, 2000). These are attributes of a niche strategic pattern, but this issue was not enough developed. More generally, the business strategy or “strategic pattern” (Wolff and Pett, 2000) of the firm and its role in driving foreign growth is scarcely studied (Cooper and Kleinschmidt, 1985; Hagen et al., 2012). The business strategy of the firm (as described in the previous section) is shadowed by the attention towards the export strategy and its key elements, like the standardization and adaptation choices. This literature on export performance drivers attributes special importance to internal factors like managerial and entrepreneurial resources (Leonidou et al., 1998; Leonidou et al., 2007; Coudounaris, 2011). The decisions about the business strategy are a fundamental way through which decision makers exploit the (international) opportunities they identify. This issue still represents a research gap in export literature.

The surge in the last three decades of international entrepreneurship (IE) studies has been accompanied by an increasing attention to specific drivers of early and fast internationalization. The seminal work by Rennie (1993) on born global firms describes this type of early, fast and broadly internationalising firms and refers to innovative niche positioning at a global level as one of the drivers of their global growth.

IE scholars mostly agree that born global firms and international new ventures are often set up to pursue specific market niches (Bloodgood et al., 1996; Crick and Jones, 2000; Moen, 2002; Bell et al., 2004; Knight et al., 2004; Knight and Cavusgil, 2004; Laanti et al., 2007), where competition from global players is less intense, but profit opportunities are considerable. Zucchella et al. (2007) in their work on the drivers of early internationalisation, highlighted that early internationalisation was related to a niche positioning. However, the literature also encompasses examples of born globals, which did not pursue a niche strategy (Jolly et al. 1992; Oesterle, 1997). In Jolly et al. (1992) cases, standardized products were launched in lead markets and the firms became global within a short period of time. The emphasis was placed on the early and broad launch of second-generation products. It has to be noted however, that Jolly and colleagues - as well as Oesterle -report cases in extremely turbulent high growth industries where global competition was not yet established.

A successful global niche strategy is not necessarily based on a technology advantage, but might also be based on customer orientation and customer knowledge, a strong focus on quality, and unique products (Knight and Cavusgil, 2004; Laanti et al., 2007; Gabrielsson et al., 2012). However, little is known about firms in more traditional and mature industries, because the IE studies mainly focus on high tech industries.

Finally, Hennart (2014) suggests that the niche positioning should be a key construct at the heart of international entrepreneurship studies. He provocatively defines born global firms as “accidental internationalists”, meaning that their early and fast growth is a natural outcome of their positioning global market niches. Hennart (2014) also makes a step forward in defining which elements characterise this positioning and how they affect early and fast global growth in comparison to “traditional” internationalizers operating in mass markets.

Notwithstanding this body of IE literature on the role of niche strategy in driving early and fast global growth, much remains to understand. First, there is no clear understanding of what exactly a niche is and which are its dimensions and elements. Second, the role of decision makers and their entrepreneurial creativity in discovering and enacting niches is unclear. Some scholars (Madsen and Servais, 1997; Knight and Cavusgil,1996; Servais and Rasmussen, 2000; Moen, 2002) attribute the rise of the born-global phenomenon – among other factors – also to new market conditions such as the emergence of niche markets.

This point of view suggests the emergence of niches due to environmental (market and industry) changes; on the other hand, Rennie (1993) supports explicitly an enacted global niche and a proactive innovative positioning. This perspective is closer to Abell’s idea that a niche strategy is the outcome of entrepreneurial creativity. How the niche exploration occurs still represents a major research gap: understanding the process of niche discovery versus niche creation and enactment (Alvarez and Barney, 2007) could provide a relevant contribution to different literature streams, from strategic management and entrepreneurship to international business.

Furthermore (and third gap), the above mentioned studies in IE are mostly focused on the early stage of life of the firm, but little is known about the dynamics of companies and their strategic patterns in the following phases.

In conclusion, the conceptualization of the niche, the processes of niche enactment and exploitation and their evolution over time still remain largely undefined.

The three identified gaps in research are particularly relevant because the reported literature suggests that the niche strategy increasingly characterizes a new generation of exporters, which grow abroad early and fast.

**Methodology**

This work relies on the observation of illustrative case studies (Patten, 2002; Halinen and Tomroos, 2005; Yin, 1994). This approach has been used in similar works (e.g. Woodward and Woodward, 2001; Haslam et al., 2014) .We selected companies, which have been founded in the recent years and have achieved global success in niche markets. In addition, we looked for firms with abundant and reliable secondary data from different sources. We triangulate multiple sources such as information from the Lexis Nexis and Orbis databases, press releases, company websites, interviews available on the internet, books and case histories published. The purpose of an illustrative case study research is to find empirical evidence to elucidate and exemplify a conceptualization. It is also used for a preliminary exploratory analysis, when the researchers need to understand which variables and relationships will drive a subsequent in depth exploratory analysis. In order to achieve this second target, we applied an innovative procedure for illustrative case study research, represented by the stepwise method of data collection and organization, as described below.

The five firms (table 1) were chosen on the grounds of judgemental sampling. They had to be early and fast internationalisers from mature industries and we aimed at variation in country of origin and type of business. We excluded both high tech firms and business to business cases in order to disentangle our analysis from the idea that global niches are typically found in these industries (Rennie, 1993; Knight and Cavusgil, 2004). The choice for mature industries permits us to highlight models of business adopted by new entrants in traditional activities, which represent a less studied field of research in international business and entrepreneurship (Zucchella and Siano, 2014).

INSERT TABLE 1 aprox HERE

Table 2 provides a synthesis of the case firms, along some main variables. First, we collected the available information along the main elements of the business strategy as defined by Abell (1980): groups of customers, their needs and the technology adopted to address them. According to depth and width of the three elements, we judgmentally identified the five firms as niche oriented ones. This judgment was then triangulated with interviews and press releases, in which the top managers/entrepreneurs confirmed this judgment. Second, we collected data on the founding team and its evolution over time, in order to understand the profile of decision makers, in particular their background and expertise. In fact, we discussed in the previous section the importance of the decision makers in understanding the strategy and its internationalization outcomes. We organised data along the exploration stage, in which founders either discover or create the opportunity (niche) and enact it, and the following exploitation phase, characterised by fund raising to support growth, markets and products evolution, development of isolating mechanisms. Evidence was constantly triangulated with different sources of information (press releases, company reports, entrepreneurs’ narratives). Third, we collected data on the different aspects of their internationalization (entry modes, scope, precocity and intensity of foreign sales).

**Key Findings**

During the analysis of firms’ data, and particularly while considering the evolution of their strategy over time, we frequently found evidence about some common elements, which sustained over time the global competitiveness of the companies. In particular, we discovered that the development of reputational assets was key to all the studied firms. They all rely on product quality as “key promise” to their customers: as a consequence, they need to maintain this promise over time and to strengthen it, through the development of reputational assets. Another common element in their long term strategic pattern is represented by sustainability: all the companies adopt sustainability practices. The two mentioned elements are related and altogether enhance reputation, uniqueness and quality perception from customers. This is an example about how stepwise illustrative case studies does not only elucidate a conceptual frame, but it can also support its refinement and open new research directions, in view of further empirical analyses.

All the analysed firms develop their business idea through the interpretation of changes in consumer behaviour. These societal global trends include mass customization (Shoes of Prey, mymuesli), the related need of co-creation (the product is the result of an interaction between the firm and the customer) and the trend towards premium and highest end offerings (all case companies).

They address in the first instance the individual and her/his needs. These needs reflect the aforementioned trends in that the need related to mass customization lies in the individual perfect shoe, or the individual personalized muesli. Premium strategies, which exploit the trend towards highest-end offerings, all are based on superior value positioning in terms of natural/ecological and organic, healthy ingredients, and premium through provenance. Interestingly, not only food companies but also Lush base their business on these elements. The market niche arises thus from the aggregation of homogenous individual preferences, which are dispersed globally. The niche exploration is thus based on the interpretation of trends in consumer behaviour, on the creation of novel and small market spaces, deriving from the grouping of individual customers.

All companies combine two out of the three niche positioning types described before (variety based positioning and needs based positioning) and none fits the access based positioning described by Porter (1996). They produce subsets of products and services in their industries, while serving at the same time all of the needs of their narrow group of customers.

With regard to the Abell model, we conclude that the firms businesses are narrow in terms of the width of the consumer groups served and at the same time address the needs of their customers in depth.

The third variable, which characterizes the niche, is represented by the technology used to address customers’ needs. The trend of mass customization and tailor made products mainly develops thanks to the information and communication technologies and novel technologies in manufacturing and servicing customers. Process innovation in the cases of GROM, mymuesli and Shoes of Prey aims on one side to make the niche profitable and, importantly, to protect the know-how and guarantee outstanding quality of the product and/or service. Only in the case of Shoes of Prey we find evidence of technological innovation in its strict sense. The firm has developed an innovative proprietary shoe design software: this new technology is used to improve customer experience when designing their shoes and thus aims at adding to positive customer experience.

In sum, we find that the three variables proposed by Abell (1980) to define the business, support an appropriate definition and potential operationalization of the niche construct.

How does the niche impact on the internationalization behaviour of the firms and -more specifically, what is the process by which the niche strategy accelerates international expansion and leads to geographically broad and intense internationalization? The two internet based firms export from their earliest days but also the remaining firms internationalize early. Their speed of internationalization is high and the geographic scope is broad. None of the firms remains regional, all have developed on a truly international scale. It is interesting to notice that all the case studies internationalise early and fast, exploiting the potential of their niche, but they could have also stayed domestic. This marks a relevant difference with technology-based niches, where the market is naturally and necessarily global, thus determining a condition of “accidental internationalists” *à la* Hennart (2014).

In our cases the niche is the result of a creative process of enactment, driven by the entrepreneurs vision, and is conceived as potentially global from the start, due to the global mindset of the founders. The speed and scope of internationalization seem to be affected by the entry mode approach: the e-commerce –based firms could benefit from a faster and broader internationalization (Zucchella and Hagen, 2014) while those opting for “physical” entry modes experienced a slower foreign growth path. The need to access to distribution channels confirms to be a key element in determining the timing and speed of foreign market entry (Zucchella and Servais, 2012). Cases like GROM and Lush reveal that it may be necessary to export “a selling concept” and not just a product. The answer from Lush is to rely on franchising as a fast way to “export” their business concept in different countries. The answer from GROM is to establish their own shops, which follow in a scrupulous manner the artisanal ice cream making dictated by the headquarter and can only use the requested high quality ingredients. This choice made their foreign expansion slower than other cases, but it was the only way to guarantee their initial value proposition and positioning.

Putting the niche creation and the profile of the founding teams together, we surely can confirm that their start ups give proof of their entrepreneurial international orientation. All teams have built on global trends when designing their business and, furthermore, have successfully created and exploited a global niche, as their early and accelerated international expansion confirms. The niche seems to be not only a profitable option, it is also a resource-saving global strategy. All investigated companies have financed their start up phase with limited financial resources, supporting the idea that size does not necessarily matter for internationally oriented small firms (Bonaccorsi, 1992). The choice for a niche strategy certainly has a prominent role in driving early and fast global growth: addressing a small group of customers, distributed in different countries, makes internationalization more compelling, though our cases are not “accidental” internationalists (Hennart, 2014). As we mentioned above, they could have also grown only in their domestic market, but international orientation was already part of their strategic pattern from the start, thanks to the vision and strategic posture of their funding teams.

We might tentatively conclude that founding teams and diverse, complementary backgrounds are conducive to the start up and management of an international small firm, which confirms the role of managerial/entrepreneurial resources in export performance (Coudounaris, 2011). In our cases, entrepreneurs achieve early and fast internationalization through the adoption of a niche strategy in the initial period of life of their ventures.

Finally, we tracked the evolution of the strategic pattern of this new global players. Although the niches initially are small, the cases show that they might grow to large markets. Innocent is becoming a large size leader in premium natural drinks, maintaining a similar strategic pattern, but targeting a broader market, from the initial niche to the wider segment of conscious drinkers of healthy and natural drinks. They have also diversified their natural drinks offer at the same time. Similar findings hold for Lush. The evolution over time of the original niche focused strategy goes towards targeting a broader segment of customers, but maintaining the claim for high quality and/or customization. As the cases of Grom and Innocent show, the successful development of a customer-oriented quality claim for international markets, can pave the way to acquisition from multinationals (Coca cola and Unilever respectively). The latter can thus enrich their portfolio with new business ideas, their high quality claims and loyal customers.

INSERT TABLE 2 aprox HERE

**Discussion**

In the previous theoretical section we identified three major research gaps, with regard to the niche strategy and its impact on early and fast international growth. First, the lack of any clear conceptualisation about the niche construct. Second, the limited knowledge about how the niche is either created or discovered and which role the key decision makers play (in our cases, the founders). Third, the lack of literature about the evolution over time of this strategic pattern. In particular –given the concern expressed in some works (Cooper et al., 1986) about its sustainability- we need to understand which factors (isolating mechanisms) support the global competitiveness over time of these firms.

The research context is represented by relatively young firms, which experienced early and fast international growth, all belonging to mature industries. We thus address an additional gap in studies, because research on born globals and international new ventures mostly focuses on high technology sectors, in which a niche strategy seems more naturally accompanied to a global expansion.

Niches are sometimes defined as small markets consisting of an individual customer or a small group of customers with similar characteristics or needs (Dalgic and Leuuw, 1994). The characteristics of the niche market (as compared to the segment) are its smaller size, the absence (or limited number) of competitors, the fulfilment of specific customer needs and the idea of specialization (Kotler 2003).

Our case studies fit with the construct suggested by Chalasani and Shani (1992), who define the niche strategy as “a creative process of carving out a smaller part of the market whose needs are not fulfilled. By specialization along market, customer, product or marketing mix lines, a company can match these lines.” This approach refers to the so-called bottom up process or reverse segmentation, where the firm starts with the individual and builds a single and potentially multiple niches later on. In order to pursue specialization successfully, the investigated companies leverage on distinctive technology and competencies to enable and/or protect the niche from competition. This permits us to integrate the above “market” view of the niche with the “internal” (technology) perspective: the combination of a narrow group of customers, their specific needs and a dedicated technology are the three dimensions along which we can observe a niche strategy and operationalize it, building on Abell (1980). For example, 'Shoes of Prey' developed a novel technology to offer a solution to women who need the perfect shoe, where the customer is involved in the customization process. It is a distinctive competence embracing innovative knowhow, web technologies, and a customer-oriented culture, coupled together in an original combination. The combination of the three elements constitutes an idiosyncratic bundle of factors, which enhance distinctiveness and uniqueness of the firms’ offer.

A second finding of our research refers to the process of niche exploration: in all our cases there is evidence that the niche strategy is the result of a creation (entrepreneurial) process, based on the interpretation of some market changes, through the lenses of the founders’ vision and background. This research suggests that this process takes place also thanks to the interplay between the diverse backgrounds of members of the entrepreneurial team..

We hypothesise that the niche exploration -as explained above- is a bottom- up process of reverse segmentation. A second element of the niche exploration process is its geographic scope. From this perspective, it is a process of horizontal micro-segmentation of global markets (Zucchella and Palamara, 2006): the founders conceive the world as their potential (geographic) market and carve a niche of global customers with homogenous preferences, which may be located in very different regions. Leveraging on customers’ similarities permits an early and fast international growth. However, the niche exploitation process varies in speed and scope of internationalization in the different firms, depending on which entry mode strategy best fits their global customer orientation. Thus, the niche creation and its enactment (Alvarez and Barney, 2007) are then followed by a niche exploitation process, which may happen along different paths, as we outline below.

Our cases permit to identify some evolutionary patterns of the initial niche strategy. In the niche exploitative phase, the firm consolidates its positioning and refines progressively its value proposition, developing customer relationships and reputation, as key isolating mechanisms (Rumelt, 1987). The first stage of exploitation corresponds to a deepening strategy, during which the firm increasingly target its narrow global group of customers, developing reputation assets in a community of actual and potential buyers. The older firms like Innocent and Lush permit to observe a further evolution of the strategic pattern, which moves out of the initial niche towards a wider target market, through related product diversification and selling channels expansion. In the case of Innocent, the acquisition from Coca Cola company paves the way to the entry of their products in a number of distribution channels and markets. Similar considerations hold for Grom, acquired by Unilever in Autumn 2015.

In our findings the niche explorative phase – as discussed above- is a bottom- up process where creativity and insight, a diverse team and global orientation all play an important role. In mature industries creativity is fundamental to identify new “visions” of the market and “non-traditional” ways to serve needs in (apparently) traditional businesses. The niche exploitative phase is based on the entrepreneurial team capabilities and on the capacity to attract external sources of funding.

Young firms are thought to be characterized by resource scarcity, which could limit their international expansion. Although a global niche strategy might be a sustainable option from this viewpoint, still the founders will need to find new ways to compensate the lack of adequate financial resources. Some firms successfully leveraged on the private equity market to solve this issue. Beyond funding, investors provided the company with diverse resources, such as strategic relationships or managerial competencies. The willingness and capacity to raise funds through venture capital permit to these firms to scale up quickly and achieve faster growth. In our case firms, we can observe that the prevailing idea that smaller and younger firms are resources-constrained, should be reconsidered. In particular, the capacity to access to financial resources rests on a good fit between motivated founders and a good business idea, shaped in a sustainable model of business (the niche in our cases). Entrepreneurial teams and good models of business can overcome the limits usually associated to small size and/or young age.

This exploitative phase is also characterised by the progressive development of a “unique” value proposition tailored to the market niche. The development of reputation through the so called 'first mover advantage' (Lieberman and Montgomery, 1998) represents an option to defend the strategic niche positioning. In GROM (ice creams) case, a number of entrepreneurs entered in the market by proposing high-quality ice-cream, adopting a “slow food” claim and using local ingredients: Mackie's, La Romana, Comfy Cow, Pretto, and so on. However, Grom remains who 'reinvented' the ice-cream and its selling model. Among the factors of uniqueness we found differentiated reputational assets (progressively built up via product quality and company trustworthiness), further enhanced by the adoption of a sustainable development orientation, both social and environmental. Shoes of Prey and mymuesli for example successfully establish a “shoe-lover or a “muesli-lover community” and build emotional bonds with their customers. In the Lush and Innocent cases this emotional bond is based on the firms’ ethical stance.

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**Conclusions**

Our contribution highlights the role niche strategy plays in firms’ early and fast international growth. We address a research gap in international entrepreneurship and international business literature, which acknowledges this role but misses in bridging this construct with the strategic management literature and in conceptualizing it accordingly. A second gap is represented by the lack of studies about how the process of niche creation and enactment exactly occurs and how it is linked to early and fast internationalisation. Third, little is known about the evolution over time of the strategic pattern of early and fast internationalizing firms, and in particular those pursuing a niche strategy. Finally, we support that international entrepreneurship studies should pay more attention to strategic innovation and international entrepreneurial behavior in mature industries.

Through a preliminary explorative study of five illustrative case studies, our research uncovers some key preliminary findings, which may represent a relevant contribution, both to theory and to practice. The variety of studied companies served the purpose to feed the reliability of findings, which cut across cases. First, our research tests and refines a niche construct, derived from strategic management studies, along the three dimensions of customers’ groups, customers’ needs and the technology addressing these needs. We thus contribute to enhance the validity of this construct for future studies. Second, we find that the observed firms innovate through the creation and enactment of market niches, through a process of bottom- up or reverse segmentation. We did not find evidence about opportunity discovery: opportunity creation and enactment characterize all the firms.

They achieve substantial global growth through the horizontal micro-segmentation of global markets, targeting a narrow group of customers dispersed in different countries and leveraging on their similarities. We did not find evidence of “defensive” approaches to global competition *as suggested by* Penrose, neither of what Hennart called “accidental internationalization”. The companies could have stayed in the domestic market and still gain sufficient market share (differently than many high tech firms). The entrepreneurial teams played a key role in the exploration and exploitation of the niche. They could overcome resources constraints leveraging on different sources of financing. The founding teams (relatively young, well-educated and with global mindset, though usually lacking experience) have been a major factor of global growth orientation. Their openness to partnerships, new shareholders and venture capitalists enabled the firms to better achieve the desired growth. We could also identify factors which contribute to the sustainability over time of this strategic pattern, notably first mover advantages coupled with continual development of reputational assets. This finding can prove particularly relevant for its managerial implications.

Reputation is key for companies which leverage on high quality of their offer and target demanding global customers. This also involves paying attention to their customers’ environmental sensitivity, by adopting sustainability practices. The development of reputational assets is a related to the global niche positioning, in which uniqueness derives from an idiosyncratic blend of factors, among which we found quality, traceability, sustainability, innovativeness.

We could also identify possible evolutionary patterns of the niche strategy over time, which represents an additional relevant finding both for theory development and for the practice of management. While the younger firms are focused on developing reputational assets, and increasing exploitation of their global niche market potential, the older firms experience a product diversification and progressive enlargement of their original niche orientation, though this is not necessarily the only possible pattern. This represents a gap in extant research which will be addressed in future studies.

Future research directions also include an exploratory study through in depth case study induction, in order to refine better the relevant variables and possibly outline a complete research model, encompassing firms belonging to different industries.

The limitations of this work lie primarily in the adoption of a preliminary exploratory research approach, based on five illustrative cases of firms, all belonging to mature industries. This method permitted to gain further insight about the niche strategy and its relationship with early and fast internationalization, particularly thanks to the adoption of the innovative stepwise approach.

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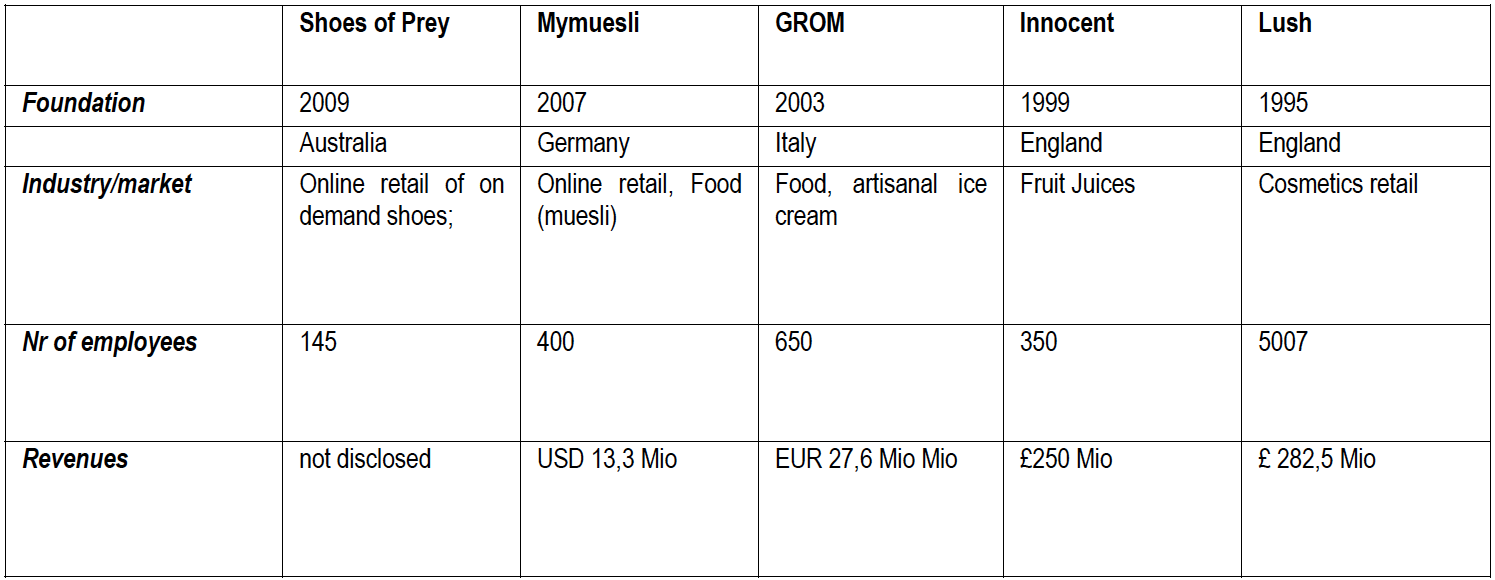
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Table 1: Case firms’ key facts and figures



Tab. 2: The empirical evidence from stepwise illustrative case study analysis: the variables illustrating the niche strategy, its evolution and its internationalization outcomes

