

BORN GLOBAL IN THE DIGITAL AGE: EXPLORING THE INTERNATIONALISATION STRATEGIES OF CROATIAN DIGITAL MARKETING AGENCIES

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ABSTRACT This study contributes to the general body of knowledge on the born global theory in the specific context of digital marketing agencies. In today's interconnected digital landscape, driven by rapid technological advancements and evolving market dynamics, many companies across diverse sectors are shifting their growth strategies toward proactive internationalization. This study looks at the determinants and challenges of the internationalization strategies of digital marketing agencies in Croatia. The motivations, obstacles, and strategic choices that guide these agencies on their 'born global' journey are explored through a qualitative analysis. The research findings revealed that these agencies are venturing into global markets by taking advantage of competitive pricing, gaining invaluable experience, and expanding their competencies. This experiential learning shapes their strategies and operations and increases their competitiveness. On the other hand, Croatian digital marketing agencies face numerous obstacles to internationalization, including a lack of resources and market information, language barriers, and the complexity of managing remote multicultural teams. To overcome these challenges, agencies employ various strategies, such as utilizing word of mouth and maintaining a physical presence in target countries, emphasizing the importance of adaptability and resource commitment in successful international expansion. In addition, agencies employ direct foreign investment, client-driven regional expansion, and remote working to navigate the complexities and opportunities of international business.

KEYWORDS: *born global, internationalization, digital agencies, SMEs, Croatia.*

1. INTRODUCTION

The advent of the Internet and the subsequent digital revolution have profoundly changed the global business landscape. The Internet has not only transformed traditional industries but has also given rise

to a new digital economy characterized by the production and distribution of digital goods and services (Kraus et al., 2019). It has led to new business models that leverage digital platforms for producing, marketing, and distributing goods and services. One of the digital economy's most important effects is democ-

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ratizing the global market (Mattoo et al., 2021). The Internet has removed geographical, economic, and cultural barriers and offers companies, regardless of their size or location, the opportunity to reach a global audience (Murthy et al., 2021). This has benefited small and medium-sized enterprises (SMEs), which traditionally required more resources to engage in international trade (Kraus et al., 2019).

The digital revolution has further amplified the significance of a unique category of businesses known as 'born globals.' As defined by Oviatt and McDougall (1994), these firms seek to derive substantial competitive advantage from the inception by leveraging resources and selling outputs across multiple countries. The advent of the Internet and digital technologies has not only been instrumental in shaping the operations and marketing strategies of these firms (Gabrielsson & Kirpalani, 2004; Deng et al., 2018) but has also enabled born globals to sustain and enhance their business models and competitive positioning in the global marketplace (Bouncken et al., 2015). Despite technology advancements, industry-specific barriers still pose significant challenges to born global companies. For instance, regulatory constraints, cultural differences, and market entry barriers can hinder the rapid internationalization of these firms (Rialp et al., 2005; Freeman et al., 2006; Andersson et al., 2015). These barriers, often unique to each industry, require companies to develop tailored strategies and solutions to overcome them and successfully penetrate the global market.

One of the industries that developed during the digital revolution was the marketing communications industry. The digitalization of the advertising industry has led to several changes, including the rise of digital marketing agencies, the decline of traditional advertising channels, and the increasing importance of data-driven marketing (Lee & Cho, 2019; Lynch, 2019). This paper examines the industry- and geography-specific challenges and opportunities of internationalization strategies of digital marketing agencies. In particular, this study attempts to shed light on the motivations and obstacles to rapid internationalization strategies of digital marketing agencies in Croatia. While the advertising industry in Croatia has a long tradition (Patterson, 2003; Draskovic et al., 2006), the limited size of the market has led agencies to internationalize their operations, resulting in a relatively high degree of internationalization (Draskovic et al., 2017; Draskovic & Markovic, 2020). In addition, this study also aims to examine general internationalization patterns specific to Croatian digital marketing agencies.

2. LITERATURE REVIEW

2.1. Born globals

Born globals are companies that internationalize quickly from the outset and offer specialized products that distinguish them from traditional SMEs (Gabrielsson et al., 2008). In contrast to the gradual approach proposed by theories such as the Uppsala model (Johanson & Vahlne, 2009), these companies globalize rapidly, often driven by technological advances. These companies usually target niche markets with customized or standardized products (Madsen & Servais, 1997). Such rapid internationalization is facilitated by evolving market conditions, technological progress, and skilled employees, including the founder (Madsen & Servais, 1997; Crick, 2009; Cavusgil & Knight, 2015).

Born globals are characterized by their rapid internationalization from inception or shortly after that, often leveraging internet-based distribution channels and hybrid distribution models that integrate traditional and digital means (Moen & Servais, 2002; Chetty & Campbell-Hunt, 2004; Gabrielsson & Gabrielsson, 2011; Hollensen, 2020). Recent research by Hennart et al. (2021) emphasizes the role of their innovative business models, particularly their focus on niche markets and digital technologies, in facilitating this swift global reach. However, academics have no consensus on the specific timeframe for internationalization and the balance between export and domestic activities.

Some argue in favor of international expansion within three years of inception (Knight & Cavusgil, 1996; Knight et al., 2004; Servais et al., 2007), while others suggest six years (McDougall et al., 2003) or believe that the decision can be made at the planning phase (Spence & Crick, 2006; Crick, 2009). Regarding export activity, several scholars agree that born globals should achieve at least 25% of their revenues from exports within the first three years (Knight & Cavusgil, 1996; Servais et al., 2007). However, this threshold is considered low, especially for companies in smaller economies with limited niche markets that force a focus on international activities (Madsen, 2013; Sleuwaegen & Onkelinx, 2014). Companies in smaller domestic markets are more likely to develop into born globals (Madsen & Servais, 1997). A study by Choquette et al. (2017) found that the average turnover from international activities is around 22%.

Research studies have differing views on the number of markets and geographic reach required for a company to be considered 'born global.' Crick (2009) initially defined these companies as those with a presence in the three main economic regions of

the world: Japan, Western Europe, and North America. However, the rise of the BRICS countries and Eastern Europe has challenged this traditional tripartite approach (Colinson et al., 2017). Other scholars suggest that born globals should be active in at least five markets (Kuivalainen et al., 2012; Sleuwaegen & Onkelinx, 2014). Madsen (2013) and Sleuwaegen and Onkelinx (2014) add that these companies must be present in at least two regions, one outside the European Union for EU-based companies.

2.2. Main factors facilitating rapid internationalization

The emergence of Internet-based technologies has enabled SMEs to internationalize their businesses and compete in areas traditionally dominated by large companies. In this context, research studies (Gerschewski et al., 2007; Casillas & Acedo, 2013; Hamidzadeh & Zargaranyazd, 2014) highlight that 'internationalization readiness' should be considered a key factor in facilitating the internationalization process of SMEs, focusing on three dimensions:

- *Marketing/Operational Readiness*: SMEs must understand target markets, adapt products to local preferences, and manage logistics (Casillas & Acedo, 2013).
- *Functional Readiness*: This includes financial, human, and technological resources.
- *Managerial Commitment*: The management team's vision, risk appetite, and ability to navigate international challenges are crucial.

In addition to these three dimensions, studies have shown that other factors can influence an SME's internationalization readiness, such as the SME's years of operation, size, and the type of industry (Casillas & Acedo, 2013). SMEs need to assess their internationalization readiness before embarking on an internationalization journey. In this way, they can identify the areas they need to improve and develop a plan to address them.

In a recent study, Xiong (2021) analyzed relevant academic articles and described three exogenous and endogenous factors that influenced the early internationalization of companies established as born global companies. These factors are:

- *Pushing Factors*: Globalisation, technological advancements, and supportive national policies have accelerated early internationalization (Freeman et al., 2006; Oviatt & McDougall, 1994; Andersson & Wictor, 2003).
- *Pulling Factors*: Firms often internationalize out of necessity, driven by domestic market conditions and technological shifts (Madsen & Servais, 1997; Baronchelli & Cassia, 2014).

- *Pressing Factors*: The diminishing role of domestic markets as learning grounds and the allure of a 'first-mover advantage' are also influential (Wadeson, 2020; Bell et al., 2001; Oviatt & McDougall, 1994).
- *Motivating Factors*: The founder's or management team's international experience and networks are often pivotal in driving early internationalization (McDougall et al., 2003; Zahra et al., 2000; Andersson & Wictor, 2003; Acedo & Jones, 2007).

While pushing, pulling, and pressing factors are considered exogenous or external influences, their effect is contingent upon endogenous elements (Xiong, 2021). These external factors are irrelevant in the context of the early internationalization of born globals without the appropriate motivation and drive to internationalize by the founder or manager.

2.3. Born globals and internationalization barriers

The internationalization trajectory of born globals is shaped by their strategic approaches and rapid entry into the global market (Luostarinen & Gabrielsson, 2006). However, empirical studies on the obstacles born globals face are limited (Danik & Kowalik, 2015). Key challenges include insufficient market knowledge and a domestic focus (Hollensen, 2020; Soares & Ferreira da Silva, 2022). Recent research also points to the institutional-legal environment as a significant obstacle, especially for companies in emerging markets (Igwe et al., 2021).

Born globals often innovate their business models to overcome international challenges (Bouncken et al., 2015; Guercini & Milanese, 2017). Hennart et al. (2021) found that a niche-focused business model is a key determinant of successful internationalization. Stocker et al. (2021) also emphasized the role of entrepreneurial international engagement and strategic business models in shaping the internationalization paths of Brazilian microbreweries.

Financial constraints are a common challenge for both born globals and other SMEs (Andersson & Evangelista, 2006; Freeman et al., 2006; Zhang et al., 2022). These companies often lack the financial resources required for international expansion and struggle with profitability, debt management, and growth trajectories. Lack of market knowledge is another common obstacle for born globals (Zhou, 2007; Reková, 2016). This can affect their competitiveness in foreign markets (Andersson & Evangelista, 2006). On the other hand, a study by Keupp and Gassmann (2009) found that lacking market knowledge is not necessarily an obstacle for many born globals. However, this does not mean that these companies are

risk-averse. Established companies may view certain activities as high-risk. In contrast, entrepreneurs may view them as lower-risk because founders of born globals are often considered to be exceptionally self-confident (Liesh et al., 2011) and combine innovation and risk-taking (McDougall & Oviatt, 2000; Oviatt & McDougall, 2005).

In a New Zealand study, financial constraints were cited as the main barrier for exporters. In contrast, non-exporters cited company size and limited market knowledge as the main barriers to internationalization (Shaw & Darroch, 2004). Similarly, a European Commission study identified internal and external barriers for SMEs (European Commission, 2010). Internal barriers included pricing and product quality. External barriers included capital constraints and logistical challenges such as high transport costs despite their rapid global expansion.

2.4. Born global phenomenon and digital marketing agencies in Croatia

Croatia, a relatively small economy with a GDP of around USD 70 billion (Focus Economics, 2023), has always been inclined towards international trade due to its limited domestic market. The openness of its economy is reflected in the high share of international trade, which includes exports and imports, concerning GDP (Srdelic & Davila-Fernandez, 2022). This inclination towards international markets has increased further with Croatia's accession to the European Union in 2013, allowing Croatian companies easier access to a larger market.

A study by Koprivnjak et al. (2021) analyzed 501 companies from Croatia and found that the country's internationalized SMEs base their internationalization predominantly on importing and exporting goods and services. Other international business activities, such as foreign direct investment, appear less developed. The study also underlines the importance of the European Union market for Croatian companies and suggests that the EU offers a favorable environment for the internationalization of Croatian SMEs. Furthermore, the study points out that internationalization brings opportunities and challenges that SMEs only sometimes know how to overcome.

Colovic and Lamotte (2015) examined early internationalization patterns among new firms in 27 transition countries, including Croatia, and found that several elements increase the likelihood of a company going global immediately. These include a robust ICT infrastructure, location in an EU country, a competitive industrial landscape, a well-educated labor force, domestic networks, and global connections. Conversely, factors such as the prevailing uncertain-

ty and - interestingly - the intensity of a company's knowledge hinder swift internationalization.

Miocevic and Crnjak-Karanovic (2010) emphasized the central role of SMEs in the Croatian economy and the benefits they derive from swift internationalization. However, they also pointed out these companies' challenges, including cultural differences, regulatory barriers, and financial constraints. The study suggests that a combination of internal elements, such as management expertise, and external determinants, such as prevailing market conditions and institutional structures, determine the internationalization trajectory of Croatian companies.

The Croatian advertising sector, including digital agencies, began its internationalization journey in the mid-1990s by entering global advertising networks (Draskovic et al., 2006). Within a relatively short time, international advertising agencies have established a dominant presence in the Croatian market. Following international trends (Lynch, 2019), the Croatian advertising industry developed and focused on digital media. In addition to traditional agencies turning to digital marketing, the digitalization of the landscape also led to the emergence of fully digital marketing agencies (Draskovic et al., 2017).

Despite the high relevance of internationalization, especially among SMEs, for the Croatian market, the literature review shows that this topic has received only moderate attention in research. Studies on internationalization in advertising and digital agencies are still limited (Fraculj et al., 2021). While there are examples of Croatian digital marketing agencies venturing abroad soon after their establishment, there seems to be a pronounced perception of risk associated with expanding into foreign markets (Draskovic & Markovic, 2020).

Given the limited focus of academic research on this topic, this study is exploratory. Based on the objectives of this study and the findings of the literature review, we formulated the following research questions to explore the nuances of the rapid internationalization of digital marketing agencies in Croatia:

RQ1. What are the main factors and motives for rapid internationalization and market choice?

RQ2. What are the main barriers to internationalization perceived by the management and owners of digital marketing agencies?

RQ3. How do digital agencies choose and develop internationalization strategies in response to internationalization barriers?

3. RESEARCH DESIGN

3.1. Research methodology

Given the limited existing research on the internationalization of Croatian digital marketing agencies and the predominant focus on country-specific born global models in the literature (Cannone & Ughetto, 2014), an exploratory approach was deemed most appropriate for this study. In order to comprehensively answer the research questions, we opted for semi-structured, in-depth interviews with industry experts, which is in line with the qualitative nature of the study. Golic and Davis (2012) argued that qualitative methods provide a more comprehensive understanding of the topic and provide detailed insights.

The research methodology relied on thematic analysis, a technique commonly used in qualitative primary research to summarise findings from different sources (Thomas & Harden, 2008; Bargate, 2014). Thematic analysis facilitates the identification of patterns or themes within the data and helps to interpret their meaning and significance (Maurer et al., 2022).

The thematic analysis in this study follows the six-step process outlined by Braun and Clarke (2006) and Nowell et al. (2017). These steps include familiarisation with the data, creating initial codes, searching for themes, reviewing the themes, defining and naming the themes, and producing the final report. This systematic approach ensures a rigorous analysis of the qualitative interview data collected through semi-structured interviews, a method chosen for flexibility and depth (Yin, 2016).

Semi-structured interviews stand out for their ability to provide more detailed information than other methods of data collection, especially those belonging to the quantitative research paradigm (Boyce & Neale, 2006). Their exploratory nature is advantageous when gaining new insights or developing a deeper understanding of a particular phenomenon (Smith & Osborn, 2008; McGrath et al., 2019).

3.2. Sample

In order to adequately answer all research questions, two types of digital agencies were considered – agencies with international experience and agencies without international experience. While the choice of the former is obvious, the latter was also included to assess the barriers to internationalization. We can assume that some agencies have not fully embarked on the internationalization path due to barriers to internationalization. We have removed traditional advertising agencies with digital departments from our original list, as they are not strictly digital agencies.

Their internationalization usually results from being part of an international advertising network.

We primarily used Google and LinkedIn searches to find the interviewees. Although many digital marketing agencies have emerged in recent years, not all of them operate on an international level. In order to properly categorize each contact, we searched their respective websites for international references. Finally, we obtained a list of 35 agencies that fit our research agenda. All agencies from the initial list were contacted by e-mail with an invitation for an interview. Ultimately, twelve agencies responded, of which eight operate internationally, and four have a combination of local and occasional regional presence, i.e., technically being born regionals (Lopez, 2009). According to the EU definition of small and medium-sized enterprises (European Commission, 2023), eight of these agencies can be categorized as small enterprises with up to 50 employees, while only one agency with around 150 employees is considered medium-sized. The interviewees were CEOs of companies, most founders, and (co-)owners. The eight agencies with international operations internationalized their business after the first two to three years.

Moreover, international business accounts for around 25-30% of total turnover. Interestingly, two agencies stated that over 95% of their turnover came from activities abroad. Considering the previously discussed definitions (Knight & Cavusgil, 1996; Knight et al., 2004; Servais et al., 2007), we can consider eight digital marketing agencies with an international presence as born globals.

3.3. Research procedure

An interview guide was created and used throughout the survey to ensure a structured yet adaptable approach. The guide was structured to begin with general questions about the company's history so that respondents could provide a general overview of their company's history. This approach also built rapport and put interviewees at ease before moving on to more complex and specific topics. As the interviews progressed, the questions became more targeted and focused on the finer details of the company's internationalization. This included probing the managerial motives for internationalization and perceived obstacles during the process.

The interviews were conducted in person in the second half of 2022. To ensure the accuracy and reliability of the data collected, all interviews were recorded with the interviewees' consent. These recordings were then carefully transcribed to provide a textual representation of the interviews that could be thoroughly analyzed. During the transcription process, all

personal data was removed from the recordings. The interviews varied in length, with an average duration of 40 minutes. This range (35–48 minutes) was sufficient to explore the research topics in depth without causing undue fatigue or discomfort to the interviewees. The length of the interviews also reflected the complexity of the topics discussed and the richness of the data collected. Overall, the research process was designed and conducted with a commitment to rigor, flexibility, and respect for the experiences and perspectives of the interviewees (Smith, 2020; Turner, 2010).

102 4. RESULTS

This section contains the edited transcripts of the interviews conducted and the interpretation of the data, as well as selected, salient, and meaningful direct quotes where they add value. Although respondents provided a wealth of interesting and pertinent data, some specific to individual agencies, certain patterns and commonalities emerged. It is important to note that responses from non-internationalized agencies are mainly covered in the second sub-section.

4.1. Motives for internationalisation and market choice

Regarding the motives for internationalization, all respondents cited revenue growth as the key driver. They also unanimously recognized that the limitations of the local market, such as its small size and strong competition, limit growth. As the local market is saturated, agencies are looking for opportunities abroad. The seasonality of Croatian demand for digital services also influenced this decision. Demand is high during the high season but drops sharply outside the high season, so people are looking for foreign opportunities. In addition, the underdevelopment of the Croatian market leads to low demand for specialized services.

In some cases, losing an important or insufficient client base on the domestic market forced agencies to look for opportunities in foreign markets. Thus, internationalization solved the problem of a lack of clients in the domestic market. As one interviewee explained:

"After losing a major client, the financial sustainability of our agency was in jeopardy. To avoid bankruptcy, we decided to explore opportunities abroad." [Respondent 7]

Most respondents cited the potential for higher hourly rates in certain foreign markets as an important motivating factor and source of competitiveness.

Given the relatively low wages in Croatia and the fact that labor costs make up the largest part of the overall cost structure for digital products, Croatian agencies can compete with lower hourly rates and still offer top-notch services. As several respondents noted:

"Our competitive edge lies in our pricing. We can offer the same services at a lower cost than US agencies due to the lower cost of our staff." [Respondent 3]

"Although we offer competitive pricing, that is not our only advantage. We also deliver high-quality services, so we do not feel compelled to undercut our US counterparts." [Respondent 2]

"Our competitive advantage abroad would most likely be our pricing. Even though we are out of reach for most Croatian companies, we are still cheaper than premium agencies in the UK and US. Quality-wise, we can go toe-to-toe with most premium agencies." [Respondent 9]

For several respondents, internationalization was not merely a strategic decision but a fundamental business philosophy and a main motive for founding their company. The enthusiasm and optimism of agency founders were cited as key drivers concerning internationalization. In addition, markets such as the UK, Germany, and the US, considered mature and technologically advanced in digital marketing, were seen as opportunities for agencies to expand their expertise and knowledge.

Respondents generally cited general market conditions and the business climate as the most important criteria when selecting markets to enter. Respondents see a well-developed market with a high demand for digital marketing services as attractive. In addition, markets with a higher price level for digital marketing services than the Croatian market are considered important for market selection.

Respondents indicated two main approaches to market selection. The first approach is to target markets with less geographical distance, such as EU countries and countries within the region. This was the initial step in internationalization for some agencies, followed by expansion into more distant markets. Conversely, the US was the market of choice for some agencies, allowing them to bypass the initial regional expansion phase altogether. The US market seems to be the ultimate goal for most Croatian digital agencies. Even though some respondents have not yet established a presence in the US, their goal remains to tap into this market. Aside from the tremendous business opportunities, the US market is also perceived as less culturally distant. As one of the interviewees noted:

"In my experience dealing with US customers, I have not detected significant cultural differences. We are all familiar with American culture through Holly-

wood movies, TV shows, and popular music. Moreover, we have all had positive experiences with American business culture." [Respondent 3]

4.2. Internationalization barriers and challenges

Respondents recognize several obstacles that hinder the international expansion of their agencies. Apart from technical problems such as the former US visa regulations, the lack of market information and contacts are the biggest obstacles. While the Internet helps make contacts, connecting with clients overseas remains challenging. Some respondents used referrals from abroad to overcome this problem, and the importance of word of mouth was also mentioned.

In addition, several agencies that have successfully internationalized their business emphasized the need for a physical presence in the target country. Some clients prefer face-to-face meetings, leading to a high risk of client loss if this preference cannot be accommodated. Such clients may opt for a local agency instead. Conversely, some respondents noted that clients are happy with online-only meetings and e-mail correspondence. However, this approach also requires a certain level of commitment and effort:

"Cultivating a remote culture and processes is time-consuming. Occasionally, nurturing talent in the office is simpler. However, the mixed culture and diverse perspectives significantly enhance our agency's image. [...] We might benefit from in-person meetings with all our clients to foster a more human connection. Nonetheless, we have managed to maintain multi-year partnerships with some clients, even though we have never met in person." [Respondent 9]

Managing global operations from the local headquarters in Croatia and serving customers remotely can be a challenge. The complexity is further increased when managing a multicultural team remotely to maintain stable relationships with international clients. In such circumstances, working across different time zones requires careful planning and flexibility in organizing working hours at the Croatian head office. In extreme cases, interaction with the client is predominantly asynchronous, which is not everyone's preference, and could result in the client switching to a service provider within their time zone.

Moreover, language can be a significant barrier to successful market entry in certain cases, especially in non-English-speaking countries. Therefore, it can be a great advantage to have a native speaker on the team. Insisting on English as the language of communication in some countries can backfire and give clients the impression that the agency is not trying hard enough to communicate in the local language.

Market entry can be a stressful experience due to the uncertainty resulting from the lack of market and client-related information and the general risk of failure. This uncertainty can be partially mitigated by information from the Internet. However, certain industry and country-specific details are not accessible online. One interviewee noted that consultants specializing in foreign markets could provide more specific information and advice.

While most of our respondents are committed to internationalization, some proceed cautiously. A commitment to internationalization requires capital and dedicated staff. This is probably one of the biggest obstacles for smaller agencies with limited resources:

"I am aware of the risks associated with business internationalization, but also of the potential benefits. However, at this point, we are too small to internationalize. We lack the necessary personnel for that." [Respondent 1]

Conversely, some respondents were not interested in actively internationalizing their business by seeking customers abroad. However, there are instances where international clients sought them out and commissioned them for mostly regional projects:

"We are not actively pursuing internationalization. International clients come to us through word of mouth from other international clients with whom we have worked." [Respondent 11]

4.3. Internationalisation strategies

Several paths were identified in the internationalization strategies of the agencies in the sample. Three agencies reported instances where foreign agencies contracted them to provide services tailored to the local market, such as translating promotional materials and managing local social networking communities. This could be described as 'inbound internationalization,' as these agencies did not actively seek business opportunities abroad. Instead, foreign companies were looking for the services they offered in the local market. Over time, these agencies began 'outbound internationalization' and expanded their services to the regional market.

Some agencies opted for direct investment as an internationalization strategy. They decided to open offices in the United States to get closer to potential clients. Typically, one of the agency founders would relocate to the US and set up a subsidiary to service customers locally. This approach significantly increased the client acquisition rate as US clients perceived the agency as a local service provider:

"American clients were generally suspicious of digital marketing service providers from Croatia. Therefore,

we decided to set up a local operation in the US." [Respondent 2]

"The digital marketing sector tends to be essentially local. Clients typically seek service providers situated in their immediate geographic vicinity. For instance, a firm in Los Angeles will predominantly opt for an agency located within the Los Angeles region." [Respondent 12]

Some agencies opted to manage their international operations from their Croatian base. While this can limit personal contact with clients, it is very effective, especially if you offer high-quality and cost-effective services. This strategy is particularly interesting for international start-ups and certain IT companies. The need for digital communication during the COVID-19 pandemic has accelerated the shift in agency-client relationships. Essentially, advances in digital technology and changing client attitudes have meant that working remotely has become increasingly profitable for digital agencies.

Another unique route to internationalization is through a client's international supply chain. In instances where an international client was satisfied with the digital marketing services provided in Croatia, they asked the local agency to expand their services abroad, usually within the region:

"We were engaged in Croatia to develop and deliver a digital campaign for a multinational corporation, and they were delighted with our services [...] they entrusted us with the development of a new campaign for regional markets [...] we were 'propelled' to internationalize our business." [Respondent 4]

"An international client would engage us for specific services on the Croatian market and, over time, would request us to deliver these services abroad as well." [Respondent 3]

Even if this type of regional internationalization does not represent comprehensive internationalization in the sense of the born global phenomenon, it can serve as a catalyst for further internationalization of the agencies based on the experience gained and the increased confidence:

"Being involved in regional expansion due to our client's requests also encouraged us to intensify the internationalization process and reach even more distant clients." [Respondent 2]

5. DISCUSSION

The main objective of this study was to investigate the complexity of internationalization in the context of digital marketing agencies in Croatia. This study is exploratory, mainly because few studies address the nuances of the internationalization of digital market-

ing agencies. Furthermore, given the limited research on the internationalization of SMEs in Croatia, this study contributes to a better understanding of the born global phenomenon in this specific context.

In answering the first research question, this study has uncovered various factors and motives that favor the rapid internationalization of digital agencies in Croatia. Following Xiong's (2021) classification of factors, the internationalization of Croatian digital agencies is motivated by a mixture of exogenous and endogenous forces. The overarching motive for these agencies' internationalization is, in particular, the pursuit of revenue growth. The limitations of the local market, characterized by its relatively small size and intense competition, forced the agencies to seek opportunities beyond Croatian borders. The seasonal demand for digital services and the perceived underdevelopment of the Croatian digital marketing sector have further fuelled this urge. In addition, the availability of resources required for internationalization, combined with the unwavering commitment of an agency's leaders and owners, proves crucial to an agency's initiation or willingness to internationalize (Casillas & Acedo, 2013; Hamidzadeh & Zargaranyazd, 2014).

Regarding market selection, the motivation for regional expansion is primarily based on geographical proximity and regional business opportunities supported by the existing customer base. Conversely, global expansion is driven by an agency's competitive edge in pricing and service quality and the target market's high level of development in digital marketing technologies. Such expansion offers lucrative business opportunities and fosters improving internal skills and competencies. This motivation aligns with findings from other markets and industrial contexts (Oviatt & McDougall, 1994; Koporcic, 2016).

To answer the second research question of this study, the most important obstacles to internationalization among Croatian digital marketing agencies were investigated. Besides technical hurdles, such as visa regulations in the past, the lack of market knowledge is a notable obstacle to internationalization. Furthermore, the lack of established contacts or networks can increase the complexity of the entire endeavor, which has also been noted in recent studies (Hennart et al., 2021; Stocker et al., 2021). The need for a physical presence in the target country was also underscored, with some clients prefer face-to-face meetings. The lack of a local presence and the inability to conduct face-to-face meetings can deter some clients. How an agency expands into foreign markets is intricately linked to decisions regarding its business model, confirmed by several studies (Bouncken et al., 2015; Guercini & Milanese, 2017; Hennart et al., 2021).

Language barriers, especially in non-English-speaking countries, increase the difficulties of market entry. The uncertainties associated with entering new markets further aggravate these challenges, which have also been underscored in previous studies (Draskovic et al., 2017; Draskovic & Markovic, 2020).

While some studies (Miocevic & Crnjak-Karano- vic, 2010; Koprivnjak et al., 2021; Igwe et al., 2021) have highlighted regulatory barriers as challenges that SMEs often struggle with, these were not emphasized by the respondents in our study. Several factors could be responsible for this. First and foremost, Croatia's accession to the EU has removed some regulatory barriers for Croatian enterprises (Colovic & Lamotte, 2015). In addition, most agencies in our sample have gained considerable experience with internationaliza- tion, suggesting that they have effectively managed and overcome many of the associated challenges.

The third research question examines the internationalization strategies used by Croatian digital marketing agencies. Drawing from the rapid internationalization pathway posited by the born global theory (Knight & Cavusgil, 1996; Knight et al., 2004; Ser- vais et al., 2007), Croatian digital marketing agencies have developed various strategies to overcome the perceived obstacles. In order to facilitate face-to-face meetings with international clients and gain deeper insights into the market, some agencies have opted for a direct market entry strategy and opened offices abroad. On the other hand, other agencies have driven international expansion from their domestic headquarters and utilize digital technologies to interact with their clients. Although not all clients favor this approach, its adoption has increased post-pandemic (Kuczewska et al., 2023). These agencies also tend to assemble international teams to service their global clients.

Additionally, a notable pattern emerged among agencies with less enthusiasm toward international- ization. While these agencies initially lacked a strong commitment to international expansion, their journey into global markets was often driven by satisfied do- mestic clients who appreciated the quality and prices of services offered in the Croatian market. Typically, the initial phase of this client-driven international- ization involves establishing a regional presence. This way, an agency provides services to the client's re- gional offices. However, it appears that several agen- cies used this regional expansion as an opportunity to gain valuable experience (Zahra et al., 2000; McDou- gall et al., 2003; Acedo & Jones, 2007) and strengthen management commitment (Gerschewski et al., 2007; Casillas & Acedo, 2013; Hamidizadeh & Zargaranyazd, 2014). As a result, these companies ventured beyond regional borders and expanded their activities on a global scale.

6. CONCLUSION

This study contributes to the literature on companies pursuing rapid internationalization strategies follow- ing the born global path. It delves deeply into interna- tionalization factors, barriers, and the complexity of internationalization in the context of Croatian digi- tal agencies. The research findings underscore inter- nationalization's main motivations, such as revenue growth and local market constraints. In addition, the perception of the Croatian market as underdeveloped has led to low demand for certain specialized and ad- vanced types of services. Interestingly, some agencies have been forced to explore international opportu- nities due to losing significant clients in the domes- tic market. The potential for higher hourly rates in certain foreign markets proved an important moti- vation. Croatian agencies used lower labor costs to offer competitive prices while maintaining high-qual- ity services. The experience and knowledge gained by the agencies in their international engagements proved invaluable, enriching the agencies' expertise and enabling them to bring innovative practices and insights back to their home market.

While the results of this study are largely con- sistent with some previous research, they offer fresh insights into certain factors and pathways specific to the internationalization of digital marketing agen- cies that have not received as much attention from researchers. This study deepens our understanding of how digital marketing firms navigate global ex- pansion and employ different strategies to overcome barriers to internationalization. The findings suggest that these agencies adopt a 'born global' approach, influenced by constraints in their home markets and tantalizing prospects in foreign markets. As digital marketing is inextricably linked to online technologies, these agencies harness digital platforms to strength- en client relationships and interactions and effectively drive their international efforts.

The findings of this study provide valuable insights for digital marketing managers and deci- sion-makers, especially those considering interna- tional expansion. It is important to recognize the motivations and challenges associated with interna- tionalization. This understanding can help companies make strategic decisions about entering the market, whether through a physical presence abroad, inter- nationalizing regionally via a domestic client, or oper- ating directly in the home country with global reach through internet technology. The study also high- lights the competitive edge that agencies can gain through their lower labor costs, positioning them advantageously in foreign markets. As agencies face barriers to internationalization, the research under-

scores the significance of adapting the business model and national and international networks.

Although this study offers valuable insights into the internationalization of Croatian digital agencies, it also has limitations. While the qualitative research methodology is rich in detail, it is based on a relatively small sample that may not represent the industry. Furthermore, the study's focus on a single market, Croatia, limits the generalisability of the findings to other contexts.

Future research could employ quantitative methods to validate the findings of this study and gain a more comprehensive understanding of the internationalization strategies of digital agencies. Expanding the sample and including agencies from multiple markets would improve the generalisability of the study. Furthermore, investigating the role of digital platforms in interacting with clients in different cultural and geographical contexts would provide deeper insights into the global digital marketing landscape.

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"BORN GLOBAL" PODUZEĆA U DOBA DIGITALIZACIJE: ISTRAŽIVANJE STRATEGIJA
INTERNACIONALIZACIJE HRVATSKIH DIGITALNIH MARKETINŠKIH AGENCIJA

SAŽETAK

Ova studija doprinosi općem tijelu znanja o teoriji rođenih globalnih poduzeća u specifičnom kontekstu digitalnih marketinških agencija. U današnjem međusobno povezanom digitalnom okruženju, koje pokreću brzi tehnološki napreci i evoluirajuća tržišna dinamika, mnoga poduzeća iz različitih sektora usmjeravaju svoje strategije rasta prema proaktivnoj internacionalizaciji. Ova studija detaljno ispituje odrednice i izazove strategija internacionalizacije digitalnih marketinških agencija u Hrvatskoj. Kroz kvalitativnu analizu istražuju se motivacije, prepreke i strateški izbori koji vode ove agencije na njihovom putu "born global" poduzeća. Istraživački nalazi otkrili su da se ove agencije upuštaju u globalna tržišta koristeći se konkurentnim cijenama, stječući neprocjenjivo iskustvo i šireći svoje kompetencije. Ovo iskustveno učenje oblikuje njihove strategije i operacije te povećava njihovu konkurentnost. S druge strane, hrvatske digitalne marketinške agencije suočavaju se s brojnim preprekama za internacionalizaciju, uključujući nedostatak resursa i tržišnih informacija, jezične barijere i složenost upravljanja udaljenim multikulturnim timovima. Da bi prevladale ove izazove, agencije koriste različite strategije kao što su korištenje usmenog prenošenja informacija i održavanje fizičke prisutnosti u ciljnim zemljama, te naglašavaju važnost prilagodljivosti i posvećenosti resursima u uspješnom međunarodnom širenju. Osim toga, agencije koriste izravna strana ulaganja i klijentom vođenu regionalnu ekspanziju, kao i opciju rada na daljinu, kako bi se snašle u složenostima i prilikama međunarodnog poslovanja.

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KLJUČNE RIJEČI: "born global" poduzeća, internacionalizacija, digitalne agencije, mala i srednja poduzeća, Hrvatska.