Abstract

Although born globals (BGs) have now been studied for over a decade, theory and practice are still evolving. This article was written to clarify the definition of a Born Global (BG) firm and to describe the three phases—introductory, growth and resource accumulation, and break-out to independent growth as a major player—through which BGs progress. Drawing from empirical evidence, it was found that the risks, resource development, channels/networks and organisational learning of BGs develop during the three phases through which successful BGs pass. However, this process deviates considerably from that followed by traditional internationalising small- and medium-sized enterprises (SMEs). Born Global entrepreneurs and academics can learn much by studying the causes of these differences.

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Keywords: Born globals; Channels/networks; Organisational learning; Phases of development; Resource development; Risks

1. Introduction

The lack of conceptualisation regarding born globals (BGs) makes it difficult to do valid comparative research (cf. Rialp, Rialp, & Knight, 2005). As explained later in this section, internationalising small- and medium-sized enterprises (SMEs) can be divided into groups that differ in behaviour and development. Hence, there has been research on firms that some do not regard as BGs, but instead as another type of internationalising SME (cf. Larimo, 2007). This was partially due to the fact that international entrepreneurial firms originate from different backgrounds in nations with different business cultures. Over a decade after Oviatt and McDougall (1994) seminal work, we still do not know enough about what happens to BGs after their initial phase and when they become established (Zahra, 2005). Earlier research emphasised only the
importance of understanding the internationalisation process and the growth of BGs over time (Jones & Coviello, 2005). The general behaviour of BGs was not studied. Our article therefore attempts to develop concepts that will help to provide a realistic definition and to explain how BGs behave over time. The contribution of our article is that it identifies the needs and analyses the evolution of BG firms in different stages of their development and provides propositions backed up by empirical evidence regarding the reasons for their progression from one phase to another.

We find that BGs progress through three phases. Phase 1 is the introduction and initial launch phase. Phase 2 comprises growth and resource accumulation. Phase 3 is the break-out phase. This phase is important since as the pace of growth slows, the BG would otherwise gravitate into a conventional slow-growing international entrepreneurial SME. In this Phase 3 juncture, BGs can elect to break out onto a new path and/or new market. In each phase, we give case-specific examples based on a multiple case study conducted in four countries. We also outline significant variables that influence the change from one phase to another. Our approach is exploratory. We hope that it will advance the theory surrounding BGs, and help researchers to do valid comparative analyses of these companies.

Traditionally, international business researchers have focused on large multinational enterprises (MNEs), while entrepreneurship researchers have focused primarily on venture creation and the management of SMEs within the domestic context. In recent years, the demarcation between international business and entrepreneurship has begun to fade. The literature has reached the point of specifying that “international entrepreneurship is a combination of innovative, proactive, and risk-seeking behaviour that crosses national boundaries and is intended to create value in organisations” (McDougall & Oviatt, 2000, p. 903). Large firm size and age are no longer prerequisites for doing international business. Moreover, international entrepreneurial behaviour may occur at the individual or group levels. The former is more likely when the firm originates in a country such as the US, with a national culture that is strongly individualistic, and the latter for example in Italy where international entrepreneurship spins out of industrial districts in which collective behaviour via imitation among firms and/or shared international initiatives is common (Coro & Rullani, 1998; Porter, 1990).

BGs are known to be entrepreneurial and international in their business dealings. There are many international entrepreneurial SME firms that internationalise steadily, but at a relatively slow pace. However, academic researchers have observed accelerated internationalisation among some of the smallest and newest SME organisations (Oviatt & McDougall, 1999). Hence, to make research more specific, the set of internationalising SMEs could be partitioned into the following:

1. BGs, which are SMEs with the potential for accelerated internationalisation and a global market vision.
2. Born Again Globals, which attempt to internationalise but achieve limited success, then turn to building up domestic support and later return to internationalisation by means of great leaps and a global vision (Bell, McNaughton, & Young, 2001).
3. Inward internationalisers, which import intermediates and components from global sources and/or import R&D and internationalise rather rapidly through exports and/or in other ways (Korhonen, Luostarinen, & Welch, 1996).
4. The usual more slowly internationalising SMEs, which are a subset that includes small spin-offs from MNEs.

Our specific interest is in 1, notably the BGs. Group 2 consist of Born Again Global firms, which achieve limited early international success but later behave in a manner similar to that of BGs. Group 3 above are those that intermittently outsource their production systems. Outsourcing of this kind has become widespread as tariffs and transportation costs have fallen and communication has become more rapid and less expensive. Group 3 firms differ from the others with regard to process mode but not to type. Group 4 comprises a large number of conventional SMEs. It should be noted that firms from any group may migrate from their initial group to another group or even to a third group as their individual life cycle evolves.

This article is structured as follows: we will first analyse various previous definitions of BGs before recommending our own view. Second, we will present our research methodology and the related research protocol and field procedures. We will then present and discuss the salient features of BGs in the three phases.
and develop a number of propositions. We will conclude with a discussion of how the traditional internationalisation theory compares with the findings of research on the BG phenomenon.

2. Commentary on born globals, selected previous definitions

It is apparent from the above that BG firms are a sub-set of international entrepreneurial SME firms. Different definitions for BGs have been offered by different authors. A few of the most important definitions recognised in the literature are summarised in Table 1.

Perhaps because the seminal works originated from the US, which is a large country with a basically low export ratio, the original definition specified that BGs must export 25% of their sales within 3 years of inception (e.g., Knight & Cavusgil, 1996). However, from a European perspective this definition was not very demanding (cf. Kuivalainen, Sundqvist, & Servais, 2007). Almost any start-up firm from a small country with a specialised product addressed to a market niche could meet this requirement. Nevertheless, theoretical progress was slow and this definition has remained in much of the literature (Andersson & Wictor, 2004). Finnish authors suggested a much stricter definition, maintaining that to qualify as a BG, at least 50% of sales should be on continents external to the one from which the firm originated (Luostarinen & Gabrielsson, 2006). We find, however, that for research purposes such definitions are flawed, because the ratio of exports or range of geographic international activities are influenced by the size of the BG’s country of origin and economy, the country’s neighbour markets, and other factors such as the type of industry. There will always be companies that spin off from divisions of large MNEs and readily meet the terms of the strictest of these numerical definitions, but lack the crucial quality of independence, and consequently the higher risk associated with a start-up BG company.

3. Our definition of born globals

Given the fact that BGs are led by entrepreneurs and their firms are international, what else can we say to define them precisely? Firms from this sub-set can also change character and, thus fall into other SME groups

<table>
<thead>
<tr>
<th>Dimension/author</th>
<th>Vision</th>
<th>Time before starting export</th>
<th>Export versus global growth/age</th>
</tr>
</thead>
<tbody>
<tr>
<td>Oviatt and McDougall (1994)</td>
<td>A business organisation that, from inception, seeks to derive significant competitive advantage from the use of resources and the sale of outputs in multiple countries.</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>(McKinsey and Company (1993) and Rennie (1993))</td>
<td>Management views the world as their marketplace from the outset.</td>
<td>Began exporting, on average, only 2 years after foundation.</td>
<td>Achieved 76% of their total sales through exports at an average age of 14 years. Tend to export at least a quarter of total production. 80% of sales outside New Zealand; markets are worldwide.</td>
</tr>
<tr>
<td>Knight and Cavusgil (1996)</td>
<td>Management views the world as its marketplace from the outset.</td>
<td>Begin exporting one or several products within 2 years of establishment. Within 2 years of inception.</td>
<td>Make over 50% of their sales outside home continent. Established after 1985. More than 25% of foreign sales or sourcing outside home continent.</td>
</tr>
<tr>
<td>Chetty and Campbell-Hunt (2004)</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Luostarinen and Gabrielsson (2006)</td>
<td>Global vision and/or at a global growth path.</td>
<td>Entered global markets at the outset.</td>
<td>–</td>
</tr>
<tr>
<td>Servais et al. (2007)</td>
<td>–</td>
<td>Within 3 years of establishment.</td>
<td>–</td>
</tr>
</tbody>
</table>
of international entrepreneurial firms that adopt a slower or even reversed pace of internationalisation. Why do the successful BGs resist such change towards slower internationalisation and why do they find ways to perpetuate their existence? Macro external parameters certainly exist. These include the increasingly global nature of demand in some market segments. For instance, physics laboratories in major universities worldwide that conduct research in low-temperature physics and related areas often utilise similar equipment. The similarity of the markets makes demand uniform at a global level and instant internationalisation a reality. Hence, Oxford Instruments of the UK, a small BG and a producer of high-field magnets, is able to supply a global market (Oviatt & McDougall, 1995). Naturally, the BG's market potential may be distributed unequally across different continents. However, what is important is that the BG firm targets worldwide the key country markets in which potential exists (Berry, Dimitratos, & McDermott, 2002). Other macro parameters are the rapid growth of worldwide communications technology and the urge to combine with proven foreign technologies and to follow clients to foreign countries.

Can we define the micro parameters that encourage the BG to retain its identity? So far, we have determined that a firm with global market potential and entrepreneurial competence that can be transformed into accelerated internationalisation capability should be termed a BG. But, what kinds of products have global market potential? They must have a distinct differentiation strategy as compared with products that are already on the market. Such products must have either unique technology and/or superior design or unique product/service, or know-how, systems or other highly specialised competence (Gabrielsson & Kirpalani, 2004). Such competencies include new production methods, as these are novel processes and can be considered new services. Uniqueness is rooted in a knowledge base and a related learning process that are built in a manner that differs greatly from those of a traditional firm. In fact, the traditional firm usually conceives foreign markets as places, where it can exploit a knowledge base and a competitive advantage that was first developed in the domestic market. In contrast, a BG firm conceives foreign markets as places, where it can explore and create new knowledge (Kuemmerle, 2002).

Consequently, we define a BG firm as one having products with global market potential. Moreover, it can combine this potential with an entrepreneurial capability to seek methods of accelerated internationalisation. In addition, it must have a global vision at inception. It must also carry the risks of a small start-up company; it cannot be a spin-off of a larger firm that is prepared to help it float, like for example Lucent Technologies Inc., which was a spin-off of A.T. & T, the telecommunications giant. Further, it should be noted that the industries from which these firms emanate may be what are conventionally termed high-tech, e.g. wireless, or low-tech, e.g. clothing. Research in Motion Ltd, the promoter of the high-tech ‘Blackberry’, started off as a BG, as did Zara, the familiar low-tech Spanish clothing firm that is now expanding rapidly outside Spain. Empirical findings from Greek and Italian firms discussed below highlight the early and rapid internationalisation of many small firms operating in the relatively high-tech specialised machinery industry and in traditional food, apparel, shoes, furniture, and other low-tech industries.

Also, the previous literature had often centred on the BG meeting a numerical internationalisation requirement within a 3-year time period after its inception. The potential for early internationalisation may well be there, but as we all know, exporting is not straightforward, particularly not for start-up companies with limited international experience. While experience can be gained by senior managers in previous job positions, the networks and insights provided by an experienced manager coming from another company may be relevant and directly useful for one BG, but not for all. Compounding the challenges of exporting, it appears that this whole process may therefore take longer than 3 years. Hence, given the variety of situations that exist, we should be somewhat flexible about the time period.

In addition, being an early internationalising firm does not necessarily initially entail fast growing foreign sales. In dealing with BG firms, the temporal factor has to be viewed along two dimensions, viz. precocity and speed. The precocity issue relates to the early start of internationalisation. The speed issue concerns effectiveness (Zuchella, Danicolai, & Palamara, 2007). In other words, successful BGs exhibit broad entrepreneurial scope in the key country markets of their industry segment, high intensity of focus and rapid growth. This is different from an SME that goes international early but does not have a global vision, a corresponding commitment, and implementation capability. This latter firm may meet the standard of precocity but lack the effectiveness to achieve speed and to perform in global markets.
4. Methodology

A case study methodology based on eight BGs was employed and the growth progression of these firms was investigated. A case study method successfully provides a dynamic and holistic view of the incident under investigation (Yin, 1989). It will also reveal the process development of BGs over time. The firms investigated had to meet the following four criteria in order to be included in the study:

(a) They should be SMEs with a global vision at inception.
(b) Their products should be unique and have a global market potential.
(c) They should be independent firms.
(d) They should have demonstrated the capability for accelerated internationalisation, i.e. their international activities featured both precocity and speed.

Eight SMEs that met the above four criteria were investigated in this research. Since we sought to derive generalisable insights from a large number of countries on the theme of BG stage progression, we chose to examine two firms from each of four different European countries. However, it should be pointed out that the purpose was to generalise the results from the multiple case studies to theory and not to populations (Yin, 1989). The countries were Greece, Norway, Finland, and Italy. They were chosen because they constituted a good mix of different economies, degrees of economic development and geographic locations within the European continent. Although the economic characteristics of these countries are dissimilar, their development largely relies on their SMEs rather than on large enterprises. Table 2 presents a summary of the case firms and persons interviewed.

The unit of analysis was the transition of the firm from one phase to another. Prior to entering the field, a case study protocol was prepared. Yin (1989, p. 70) states that “having a case study protocol is desirable in all circumstances, but it is essential if you are using multiple-case design”. The field collection methods employed were comprehensive interviews conducted with knowledgeable managers of the firms, examination of company documents and archival data as well as observation. These three data collection methods (Denzin, 1978) allowed triangulation, which contributes to a holistic view of the issue examined (Paul, 1996). The collected data were analysed for content.

To safeguard the quality of the study, data were collected in the following stages according to the principles suggested by Yin (1989). First, an in-depth interview was conducted with the most knowledgeable manager/s of the BG’s international operations. Second, to ensure that no misinterpretations occurred, the transcript of each interview was sent back to these managers a few days after the meeting. When necessary for clarification, further meetings were scheduled. All interviews were transcribed. Each of the interviews lasted between 1 and 2h. Third, firm internal documents and archival data were examined. Observations were also recorded on the premises of the enterprise throughout this process.

The interviews were based on a semi-structured questionnaire addressing key issues on the BG development process. Specifically, the themes of the questionnaire evolved around the founders of the BGs, their innovations, product strategies, channels/networking and learning processes, and their finance, operation and market strategies. Particular emphasis was also placed on an examination of the progression through which these firms passed and on the causes of the shift from one phase to the other. The final report from each phase was read and evaluated by two independent reviewers.

5. Phases of born global development

Based on the findings of our study, in the following we will propose a phase model for BGs and contrast it with traditional models of internationalisation that have been proposed in the relatively distant past by the Uppsala scholars (Johanson & Vahlne, 1977) and other researchers (Bilkey & Tesar, 1977; Cavusgil, 1984; Luostarinen, 1979).
Table 2

<table>
<thead>
<tr>
<th>Country</th>
<th>BG</th>
<th>Short description of the cases</th>
</tr>
</thead>
<tbody>
<tr>
<td>Greece</td>
<td>Archetypon</td>
<td>Fedegari Mary short tricot</td>
</tr>
<tr>
<td>Norway</td>
<td>ASK</td>
<td>Projectors</td>
</tr>
<tr>
<td>Finland</td>
<td>CodeToys</td>
<td>Open source cross-platform application software.</td>
</tr>
<tr>
<td>Italy</td>
<td>SSH</td>
<td>Mobile entertainment.</td>
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<tr>
<td></td>
<td></td>
<td>Enterprise security solutions.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Machinery for sterilising instruments.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Clothing (cashmere).</td>
</tr>
</tbody>
</table>

<table>
<thead>
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<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td>Age; start of internationalisation</td>
<td>11-years-old (established 1996). From the 1st year of operation.</td>
<td>14-years-old (established 1993). From the 1st year of operation.</td>
<td>23-years-old (established in 1984). From the 1st year of operation.</td>
<td>13-years-old (established 1994); From the 1st year of operation.</td>
<td>5-years-old (established 2002). From the 1st year of operation via an OEM partner. 50</td>
<td>12-years-old (established 1995). From the 1st year of operation.</td>
<td>54-years-old (established 1961). Started indirect export from beginning as sub-contractor of luxury brands. Over 10</td>
</tr>
<tr>
<td>Number of countries</td>
<td>6</td>
<td>12</td>
<td>Over 50</td>
<td>Over 50</td>
<td>Over 50</td>
<td>Over 20</td>
<td>Over 10</td>
</tr>
<tr>
<td>Employees HQ</td>
<td>60 Athens, Greece</td>
<td>120 Egion and Athens, Greece</td>
<td>450 Wilsonville, Oregon, US</td>
<td>170 Oslo, Norway</td>
<td>65 Espoo, Finland</td>
<td>80 Helsinki, Finland</td>
<td>180 Pavia, Italy</td>
</tr>
<tr>
<td>Interviewed</td>
<td>2 CEO/founders and marketing manager.</td>
<td>2 CEO/founders.</td>
<td>Former CEO and a board member.</td>
<td>CEO and founder.</td>
<td>2 CEO/founders.</td>
<td>CEO and business development manager.</td>
<td>CEO founder and export manager.</td>
</tr>
<tr>
<td>Additional remarks</td>
<td>–</td>
<td>–</td>
<td>Merged and is currently ASK-InFocus.</td>
<td>–</td>
<td>Was acquired and is currently part of Valimo Wireless.</td>
<td>–</td>
<td>–</td>
</tr>
</tbody>
</table>
5.1. Born globals—Phase 1: the introductory phase

In the introductory phase, the BG has limited resources and an underdeveloped organisational structure. In this age of large information flows and internet communications, BGs depend on unique and often tacit know-how to sustain their advantage (Barney, 1991; Schoemaker, 1990). Its principal resources consist of the founder/s and other creative individuals. Their unique skills combined with entrepreneurship are the basic human resources that lead to the development of unique products with global market potential. However, successful accelerated internationalisation requires a level of financing and international business expertise that these entrepreneurs seldom possess. For firms with a pre-phase in which the founder or a founding team had already done some of the development work and accumulated international business experience in previous employment prior to establishment the weaknesses are not so significant. The BGs that lack with regards to resources and organisation structure must make up for them in a variety of entrepreneurial ways, which we examine below.

The problem is often that after an initial phase of research and product development generally financed through research at universities, “sweat and tears” by the entrepreneurs, and possibly a mortgage (with the entrepreneur’s house as the collateral), the lag before sales take off extends the need for the availability of funds. Based on the empirical case evidence, the BG builds a channel/network and tries to establish relations with potential customers. Such channels are of specific types. Relevant choices are shown in Table 3.

In Phase 1, the growth is very much dependant on the selected channel strategy and networking approach. If the firm seeks to collaborate with an MNE, it may achieve rapid growth right from the beginning. In contrast, if it decides to work through channels/networking and the Internet, demand creation is likely to take somewhat longer. Table 4 provides information on the BGs examined and the strategies they followed.

In the case of the Greek firm Archetypon, the revenues in the early phase were partly boosted by providing testing services for Microsoft. In the case of the two Norwegian BGs, ASK and Trolltech, early growth came through networks and in the case of ASK an OEM contract with Polaroid. Trolltech, however, built the ultimate network, its own customers, by using the Internet. Finnish BG firms have achieved strong growth in the early phase by leveraging the resources of Nokia and other leading ICT firms (Gabrielsson & Kirpalani, 2004). In the early phase, the Finnish company SSH, a provider of Internet security-related solutions, benefited from a distribution and marketing network with F-secure, a globally operating Finnish ICT security firm. The other Finnish firm CodeToys, a wireless game developer, used Nokia, Motorola, HP and large telecom operators across the world as their channel (cf. Laanti, Gabrielsson, & Gabrielsson, 2007). As far as the two Italian case studies are concerned, the variables affecting their development are strategic positioning in a very narrow global market niche where they have built superior technological competencies over time together with the strengthening of relationships with leading global customers.

These study results are similar to earlier research findings according to which rapidly growing born global firms have either relied on networking and the Internet or selected a few large MNE partners (see Gabrielsson & Kirpalani, 2004). This decision seems to depend on the characteristics of the organisation and its founder, the product and innovation in question and their approach with regard to networking (large MNE partners rather than collaborating with other channels) (Nummela, Saarenketo, & Puumalainen, 2004). Consequently, the following proposition was developed:

**Proposition 1.** Sustainable BGs must search for the right channel for rapid growth. Their selection depends on the specific characteristics of their organisation and its founder, the product and innovation, and the networking approach.
<table>
<thead>
<tr>
<th>BG</th>
<th>Country</th>
<th>Founders</th>
<th>Innovation</th>
<th>Product strategy</th>
<th>Networks/channels</th>
</tr>
</thead>
<tbody>
<tr>
<td>Greece</td>
<td>Archetypon</td>
<td>Various founders who had international, industry-specific and technological knowledge from an earlier firm.</td>
<td>Expanded product line from testing, localisation / globalisation to electronic-government, then to translation, and ICT services.</td>
<td>Software development for domestic market and testing services for Microsoft. Exploitation of opportunities in global testing and localisation industry.</td>
<td>Networks with big foreign clients (e.g. IBM and Microsoft), EU and Greek organisations, and translation service firms.</td>
</tr>
<tr>
<td>Norway</td>
<td>ASK</td>
<td>Two shareholders living outside the home market.</td>
<td>Introduction of innovative products with positive ‘country of origin effect’ — subsequent adoption of innovative production technology.</td>
<td>Niche strategy to appeal to demanding foreign customers desiring a high-quality Greek food product.</td>
<td>Alliances with reputable foreign organisations (distributors, designers etc.) e.g. Waitrose supermarkets in the UK, Carl Lamge A/S in Denmark, etc.</td>
</tr>
<tr>
<td>Trolltech</td>
<td>Academic/technical background.</td>
<td>Pooled resources with Japanese, German and US research milieus to access core technology.</td>
<td>OEM contract with Polaroid for early-period sales.</td>
<td>Networks with Japanese, German and US milieus.</td>
<td>Networks with Japanese, German and US milieus.</td>
</tr>
<tr>
<td>Finland</td>
<td>CodeToys</td>
<td>Entrepreneurs with a global vision.</td>
<td>Offered open source core software to users for diverse applications.</td>
<td>Trolltech user customers paid license fee for their programmes sold using Trolltech software.</td>
<td>Tekes, Sonera, Nokia, Almamedia. International Hasbro, Celador, Motorola, HP.</td>
</tr>
<tr>
<td>SSH communications security</td>
<td>Academic/technical background and sales experience in global markets.</td>
<td>Products offering operators an opportunity to raise revenues from mobile data services e.g. mobile games.</td>
<td>Hosting systems sold to mobile entertainment and games operators.</td>
<td>Security solutions (Tectia software) and end-to-end communications security for large firms.</td>
<td>Product development and marketing co-operation with domestic and foreign customers/ channels, including MNCs.</td>
</tr>
<tr>
<td>Italy</td>
<td>Fedegari</td>
<td>Entrepreneurs with technical skills.</td>
<td>First product ‘Secury Shell’ became industry de facto standard for encrypted terminal connection on the Internet in 70 countries.</td>
<td>Innovation means the capacity to understand global customers’ needs by developing new technological solutions (innovative sterilisers for health care and pharmaceutical industry).</td>
<td>Product development cooperation with domestic and foreign customers.</td>
</tr>
<tr>
<td>Mary short tricot</td>
<td>Entrepreneurs with a global vision and important technical and design skills, developed partly through previous experience in the local district.</td>
<td></td>
<td>Capacity to develop innovative technological solutions to treat textiles in new ways and develop high-quality, high-design, and high-performance clothes.</td>
<td></td>
<td>The district was originally important for accessing local skills, specialised workforce and imitation of leading firms, but it did not generate formal network relationships. Later on, key customer relationships became crucial.</td>
</tr>
</tbody>
</table>
Table 5  
BGs and their sources for financing, operation strategy, and market strategy

<table>
<thead>
<tr>
<th>BG</th>
<th>Country</th>
<th>Source of financing</th>
<th>Operation strategy</th>
<th>Market strategy</th>
</tr>
</thead>
<tbody>
<tr>
<td>Greece</td>
<td>Archetypon Gaea</td>
<td>Slow accumulation through sales revenues. Bank loan when sales were low.</td>
<td>Export department handling IBM and Microsoft localisation and globalisation needs.</td>
<td>Access to customer feedback. Consequent troubleshooting led to product refinement and development.</td>
</tr>
<tr>
<td>Norway</td>
<td>ASK</td>
<td>Slow accumulation. Then alliance with venture capitalists.</td>
<td>Networks with distributors and designers. Full production scale 8 years after establishment.</td>
<td>Exports to UK. Then rapidly placed sales offices in the UK, Japan and US. Inward mode license agreements with game firms. Partner with Motorola as cooperation mode.</td>
</tr>
<tr>
<td>Finland</td>
<td>Trolltech</td>
<td>Slow accumulation, and then partnered with medium-sized firm in data storage business.</td>
<td>Networks, and pooling resources with Japanese, German and US research milieus to ensure access to core technology.</td>
<td>Sales through licensing to current competitor. Then sales subsidiaries in US and Asia. Later sales promotion units in some parts of Europe.</td>
</tr>
<tr>
<td>SSH Communications security</td>
<td>Private Investors and venture capitalist funding and governmental funding (e.g. Tekes) important in early phase. Later strategic investors (e.g. Motorola, AOL) became more important. Acquired by another wireless technology firm.</td>
<td>Mainly revenue in beginning. Then US private placement and listing in Helsinki.</td>
<td>Import of some components. Export to many countries, according to global customers' locations. Access to customer feedback and co-development, through URS (User requirements specification) system connected with R&amp;D department.</td>
<td></td>
</tr>
<tr>
<td>Italy</td>
<td>Fedegari</td>
<td>Slow accumulation, and then partnered with medium-sized firm in data storage business.</td>
<td>Networks, and pooling resources with Japanese, German and US research milieus to ensure access to core technology.</td>
<td>Import of raw materials (silk, cashmere). Sales to global luxury brands and later development of own brand, sold through commercial agreements with some shops in main cities (Milan, New York, London, Tokyo).</td>
</tr>
<tr>
<td>Mary short tricot</td>
<td></td>
<td></td>
<td></td>
<td>Manufacturing</td>
</tr>
</tbody>
</table>


Table 5 (continued)

<table>
<thead>
<tr>
<th>BG</th>
<th>Country</th>
<th>Norway</th>
<th>Finland</th>
<th>Italy</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Archetypon</td>
<td>Gaea</td>
<td>Ask</td>
<td>Fedegari</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Trolltech</td>
<td>Mary short tricot</td>
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| Market strategy | Greece Global niche. 90–100% international sales from inception. Emphasis on testing and localisation. Could pursue opportunities outside its traditional high-tech industry. | Norway Global niche. International sales amount to around 90%. Also targeted domestic market 12 years after its inception. | Finland An original equipment manufacturing contract with Polaroid secured early sales, plus they established a network of independent dealers in Europe. | Italy First 3 years entered international markets via partner and while developing products. Then next 4 years entered US, Japan, Germany, South Korea, Taiwan and UK. Global Customer/ niche orientation. Export to sales ratio is 80%, and the firm reached this level very rapidly from its first years of life. |

Entirely in Italy, and carried out internally by the firm and some local subcontractors in the district. Global customer/ niche orientation. Export/sales is 30% for global brands, which frequently are Italian or have Italian buyers. Export/sales is 70% for their own branded line.
In reference to finance, one study, which involved interviewing heads of global start-ups found that some of their respondents stated that European and other non-US investors had longer investment horizons than their US counterparts. The findings showed that some respondents believed that international sourcing of funds may be one of the most important forces driving new ventures to internationalise, because such investors will want the venture to move rapidly into their own markets and the entrepreneurial founders of the start-ups will certainly consider moving into a country from which they have received funding (Oviatt & McDougall, 1995). Also, other studies show how financial resources are critical for achieving a break-through with key customers (Solberg & Askeland, 2006). Our study also suggests that the more aggressive the global expansion targets of the BGs, the more global the financing structure needs to be (cf. Gabrielsson, Sasi, & Darling, 2004). Consequently, the following proposition was developed:

**Proposition 2.** Sustainable BGs seek financing from venture capitalists domestically and/or abroad.

Recent research has suggested that the greater the resources of BGs, the more rapid is their advancement during globalisation in terms of operation strategies and global market presence (Laanti et al., 2007). Table 5 outlines the major sources for financing and the operation and market strategies of the BGs in our sample. There is a relationship with early financing and the selected operation and market expansion strategy. The Finnish firm CodeToys used venture capital financing and SSH stock listing to enable a rapid operation and market expansion strategy. The Norwegian firms ASK and Trolltech used a combination of sales revenues and innovative operations such as networking and the Internet to overcome their resource constraints. The Greek and Italian firms were revenue-driven, but were highly focused in their operations and marketing strategies. Thus, it becomes evident that not only finance, but also operation and market strategies can enable rapid expansion. Inspirational leadership tended to integrate operation and market strategy, and move the whole effort forward motivating the employees of the BG (see also Madsen & Servais, 1997; Oviatt & McDougall, 1995). Consequently, the following proposition was developed:

**Proposition 3.** Sustainable BGs have an integrated operation strategy and a market strategy formulated by an inspirational leadership that incorporates rapid expansion.

In BGs, organisational learning is an issue of emerging interest. Entrepreneurial learning deals with the identification and exploitation of opportunities. It appears that successful BGs devote active efforts to collecting and generating market-related intelligence. As a BG seeks to foster entrepreneurship as it expands globally, it has to maximise the knowledge flows and learning across its different key markets (see also Ireland, Hitt, Camp, & Sexton, 2001; Zahra, Ireland, & Hitt, 2000).

An in-depth longitudinal study from 1999 to 2005 recently reported on how Archetypon S.A, a Greek BG, acquired organisational learning (Dimitratos, 2005). Gaea, the other Greek BG, had founders who lived abroad, which greatly helped it to collect intelligence from various foreign markets. The case evidence from the rest of the firms is similar. Either, the BG has an experienced founder or then it needs to acquire such experience early on. The Finnish cases differ as Codetoys had experienced founders, while SSH Communications Security relied on their partners for marketing knowledge and competence. A survey of Italian BGs showed that they frequently have an independent export manager (Zuchella, 2005) and, thus have the organisational means to acquire learning. This is not so common in the traditional firms, where founding family members frequently take care of the different functions. Hiring an independent export manager signifies a strong commitment to international operations and supports rapid organisational learning. To build customer closeness within the organisation, ASK of Norway recruited sales and marketing personnel who were dedicated to their countries of origin from continental Europe (Solberg & Askeland, 2006). Trolltech has established a proactive learning environment both within and outside the company. The greatest advantage of their open source Internet system is the fact that the product is tested by a large number of people (about 100,000) who provide ideas and criticism that are in turn applied to develop the product further. Developers who are also Trolltech’s customers have access to the company’s open source codes and help the company to keep up-to-date on market trends. This discussion leads us to the following proposition:

**Proposition 4.** Sustainable BGs establish a deliberate system to acquire organisational learning.
5.2. Born globals—Phase 2: growth and resource accumulation

A BG learns from its partners and the channels and/or network members, with which it does business. As regards the period of time spent in Phase 2, two factors interact. The first one is the potential to become a global industry. The second is the extent of the firm’s preparedness for globalisation, which is dependent on the types of products/services and on the organisational learning and resources. (Solberg, 2005). A BG entering Phase 2 will often find itself operating in a global or potentially global industry. The key features of a global industry are interdependence between the markets and a relatively limited number of major players that leverage this interconnectedness. The links are both through economies of scale made possible by homogenous demand patterns (Solberg, 1997) and through optimisation of localisation advantages (Buckley & Casson, 1998; Dunning, 1988).

In order to compensate for its resource shortfalls, the BG needs to position itself in relevant channels/networks. However, direct competition is scarcely a threat, since the BG offers novel products and services that are not yet on the market. Hence, success in this phase hinges to a large extent on the product/service itself and on the ability of the BG to place it on the market. In this endeavour the BG will normally try to enter a network in a global industry in order to offset its resource paucity in R&D, marketing, sourcing or financing. It must also realise that its pace of growth will tend to slow to that of the main network.

In Phase 2, organisational learning is to a large extent based on the capability to learn from the partners and initial customers with whom the BG co-operates. The Greek firm Archetypon’s learning in this stage was built on experiences based on both past and ongoing successes and failures (cf. Gaglio, 1997; Minniti & Bygrave, 2001). Both of the Finnish firms and the Norwegian firms acquired learning through active networking. SSH provides an example; it co-operated with its domestic and foreign customers, universities, various standardisation committees and other partners to gain the necessary learning. Over time, a network of formal and informal contacts was developed (Coviello & Munro, 1997). The question of how much this learning is applicable to the BG, given its resource constraints and situation, becomes important. Large, highly prepared global market players secure leadership through new product development and consolidation of brands and networks (Solberg, 1997). Also, the two Italian firms consistently accumulated organisational learning and financial resources. Their early and rapid start in international operations is compatible with such accumulation, mainly because of their orientation towards serving a global market niche, where they focus on a few customers and develop technologies and products according to their customers’ requirements. This facilitates learning from these customers and development of incremental innovations in products and processes. Also, the global niche orientation and the uniqueness of their product offering permit them to price their products so that they have consistently high profit margins. These margins allow them to build-up their financial resources. Hence, they do not need to rely on equity investors or banks to finance their growth. Consequently, the following proposition was developed:

**Proposition 5.** Sustainable BGs accumulate organisational learning, and resources, including funds, through their own growth.

Furthermore, BGs have two basic decisions to make. First, they must decide how to deploy resources and thus influence the pace of internationalisation. Second, how long and to what extent should they stay in the network of the large global market player? In other words, what is the break-out strategy that will lead to their own development? If the decision is to break out, the time period in the network is likely to be shorter rather than longer. These strategies and basic decisions are prime areas for research on BGs. The selected time period in the network could be 3–5 years, unless actual data show otherwise.

Global leader firms, with low preparedness, internationalise gradually. The BGs associated with them slip into the main set of internationalising entrepreneurial SME firms that tend to grow more slowly. Consolidation into the network begins and they tend to be absorbed by the senior players. This eventually became the destiny of the Finnish case firm CodeToys, which was surprised by consolidation within the game industry and was swallowed by another wireless technology player. The BG is no longer a BG. It becomes reactive, tries to save what is left, and consolidates its markets.
5.3. Born globals—Phase 3: break-out and required strategies

BGs in Phase 3 that adopt a break-out strategy leverage on the organisational learning effort they have deployed and the experience accumulated from demanding global customers. This enables them to plan a global market positioning of their own, which can be totally or partially independent of the original key customers. Consequently, the following proposition was developed:

**Proposition 6.** When the BG ties in with a global market player and/or network, it has a choice of strategies on four vectors.

- One, to what extent should it give-up its independence and become a small satellite in the network of the global player?
- Two, to what extent must it agree to close monitoring of its actions?
- Three, is it satisfied to be merely an affiliated contractor?
- Four, should it develop the resources and competences needed to pursue a break-out strategy, where it frees itself partially or totally from global player dependence?

Global vision and effective commitment are the two necessary and sufficient conditions for continuance as a successful BG. Both are necessary, but one alone does not form a sufficient condition. Moreover, for BGs that continue to be successful, Phase 3 is dependent on the planning and strategies developed in Phase 2. All these require a major cooperative customer or additional resources. The former is illustrated by the case of the Italian firm Mary Short Tricot, which started out by producing cashmere clothes for leading global brands in the luxury apparel industry. Gradually this BG developed superior technological and marketing skills. They decided to launch their own brand and established cooperation with an important Italian designer. However, they continued to produce as sub-contractors for their leading global brand customers.

The latter factor of additional resources arises, because the BG either has a unique product or service that can result in self-generation of capital or has to go to the financial markets for a public offering of shares to raise capital. Other alternatives are accumulation of additional resources through mergers and acquisitions or joint ventures or licensing of its product/service. Such additional resources allow it to sustain the rapid pace of its success. The case of the Norwegian company ASK illustrates this point. The firm was established in 1984 and acquired in 1991 by Tandberg Data. A key feature of their marketing success was their ability to consciously select and later monitor dealers (Solberg & Askeland, 2006). Once market acceptance was gained, the company was listed on the Oslo Stock Exchange in 1996. The growth in international sales continued at a fast pace. Fortified with finance, it acquired a US competitor in 1998. Later it became a world leader in the projector market, eventually merging with InFocus of the US in 2001. The new challenges faced after the break-out were no longer central to the BG, since the firm consequently evolved and joined the ranks of global players. The case of the Finnish SSH is also revealing. Established in 1995, SSH was tied up for 3 initial years with another security software vendor F-secure, which represented it on the international market. However, in order to break out, it started to build its own market presence and funded this growth by listing on the Helsinki Stock Exchange in 2000. It may understandably take a decade or more to become a global player; a case in point is Apple Computer Inc., the US firm led by Steve Jobs. Consequently the following proposition was developed:

**Proposition 7.** Sustainable BGs have a global vision and an effective commitment to enter and penetrate global markets rapidly.

6. Discussion

By contrasting our BG model with that of traditional SME internationalisation models, we find some important differences. In the former, the entrepreneur owner has a global perspective. Further, the growth rate of international sales is faster. This growth rate stems from the development of the products/services, the strategies followed by the BG, the increase in organisational learning, the industry, and the market potential.
The industry and market potential are essentially givens. Hence, research on the entrepreneur/owner commitment to a global perspective, the development of products/services, the strategies followed by the BG, and increase in organisational learning should be useful. Also, the risks associated with BGs contain research potential. We now turn to some of these aspects.

Commitment has been described as a key variable in the traditional internationalisation model (Johanson & Vahlne, 1977). It was defined as a decision to designate resources made in response to problems and opportunities experienced in the market. In this model, exporting is triggered by unsolicited orders, by economies of scale, or by some other mechanism. As the firm starts its foreign market operations, and as market knowledge increases, the organisation is ready to take on new challenges, to develop established positions further and thereby to commit resources accordingly to either some or all of the dedicated sales channels, local production units, and new market ventures. The specificity of these investments makes it difficult to find alternative uses for the resources committed and company management sees the need to continue to pursue the business opportunities created by this resource deployment. This is akin in a different setting to what has been termed 'continuance commitment'; the firm has “no choice” but to continue its operations because of sunked costs (Meyer & Allen, 1991). The resources committed lead to new exports and/or other internationalisation activities. Fig. 1 illustrates this chain of events.

Our empirical evidence suggests that the commitment of the BG, particularly in the initial stages of its existence, is of a different nature, and is triggered by other mechanisms. Again, to borrow from the literature we will term this ‘affective commitment’, which is triggered by identification with the goal of the BG venture (Meyer & Allen, 1991). The essence in this context is that the initial commitment is created by the global perspectives of the entrepreneur and the opportunities represented by them. It is not created by market activities, experiential knowledge and specific investments. This kind of commitment by the BG entrepreneur will also permeate the staffing of the firm, which will in turn strengthen the affective commitment. Later on, when the export venture takes off, we believe that experience and specific investments will create commitment that gradually changes in character from the affective type to the continuance type. This will sometimes require a new kind of manager. Hence, especially when the BG has decided not to break out of a network, there is little after a few loops that distinguish the traditional paths of commitment creation from the BG paths. The BG then becomes a “normal” firm. Fig. 2 shows the train of events explained above.

Our multiple case study, which was the basis for this model, informed us with the details of each of these elements:

1. **Trigger**: In the cases this was the global vision of the founders, which often, but not always stemmed from their background. For example, the founders of the Greek SME Gaea were determined from the inception of the firm to market the product in key competitive foreign markets. Also, in case of the Greek other firm Archetypion, the founders insisted on global business from the outset. The Norwegian founders of both ASK and Trolltech had a global vision. Interestingly, in the case of the Finnish firms CodeToys and SSH, the global vision was also due to a large extent to the background of the founders and their openness to
global business. The Italian founders of Fedegari and Mary Short Tricot also had a global vision from the outset.

2) **Commitment:** In all cases this variable stemmed from exceptionally entrepreneurial founders as shown in Table 4. They believed strongly that their SMEs would become market leaders in their industries and committed all their efforts to development and commercialisation of their innovative products.

3) **Export activities:** They were immediate, because the BGs relied on channels and networks that offered them rapid global growth. The networks formed by the Greek firms Archetypon and Gaea with IBM, Microsoft and other reputable distributors are good examples. The Norwegian case ASK was similar, although Trolltech used the Internet to export globally. With respect to the Finnish cases, CodeToys had Nokia and SSH F-Secure to secure initial export growth. Similarly, the Italian firms Fedegari and Mary Short Tricot relied on global and other key customers.

4) **Learning:** In the traditional SME internationalisation paradigm organisational learning is different from that which occurs for a BG. In the former traditional SME case, learning happens through dealings with foreign market importers or through the company’s own foreign market operations. As mentioned earlier above, as market knowledge increases, the traditional SME is ready to take on new challenges, to develop established positions further, and then to commit resources accordingly. For most of the BGs, organisational learning happens differently. As explained earlier, they join channels/networks and their organisational learning occurs via their capability to learn from channels/network partners. For others, it occurs through cooperation with larger initial customers. In both instances, a network of formal and informal contacts that tends to speed up the pace of learning is developed. For example, the Greek firm Archetypon internationalised fast as it operated in a competitive high-technology sector pursuing a ‘deep niche’ strategy that involved co-operation with IBM and Microsoft; it deliberately pursued entrepreneurial opportunities, thereby adding to its stock of organisational learning. Indeed, the BGs examined in this study appear from inception to overcome learning impediments that hamper their ability to adapt and to grow in new international environments (Autio, Sapienza, & Almeida, 2000).

5) **Specific investments:** The globalisation-specific investments and resource deployment are also different for the traditional SME from those which of a BG. The traditional SME is geared to commit resources as its market knowledge increases and it becomes ready to take on new challenges and to develop established positions further. For the BG, resource deployment must occur prior to market knowledge, but in the expectation of market success. From the case evidence it is evident that the BG has two options. Either it succeeds in convincing venture capitalists to invest early, such as was the case for example with the Greek Gaea or the Finnish CodeToys. The other option is that its paucity of resources, and specifically of finance resources, drives it to an early search for channels/networks and/or for a few strong selected partners. Its further resource deployment then becomes a joint decision with these external parties. Later, over time, as it accumulates more resources, the deployment decision becomes dependent on its decision to break out from its network and/or partners.

Finally, it seems that the risks involved in a BG venture are of a different nature than those of a traditional exporting SME. BGs are involved not only with exporting risks, but also with the risks of new products. Compounding the double challenge of new markets and new products are the limited financing available to the BG, the global character of operations and the necessary pace of growth. The totality of these factors creates a new level and a kind of risk for start-up firms that has not been experienced before. How this totality of risk shall be tackled is an area of research that could yield useful results for managerial applications.

It is worthwhile to explain how the ASK, Trolltech and SSH, companies mentioned above found solutions to their start-up risk problems. ASK needed more substantial evidence of credibility and solved this by inviting new investors, thus transferring most of the finance and growth risks to the new owners. The case of Trolltech gives us an interesting solution to the problem; they started with a gentle approach by introducing their software on the Linus chat line, hence creating instant interest by the very group with which they wanted to get in touch, notably data enthusiasts. Once the product idea was accepted by its constituency, sales took off through the Internet. Trolltech now defines the Internet as its “home market”. SSH illustrated how important it is in the break-out phase to seek new global growth beyond the initial large channel partner.
7. Conclusions

Although BGs have been studied actively since the early 1990s, the literature has emanated from different countries and settings. This has tended to lead to different definitions and conclusions. The mechanistic definition proposed by American researchers of a ‘25% export to total sales ratio in 3 years since inception’ has been adopted by many. However, that definition misses the point in that the context of BGs varies greatly with regard to the home market potential, product, and export market receptivity. Hence, absolute figures and percentages may well vary from one setting to another. We believe that the founder and its global vision at inception are the key factors. Other variables that directly affect the progress of the BG are innovation, finance, product strategies, channels/networks, operation and market strategies, and organisational learning.

Analysis has led us to study the BG phenomenon by defining three different phases of its development: (1) introductory, (2) growth and resource accumulation, and (3) break out. Based on eight BG case studies, we have singled out in each phase a number of critical steps and illustrative incidents concerning key aspects such as financing, channel/network choice, and learning. Eventually in Phase 3 at break out, the BG evolves into a ‘normal’ MNE. Drawn from our three-phase model, we have developed propositions that could be tested in different settings. We hope that this analysis of definitions and phase approach will help researchers adopt a common platform for studying important BG phenomena across country, product and market settings.

References


