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**Globalization and Global Marketing**

**Strategies of Born Globals**

**in SMOPECs**

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## **Globalization and Global Marketing Strategies of Born Globals in SMOPECs**

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### **Abstract**

*This research is examining the Born Global companies, which are facing tremendous entrepreneurial and managerial challenges related to instant or rapid globalisation. A major research problem addressed is whether the strategies and processes of Born Globals differ essentially from that of other firms in respect to globalisation and global marketing. Based on a literature analysis we are first examining the concept of Born Globals, turning then into a detailed analysis of the characteristics of these companies. Survey results on 89 Born Globals are revealing that they can be found in high-tech, high-design, high-service, high-knowhow and high-system business areas. Their domestic stage last in average only for 2.1 years, which is a large contrast to the traditional companies' corresponding ten time longer figures. Further, Born Globals can be classified based on their development stage into mature, growth, development, starting, entry, domestic and RD stage. Then, the study examines the globalisation and global marketing strategies of Born Globals through a multiple case study of 20 companies belonging to the above five product- business areas. Special attention is put on the mature Born Globals, which are found to have developed faster through traditional stages, jumped over some stages and even in some cases progressed in reverse order. Finally, the attention is turned to detailed examination of the identified challenges and their solutions for three particular interest groups: entrepreneurs, government policy makers, and professors and researchers responsible for education. The implications of the study results for entrepreneurs should be in particular important as managerial, research and development, sales and marketing, as well as financial challenges and solutions are covered in detail. Finally, this research concludes that although many of the Born Global findings deviate from the traditional companies behaviour, the stages model still seems to have a high degree of explanatory power.*

### **Key words**

Born Globals, Internationalisation process, Globalisation, Global Marketing

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## 1. Introduction

It has been presented that a new creed of the company, Born Global firm, is borne. The Born Globals are argued to behave very differently than firms traditionally. It has been natural that the first years' activities take place in the domestic markets. If foreign business is considered at the establishment stage it is included in the long term planning. Its role has been that of the follower, that is, it has been decided that if domestic business will be successful and will bring enough cash flow then one day, perhaps after 5-10 years the firm will enter to foreign markets also. The mission, raison d'être of the firm has thus been based on the domestic customers and their needs at the beginning of the life cycle of the firm. Only if something unexceptional has taken place, for example, an unsolicited order is received from abroad, the export entry may have taken place earlier but even then usually as a sporadic and temporary activity.

As the name suggests, the Born Globals are argued to behave just in the opposite way. They are presented to:

- 1) start international operations even before or simultaneously with domestic operations
- 2) base their visions and missions mainly on global markets and customers from the inception
- 3) plan their products, structures, systems and finance on global basis
- 4) grow exceptionally fast on global markets
- 5) plan to become global market leaders as a part of their vision
- 6) utilize different product, operation and market (POM) strategies as firms have traditionally done and
- 7) follow different global marketing strategies.

If the above arguments for this type of exceptional behaviour at the establishment and starting stage are true then it is understandable that a successful performance requires also exceptional resources, capabilities and skills.

Because Born Globals are a relatively new phenomenon it is understandably a scarcely studied area yet. Due to the fact that the exceptional challenges for Born Globals are already met during the establishment and starting stages where the roles of those who establish the firm, the entrepreneurs, is of crucial importance, a new research stream "International Entrepreneurship" has become into existence. This new entry into International Business research has brought refreshing new contributions and concepts

(social capital) to this field. Another school of thought brought in by Born Globals is the International Venture Capital approach. As to the already existing International Business approaches the opponents and proponents of the Internationalization Stages approach have been eager to study the exceptional behaviour of Born Globals.

These three schools of thought have perhaps been the most active in contributing to the study of one of the most recent and important new phenomenon in International Business, the Born Global. However, the studies have been mainly at the infant stage. The collecting of data banks, developing valid new theories and understanding fully the exceptional characteristics of Born Globals is still a challenge. This is why the three years' mega project on Born Globals was initiated at the Center of International Business Research (CIBR) at the Helsinki School of Economics (HSE) in autumn 2001. This project is the largest subproject under the "Finnish Companies and Challenges of Globalization" (LIKE) – research programme financed by the Academy of Finland and National Technology Agency (TEKES). The project will be jointly implemented by the CIBR/HSE and the Institute of Strategy and International Business (ISIB) at the Helsinki University of Technology (HUT). We in CIBR/HSE will concentrate to study how the behaviour of Born Globals differ from the internationalization behaviour of other firms by utilizing the stages approach. In addition to this the major challenges caused by this deviant behaviour and major answers and solutions developed for the solving of these problems are reviewed. Our colleagues at ISIB/HUT will utilize mainly the international entrepreneurship approach when studying the deviant behaviour of Born Globals as a learning process (see Luostarinen and Gabrielsson 2001).

Our motivation and strength to study Born Globals and to compare their behaviour against the traditional internationalization behaviour of the firms is based on the following aspects:

- 1) CIBR/HSE has exceptionally large data banks on the internationalization of the Finnish MNCs collected by Luostarinen and his teams at the FIBO-programme in 1976/1006 firms, 1983/1197 firms, 1990/593 and 1997/390 firms,
- 2) CIBR/HSE has also a special new data bank on 89 Finnish Born Globals
- 3) Stages patterns at the company level based on POM (product, operation and market) strategies and holistic pattern of internationalization has been created, introduced and developed by researchers in FIBO/CIBR between 1970-2002.

Based on the above said the major research gap to be covered by this study is to give new light and in structured way to the question whether the internationalisation/

globalisation behaviour of Born Globals really deviate from that of other firms (non-Born Globals) and if so how and why.

The major research problem of this research is to study, if the behaviour of Born Globals differ essentially from that of other firms, then how (on earth) these companies have been able to overcome those huge entrepreneurial and managerial challenges related with instant and rapid globalisation and use of very demanding and exceptional globalisation and global marketing strategies already at the beginning of their globalisation process being small and having limited financial and managerial resources.

In order to be able to narrow the gap and give solutions to the problem it was decided through research results to answer to the following specific questions:

- 1) What product, operation mode and market strategies are used by Born Globals and how and why do these differ from those of other firms (non-Born Globals)?
- 2) In what order the inward, outward and cooperative operation modes are utilized by Born Globals and how and why this differ from that of other firms?
- 3) What pricing, distribution, customer and promotion strategies are used by Born Globals and how and why these differ from those of other firms?

## **2. Methodology and concepts**

The research process has had two distinctive stages of data gathering: A) survey study on the number and characteristics of Born Globals, B) multiple pilot study on selected 20 cases for the examination of the globalisation and global marketing strategies as well as managerial challenges and solutions.

The survey study has had following stages: A) development of a data bank on potential Finnish Born Globals, B) designing and mailing of an Internet questionnaire, C) analysing the results, D) evaluating the validity and reliability. The names and contact information for potential Born Globals were gathered during 2001 and 2002 through the home pages of prominent Finnish Venture Capitalists, Sitra and TEKES. All of them were known to finance rapidly growing and globalising companies. This process resulted in a list of 134 potential Born Globals. Then, a short questionnaire was designed with objective to determine whether the companies on the candidate list truly were Born Globals and

what their characteristics would be. We decided to carry out the questionnaire study on the Internet because we thought this might result in a better response rate. A cover letter was sent to all the companies by e-mail/fax that contained a link to the questionnaire. Repeated mailing and follow up calls increased the response rate and accuracy of data. The response rate was approximately 80% (104/134). This resulted in a list of 89 Born Globals and 15 traditional international or domestic companies. The list was estimated to cover approximately 2/3 of Finnish Born Globals. Since the number of bankruptcies is of high interest, the resulting list was compared against a list of Finnish companies that have recently gone bust. It occurred that during the data gathering period (2001-Mid 2002) 10.1% of the examined Born Globals had entered into liquidation stage or been acquired/merged into a foreign company.

The pilot studies were conducted by selecting four cases from each of the five business areas here Born Globals had been identified: (1) high-tech, (2) high-design, (3) high-services, (4) high-knowhow and (5) high-system businesses. The resulting 20 cases were examined by using first the internationalisation strategy and process questionnaire of FIBO developed and used by Luostarinen in his 1976, 1983, 1990 and 1997 studies, After that well-established research, data gathering and analysis methods, suggested by Yin (1994) and other methodology specialists were utilized.

In the following the concept of Born Global and some comparable concepts are discussed and defined. Based on our literature analysis, preliminary historical analyses and on our pilot studies on Born Globals it became evident that even if Born Globals seem mainly to be a very recent phenomenon some firms, so called deviations from the mainstream pattern of internationalisation (see Luostarinen 1979 and 1994) behaved very similarly already much earlier. This is why the authors would like to divide born global companies on the basis of age into the following two categories:

#### 1) Pioneering Born Globals

- Firms which started to do business in global markets before 1985 with a very short domestic period or even without it.
- Obviously only 7-8 companies, such as Vaisala Corporation, totalling about 0.2 per cent of altogether 4000 Finnish firms, which are doing business abroad.

#### 2) Present Born Globals

- Firms which were established in or after 1985 and which started to globalise their operations from the very inception simultaneously with domestic markets or after

an exceptionally short domestic period, sometimes even first in international/global markets and after that in domestic markets.

- About four per cent of 4000 Finnish firms doing business abroad that is 160 companies, such as Biohit, a Finnish liquid handling and biotech firm and F-secure, a Finnish IT-firm.

Even if pioneering Born Globals would also be very interesting objects for research, our focus in this paper is solely on present Born Globals. In order to be able to compare the present Born Global companies with internationalising/ international firms and with globalizing /global firms corresponding groups and definitions are needed. The following categories and definitions are based largely on the FIBO-data banks on the internationalisation of Finnish firms:

- 1) International or internationalised firms
  - are firms for which international business is the largest source of sales revenue (over 50 per cent of total sales) and whose major foreign markets are located on their domestic continent (about 1400 or 35 per cent of 4000 firms).
- 2) Internationalising firms
  - are firms for which domestic business is the largest source of income (over 50 per cent of total sales) but which have also entered other countries on their domestic continent (about 2000 firms or 50 per cent out of 4000 Finnish firms doing business abroad)
- 3) Global companies
  - are companies which have usually first started to internationalise their operations on the domestic continent and on the top of that have entered global markets deriving most of their income from outside domestic continent (about 40 or one per cent of 4000 firms).
- 4) Globalizing companies
  - are firms, which have either started their internationalising process or are already internationals and have after that started to globalise their operations by entering markets outside their domestic continent and which may become global companies in the future (globalising internationals) (about 400 or ten per cent of 4000 firms).

### 3. Major Characteristics of Born Globals

In the following some of the most meaningful characteristics of Born Globals (development of titles, different types, typical areas of business, age distribution etc.) are analysed and illustrated.

As to the title of Born Global different authors in different countries have named these firms differently. Through the literature analysis we have identified the following titles for about more or less the same phenomenon and organized them in chronological order into following nine categories:

- a) Deviations, inconsistencies, variations from the mainstream stages pattern (Luostarinen 1970, 1979, 1991, 1994; Johansson and Wiedersheim-Paul 1975; Johansson and Vahlne 1977; Luostarinen and Welch 1990; Luostarinen and Hellman 1994; Luostarinen et al. 1994)
- b) High technology start-ups (Alahuhta 1990; Jolly, Alahuhta and Jeannet 1991)
- c) Born globals (Rennie 1993; Knight and Cavusgil 1996; Madsen et al. 1997; Kirpalani and Luostarinen 1999; Autio et al. 2000; Sasi, Gabrielsson and Myllyrinne 2000; Knight; Bell and McNaughton (2001)
- d) Global start ups/International new ventures (Oviatt and McDougal 1994; McDougal et al. 1994)
- e) New, technology-based firms (Autio et al. 1989; Luostarinen et al. 1994; Autio 1995)
- f) Gazelles (Vahcic 1995, Birch Small Business 2001)
- g) Born internationals (Majkgård and Sharma 1999)
- h) Instant internationals (Preece, Miles and Baetz 1999, Dana 2001)
- i) Global, knowledge intensive firms (Almor 2000)

As it can be seen, the first authors to pay attention to the deviant behavior in international business of firms were the Nordic developers of the stages patterns of internationalisation already in 1970s (see point a) above). Except this, all other writings are from 1990s and 2000 when the Born Globals entered much more strongly into the picture. For the purposes of this paper, we believe that the title Born Globals describes best the characteristics of the companies under investigation.

According to our pilot studies, the Born Globals are not only high tech firms as it is usually presented in earlier research, but are met in all the following five business areas (Luostarinen 1998, Kirpalani and Luostarinen 1999):



- 1) high-tech businesses (Junkkari 2000)
- 2) high-design businesses (Rasilainen 2002)
- 3) high quality service businesses (Rinkinen 2000)
- 4) high unique knowhow businesses (Teimonen 2001)
- 5) high sophisticated system businesses (Konttinen 2001)

The results of our survey study of the existence of Born Globals indicate (Table 1) that hi-tech Born Globals are the largest group (40 per cent), and high-system Born Globals (22 per cent) second largest group. These two high-tech categories represent altogether 62 per cent of the Born Globals. This also obviously explains why some of the authors have even used the names High-technology start-ups and new, technology based firms for the Born Global companies (see before). High-service Born Globals were the third largest group (21 per cent), followed by high-knowhow Born Globals (12 per cent) and hi-design Born Globals (4 per cent). It is worth mentioning that also Bio-tech companies are an important sector of Born Globals. They can be found in all of the above groups, except high-design.

**Table 1. Business areas of Born Globals**

Area of Business	Number	Per cent	Area Total
High tech	27	30	
High tech + other	9	10	40
High systems	19	21	21
High service	6	7	
High service + other	13	15	22
High knowhow	8	9	
High knowhow + other	3	3	12
High design	4	4	4
Total	89	~100	

As to the geographic locations of the corporate headquarters of Born Globals it can be started that Born Globals are met in large and rich nations because these offer promising markets with high potential demand for their products. In addition to that, these countries are able to offer ample sources of finance and also plenty of global managerial

and marketing talents due to the large number of global companies. However, the Born Globals are established also in small and open economies (SMOPECs). A clear distinction is that when the Born Globals of large nations have huge domestic markets and have thus no heavy instant push or pressure to globalise, the Born Globals of SMOPECs have very open and small, even if, sophisticated markets which are absolutely too small for these businesses and where the demand and competition is getting global very soon. Thus one could argue that Born Globals of large countries globalise mainly because of the demand-based pull forces in global markets but Born Globals of SMOPECs do that also due to the push and pressure forces based largely on the smallness and openness of domestic markets and on the fear of expected future competition coming from Born Globals located in big countries. The paradox is evident: the small companies with small and open markets and with limited financial and managerial resources have to face the largest possible managerial challenge: to globalise the firm and to do it soon and fast and by utilizing exceptional strategies at the beginning in order to survive and prosper. This pressure can be seen in the development of international business related slogans used in many SMOPECs. In 1960's the slogan in Finland was "Export or die", in 1970's and 1980's "Internationalise or die" and in 1990's and 2000 "Globalise or die".

It seems to be that globalisation in general and Born Globals in particular are much more important phenomena for SMOPECs than is the case for large economies. This is one of the major reasons why the Academy of Finland and TEKES, the National Technology Agency decided to finance an exceptionally large research programme "LIKE" to study the globalisation phenomenon and its challenges in Finland. As mentioned the Born Globals project is the largest subproject within this programme.

Based on the survey result there could be found 89 Born Global companies, that have been established between 1985 and 2001. Out of these six companies were classified as being still in R&D stage and 6 were still domestic companies (see Table 2).

**Table 2: Distribution of Born Globals into different stages of development**

<b>Born Globals</b> (Rapid Globalization/Vision within 1985-2002)	<b>Number</b>	<b>Share</b>
<b>Mature stage BG</b> (>50% Globalisation degree)	<b>22</b>	<b>24,7 %</b>
-early (85-92)	6	
-recent (93-02)	16	
<b>Growth stage BG</b> (>25% Globalisation degree, Global vision)	<b>15</b>	<b>16,9 %</b>
-early (85-92)	4	
-recent (93-02)	11	
<b>Development stage BG</b> (0-25% Globalisation degree, Global vision and >50% Internationalisation degree )	<b>15</b>	<b>16,9 %</b>
-early (85-92)	7	
-recent (93-02)	8	
<b>Starting stage BG</b> (0-25% Globalisation degree, Global vision and >25% Internationalisation degree)	<b>10</b>	<b>11,2 %</b>
-early (85-92)	4	
-recent (93-02)	6	
<b>Entry stage BG</b> (Sales abroad or 0-25% Globalisation and Internationalisation degree, Global vision)	<b>15</b>	<b>16,9 %</b>
-early (85-92)	0	
-recent (93-02)	15	
<b>Domestic stage BG</b> (Not abroad, revenues from Finland, Global vision )	<b>6</b>	<b>6,7 %</b>
-early (85-92)	1	
-recent (93-02)	5	
<b>R&amp;D stage BG</b> (Not abroad, No revenues, Global vision)	<b>6</b>	<b>6,7 %</b>
-early (85-92)	1	
-present (93-02)	5	
<b>Present BGs total</b>	<b>89</b>	<b>100 %</b>

As can be seen from the above table Born Globals were divided into different categories based on their development stage:

1. Mature Born Globals

- The most advanced, mature Born Globals fulfil the tight criteria of selling over 50% of their sales outside Europe. In five cases the globalisation degree is even over 75%.

- Their internationalisation also degree is extremely high. Most of them sell over 75% outside the domestic markets and only few between 50% and 75%.
- They have had a global vision from the establishment of the company, except in three cases. The pilot studies confirm that one possible explanation for these exceptions is that the vision has at the beginning been set on European level before the worldwide potential has been realised.
- The share of them out of total number of present Born Globals is about 25%

## 2. Growth stage BGs

- The second most advanced group of companies have achieved a 25% share of global sales.
- The internationalisation degree is in most cases higher than their globalization degree: In case of two thirds already above 75%. In case of three companies it matches, however, their globalization degree, indicating that their foreign markets are located outside Europe.
- All of these companies have had a global vision since their establishment.
- A high rate of bankruptcies or mergers and acquisitions are associated with the recent Growth stage BGs, in the high-service field in particular.
- The share of them out of total number of present Born Globals is app. 17%

## 3. Development stage BGs

- These companies have below 25% of global sales, but above 50% international sales, in case of two thirds even above 75%.
- All of them have had a global vision since the establishment of the company.
- Almost half of them belong to the early BGs, which is relatively higher than in other categories, where the present Born Globals are much more common.
- The share of them out of total number of present Born Globals is app. 17%

## 4. Starting stage BGs

- These companies have below 25% of global sales, but the share of international sales is between 25% and 50%.
- All of them have had a global vision since establishments.
- The share out of total number of present Born Globals is app. 11%

#### 5. Entry stage BGs

- Sales abroad. International and Global sales below 25%
- Global vision since establishment
- All of the companies are recent, established 1993 or later. The lack of early ones maybe associated with the fact that they have already past this stage.
- The share out of total number of present Born Globals is app. 17%.

#### 6. Domestic and RD stage BGs

- Either domestic sales or yet at RD stage without any sales
- Global vision since establishment
- Most of the companies are recent, established 1993 or later. The low number of early established (one earlier in both groups) is probably since they would already have passed through this initial stage by now.
- The share out of total of domestic and RD stage BGs is app. 13%.

An interesting aspect related to Born Globals is the length of their domestic stage and globalisation period. Based on the mainstream internationalisation process models it could be expected that the more globalised Born Globals at mature and growth stages have also spent a longer time for achieving this position than the less globalised ones at entry and development stage. On the other hand the truly Born Globals have been proposed to proceed faster to global markets (Luostarinen & Gabrielsson 2001). Let us examine Table 3 presenting the duration of the domestic period (time before first entry) and duration of the globalisation period (time since first entry).

**Table 3: Length of Domestic and Globalization periods in Born Globals**

<b>Born Globals</b> (Rapid Globalization/Vision within 1985-2002)	<b>Domestic period</b>	<b>Globalization period</b>	<b>Age</b>
<b>Mature stage BG</b> (>50% Globalisation degree)	<b>2,5</b>	<b>4,5</b>	<b>7,0</b>
-early (85-92)	3,5	8	11,5
-recent (93-02)	2,1	3,2	5,3
<b>Growth stage BG</b> (>25% Globalisation degree, Global vision)	<b>1,7</b>	<b>6,3</b>	<b>8,0</b>
-early (85-92)	3,5	10,8	14,3
-recent (93-02)	1,1	4,6	5,7
<b>Development stageBG</b> (0-25% Globalisation degree, Global vision and >50% Internationalisation degree )	<b>1,5</b>	<b>7,2</b>	<b>8,7</b>
-early (85-92)	1,4	11,6	13,0
-recent (93-02)	1,6	3,4	5,0
<b>Starting stageBG</b> (0-25% Globalisation degree, Global vision and >25% Internationalisation degree)	<b>1,7</b>	<b>4,8</b>	<b>6,5</b>
-early (85-92)	2	9,8	11,8
-recent (93-02)	1,5	1,5	3,0
<b>Entry stage BG</b> (Sales abroad or 0-25% Globalisation and Internationalisation degree, Global vision)	<b>2,5</b>	<b>2,2</b>	<b>4,7</b>
-early (85-92)			
-recent (93-02)	2,5	2,2	4,7
<b>Domestic stage BG</b> (Not abroad, revenues from Finland, Global vision)			<b>3,5</b>
-early (85-92)			10
-recent (93-02)			2,4
<b>R&amp;D stage BG</b> (Not abroad, No revenues, Global vision)			<b>3,7</b>
-early (85-92)			10
-present (93-02)			2,4
<b>BGs average</b>	<b>2,1</b>	<b>5</b>	<b>6,6</b>

The age of the Born Globals belonging to RD (3.7 years), domestic (3.5), entry (4.7) and starting (6.5) stages is younger than age of these ones in development (8.7), growth (8.0) and mature (7.0) stages. This seems logical, since research and development of the products, entering and starting the international sales and marketing, not to speak of the development of global business and marketing, naturally takes some time. However, a more detailed analysis reveals that the mature Born Globals' behaviour has been non-traditional. Their globalisation period has been exceptionally short (4.5 years) compared to those in growth stage (6.3) or development stage (7.2). It seems that this exceptional group consists of truly Born Globals, which proceed rapidly to global markets. This view receives further support when we found them to have spread to using all types of product categories often simultaneously.

#### 4. Strategies and Processes of Finnish Born Globals in 1985-2001

In this chapter the globalisation and global marketing strategies of Born Globals are compared with those of traditionally internationalizing/globalizing firms. For this comparison the stages patterns of Finnish firms are used.

Before starting the comparison one important matter must be cleared up first. When one talks about stage patterns of internationalization it should be remembered that there are altogether three major types of stages patterns, which structurally differ very essentially from each other:

- 1) target country stage pattern
- 2) company (level) stage pattern
- 3) company (level) holistic stage pattern

As to the target country stage patterns there are two related/similar approaches: penetration pattern developed by Luostarinen (1970) and establishment pattern created by Johansson & Wiedersheim-Paul (1975) and Johansson & Vahlne (1977).

Luostarinen's penetration pattern published in his book "Foreign Operations of the Firm" focused on operation modes used by companies when they entered and penetrated deeper into a particular target country's markets. It was based on a case study of 32 Finnish firms. There were two major empirical results. Firstly, firms seemed to enter to the markets by using less demanding operation modes and to penetrate deeper to those markets by using operation modes requiring large commitment with and heavier involvement in these markets. Secondly, he also found out that this entry and especially penetration behaviour is not fully consistent but there existed a rather wide diversity in the structure of these processes. He presented two-staged process including four major alternatives, three-staged patterns with three alternatives and four-staged penetration patterns with four alternatives (Luostarinen 1970). The other penetration pattern, the establishment chain pattern developed by Uppsala School (197, 1977) had two dimensions: market and operation mode.

The second stages pattern is at the company level. It is a sum of the company's target level penetration patterns and thus differs essentially from those. It was published

by Luostarinen in 1979 and it was based on a large empirical study of 1006 Finnish industrial firms representing 95 per cent of the total exports of Finland in 1976.

This company level stages pattern includes three dimensions: products, operation modes and markets which are jointly forming a POM-strategy or pattern of internationalisation (Luostarinen 1979). Through empirical studies it was found that as to product strategy of internationalisation firms proceeded stage wise in the following order: goods, services, know how and systems or systems, know how. As to the operation strategy, stages followed by the firms were: Non-investment marketing operations (NIMOs), direct investment marketing operations (DIPOs). For the internationalisation market strategy the firms entered into different markets according to the steps dictated by the business distance which concept was developed as a combination of geographic, cultural and economic distances (POM-stages see appendix 1).

In 1983 the POM-pattern of internationalisation was tested in 12 different industries (1197 firms) and in 1990 in 593 large, medium and small firms. It was evident that without any large deviations the mainstream POM-pattern was found to be valid whatever the industry or size of the firm.

It also became clear that the company level stages pattern of operation mode dimension is much more valid than the target country penetration/establishment pattern. This is due to the fact that at the beginning of the internationalisation process the behaviour of the firm is very consistent. The first product item sold in foreign markets is a physical good in 99 per cent of the manufacturing firms. The first operation mode used is NIMOs (indirect, direct export or own) in 98 per cent of the firms and the first market entered is, when measured by business distance, one of the very close countries in 92 per cent of the firms (see appendix 1).

It is understandable that when the internationalisation proceeds further the operation modes used for the entry and penetration to new target country markets are much less consistent than at the start of the internationalisation. Everybody who has in practise participated in the decision making of later stage internationalisation knows that traditional export operations which almost without exception were used as entry modes at the beginning are not anymore necessarily used later during the internationalisation process. This seems to be due to the learning, differences in markets etc. Because the firm level pattern is a sum of target country patterns it is more valid to explain the



internationalisation behaviour of the firms. This is also why the firm level pattern was selected for comparison purposes between Born Globals and other firms.

In addition to the company level POM-pattern, the third stage pattern, so called holistic pattern of internationalisation is also used for comparison to give more light into deviant behaviour of Born Globals. In his 1976 empirical study of Finnish firms Luostarinen also collected data on inward operations and cooperative operations used by the firms during the internationalisation process in addition to the outward operations. However, these inward and cooperative modes were not included in the POM-analyses made. It was until 1994 when deeper interest arose as to the more holistic analysis of all of the firms activities abroad. Based on this, the key question was what the role of inward and cooperative modes in the internationalisation process of the firms is and in which order these different modes are used along the process. Based on the empirical studies made the results were interesting. Firstly, most of the companies had started their internationalisation with inward operations, continued with outward operations, and finally strengthened the process with strategic alliances, networking and partnering with foreign firms. The success of outward operations seems to be dependent on the implementation of inward operations, and cooperative modes seem to strengthen the internationalisation process and the start and development of the globalisation process on the top of internationalisation (see appendix 2: Luostarinen 1994; Korhonen, Luostarinen, Welch 1996; Welch, Luostarinen 1993). As mentioned this holistic pattern of internationalisation is also used for the comparison because it is supposed that due to the instant globalisation pressure in Born Globals there may be some interesting differences found. In addition to the POM-pattern also the POMSICA-pattern (Luostarinen 1990) is used when global marketing strategies are analysed and compared (Lavikkala 2001, Mattila 2001, Ratia 2001, Sankari 2002, Viljanen 2002).

In the following the above mentioned comparisons between Born Globals and other firms are made. First, as to the length of the domestic period, i.e. period proceeding the first entry abroad, it was found that Born Globals really start to globalise their activities much earlier after the establishment than non-Born Global companies. When the average length of domestic period for 89 Born Globals was 2,1 years it was 21 years for 941 traditionally internationalised firms (Luostarinen 1979). Since the mature or truly Born Global category is of high interest we looked in more details into the five of the pilot cases that belong to this mature category. It is interesting to see whether these companies

have followed the traditional internationalisation process, or whether they have deviated from it. It is expected that if there are deviations these deviations in the case of mature stage Born Globals are clearer and larger than in Born Globals in other stages.

The first one examined is selling radiation detectors and related products (high-tech, services and knowhow). The second one is a software and application service provider (high-service& know-how& systems). The third one is selling Internet security software (high-knowhow). The remaining two companies were selling gas detection systems (Environics) and quality control systems respectively.

Hereby we are listing some of the major characteristics and deviations related to the globalisation and marketing strategies of mature Born Globals:

1. Product strategy:

- They may belong to any of the business areas.
- The product offering may include many product categories.
- The product businessidea was very focused on a niche segment or/ and technology was new for the world, and practically no viable competition existed.
- The product strategy could proceed through the traditional stages but faster: physical goods, services, knowhow, systems, or then some of those categories could be introduced simultaneously or in a reverse order, or even jumped over.

2. Operation strategy:

- The operation strategies had proceeded through the traditional stages as to investment dimension: non-investment operations (NIOS) before direct investment operations (DIOS), but faster than traditionally.
- However, the sellers of high-systems were still at NIOS stage.
- Inward operations used often since establishment of the companies. Extensive use of co-operative operation modes (R&D, Marketing) (all cases)

3. Market strategy:

- Market strategy followed the traditional stages, but faster. Usually Europe entered first. North American and/or Asian markets entered within 1st-4th year since the establishment of the company (all cases).

#### 4. Marketing strategy:

- Below-cost pricing was used for getting the first reference customer deal and the normal pricing was attempted to be based on a difficult ideology of customer value added
- B-B segments more important to Born Globals than B-C segments, since these can be reached with more limited marketing budgets than traditionally globalising companies have.
- Global own brand more important and earlier developed when end-consumers targeted
- However, when B-B customers were targeted own branding was not critical and no brand or OEM brand was common
- Single sales channels (direct and indirect) expanded to multiple channels (dual and hybrid) earlier than traditionally (all cases).

#### **5. Major challenges and problem solutions of Born Globals**

Based on the pilot studies and on the personal experiences of the authors many different challenges and various problem solutions were identified in Born Global firms. These challenges and solutions were organized into following categories:

- 1) Entrepreneurial challenges/solutions
- 2) Governmental challenges/solutions
- 3) Educational challenges/solutions

##### ***5.1 Entrepreneurial challenges and solutions***

Entrepreneurial challenges and solutions of Born Globals are divided into following four groups:

- 1) Managerial challenges/solutions
- 2) Research and development challenges/solutions
- 3) Sales and marketing challenges/solutions
- 4) Financial challenges/solutions

In the following text these challenges and their solutions are analysed in the above order.

### *5.1.1 Managerial challenges and solutions*

In the following the major characteristics and corresponding managerial challenges of Born Globals are listed:

- Young age of Born Globals leading to insufficient time to accumulate enough financial resources to cover the costs of globalisation and global marketing
- Young age of founders, managers and other personnel of Born Globals in general and of ITC-related Born Globals in particular leading to a limited stock of knowledge on the global management and on global marketing
- Because of small size, limited financial resources and young age of company's entrepreneurs it is difficult for Born Globals to hire experienced top managers
- Because of instant or exceptionally rapid start of the globalisation process in a new and unique niche business the need for strategic globalisation knowledge and global marketing knowledge is exceptionally high already at the time of the establishment of the Born Globals
- Due to the above points the vision planning, strategic planning and operative planning for global business may be neglected and earning logics and product/business portfolios not properly considered leading to the lack of workable business plan and lack of focus and sufficient revenue flows
- Due to this again product, operation and market (POM) selections for global business and price, distribution, customer and promotion decisions may be wrong and cause losses for the Born Globals
- Finally because of these weaknesses there is a problem of trust and creditability in the eyes of different potential value chain members, network candidates, business partners and financial institutions.

From the management point of view the founders of Born Globals are really facing the largest managerial challenge of today i.e. the challenge to start to globalise the firm, to invest exceptionally much money in creating global networks, in starting global marketing and sales efforts and in continuous product development already at the initial stage when the firm is just established, being very small, inexperienced in global affairs with limited financial resources.

In the following some of the major solutions to the problems and challenges in Born Globals based on pilot studies and personal experience are listed:

- 1) Strengthening of management and personnel resources by
  - a) hiring experienced CEO, financial manager, marketing/sales managers and information manager
  - b) having an experienced board of directors
    - experts in global business and management
    - financial experts (business angels, venture capitalists)
  - c) establishing an advisory board consisting of business experts and high-tech, high-design, high-service etc. area experts depending on the nature of the products
  - d) founding scientific council consisting high level, internationally famous academics and researchers in the particular discipline(s) used by the Born Globals
  - e) utilizing the help of business mentors, technological godfathers, entrepreneurial counsellors etc.
- 2) Having a team of founders which
  - a) has been developing the business idea and product concept together before the establishment of the Born Globals
  - b) consists of experts supplementing each others
- 3) Using global business consultants
- 4) Buying global marketing services
- 5) Building value chain teams by
  - creating partnerships, forming alliances and constructing networks in product development, sales/marketing and purchasing.

The young founders of Born Globals are often forward going and fearless, which rely on their own abilities and skills and therefore select into their management teams similar, often young and educated, but rather business wise inexperienced fellows. Then the advisory boards and/or official boards importance as advising and guiding these entrepreneurs is extremely important for their success. Two of the case companies operating in high know-how business are good examples. In the former a well-known professor from the Helsinki University of Technology was invited to advice them as board member and to act as “godfather”. In the second case two founders of successful Finnish Born Global companies were invited to participate as board members and investors.

These persons were understandable selections since the founders had earlier contacts with them either through their studies or have got to know them through the press.

The use of the expertise of venture capital companies that are investing into their businesses is a viable alternative, which however does not come without certain risks. The venture capital companies often employ very experienced business people who have a large contact network and can be of valuable assistance in many respects. This is so especially for international venture capitals, which also can contribute into the global management skills. However, one must understand that the objectives of the venture capital companies may differ from those of the founders of Born Globals. The former is often looking for short term profit on their investments and exit within 2-3 years whereas the entrepreneurs appreciate employment and getting a good return on their investment in time, work and ideas. Some of the case companies reported that Venture Capitals (e.g. Merita-Capital) had been of great benefit in participating in their strategy development and provided valuable knowledge that the founders lacked. This was not always the case, as we will later explain.

In some cases the young and inexperienced founders had been able to grow into recognised and charismatic business managers. In contrast, less successful founders also existed. A group of Born Globals can be identified, which did neither emphasise the importance of bringing outside expertise into their companies nor the formal training believing strongly in their own capabilities. One of the case companies in the high-quality services sector was a typical example, which emphasised “learning by doing” principle and did not prefer formal training. A co-incidence or not, this referred company run into financial problems and was merged to a larger company soon after we interviewed them.

Another group of Born Globals’ founders are the ones that have a strong background and experience in particular functions such as technical aspects or research, earlier entrepreneurship experience, or then they are former employees of downsized businesses. They usually understand the importance of complementing their management team or board with missing capabilities and skills or organising strong internal training programs. Our case study identified many such Born Globals: a high-technology company’s key personnel had worked in CERN research projects, where the technology for measuring light and radiation was discovered. Another’s (Taifun Engineering) founder had over 10 years experience as a former entrepreneur in the same field.

Relocations of divisions, disinvestments, bankruptcies or management buyouts of often-large companies may also give the birth to establishments of new companies with experienced personnel. The personnel of one of the high-tech companies are former managers and engineers of large MNC that established the company after MNC's decision to move operations to another city. A high-quality systems company was founded as a management buy-out from an MNC when it was terminating a particular division. Also a high-tech company's founder had earlier experience and contacts from founding and managing a company, which operated in the same field. In addition it had selected a professor as chairman of the board with wide global experience from both academic and business circles.

The founder's experience and internal training programs inevitable are important factors for the success of these companies. The nature of the experience is however important. The managers' background in one of the case companies was perfect for producing good quality information related to sport events for game enthusiasts, but was their experience strong enough for global business planning? Would the companies that have gone bankrupt in a few years time after establishment have benefited from management with this kind of qualities?

Many of the Born Globals hired highly experienced managers to act as CEOs, managing directors or chairmen of the boards. This is advisable. However, the hiring of skilful managers is not easy and can become extremely costly to the owners in the form of salaries and stock options. In many cases' the CEO and key personnel had worked for large MNCs and other globalised companies in the field.

In addition to the internal resources, co-operation with external partners or forming strategic alliances in marketing, R&D and production is one way of acquiring resources otherwise lacking from the Born Global companies. Another possibility is to utilise the services of consultants. Some of the companies were actually outsourcing many of their functions or relying heavily on their partners. This was the case for instance with a high-tech company when its co-operation with a Swedish company in a European Eureka R&D project lead to joint product development. In case of many high-quality systems companies the component manufacturing was outsourced. Further as example, one of the high-quality service companies had relied heavily on its partner companies in providing marketing resources. The major managerial challenge related to the use of external partners is in managing the resulting, often-complex networks.

### 5.1.2. *R&D Challenges and solutions*

In the area of research and development many large challenges were met in Born Globals as follows:

- 1) lack of clear business focus of R&D activities due to the lack of global management skills leading to exiting technological experiments but to less exiting and successful business results
- 2) too long and expensive R&D stage leading to financial crisis
- 3) too slow and inefficient transformation process from R&D stage to sales and marketing stage
- 4) too large and expensive R&D investments at the time of heavily worsening business situation and strongly declining financing opportunities (IT and partly biotech businesses)

The research and development (R&D) challenges for Born Globals described were solved through:

- 1) Effective organisation for the research and development work targeting for product introductions at a correct time, speed and rhythm
  - tri-functional team building including designers, engineers, and sellers/marketers
  - clear business focus based on global growth opportunities
  - customer determination and need analysis based on clear prioritisation
- 2) Coordination of the resource utilisation along the change toward commercialisation.
  - early preparation for the change of the key function
  - personnel with multiple skills, contractual arrangements
- 3) Careful preparation of R&D plans and projects based on joint financing with potential customers and R&D financial agencies
- 4) Networking and partnerships in research and development with domestic and global firms and institutions

The organisation of the Born Globals must be effective. This can be ensured by tight co-operation between the various functions, i.e. R&D, production, marketing. The co-operation between the functions must be seamless to ensure that the link between end-customer needs, ongoing development work and preparation for the production process is in synchrony. In larger organisations process organisations are suggested to improve the



co-operation between the functional departments. In often-small Born Globals this can be achieved by tri-functional team building, where R&D, production and marketing persons work tightly together from the initiation of the product idea until successful launch and market feedback and renewal of the process for the joint creation of the next product generation.

The business focus must be clear. Only by focusing the development work on highly specialised niche products this can be carried out within the short time frame. The customer determination at an early stage is another way to keep to the essential. The needs of the global customer segments must be understood. This can in most cases be secured through tight co-operation with certain leading reference customers. In fact the shortening of the development work is crucial in order to decrease the pre-revenue period. In most cases the global competition is fierce and the first mover advantages are enormous. The company that will be able to introduce the product first is creating the industry shift that may develop into an industry standard. If business focus and target customers are not well defined the limited financial and R&D personnel resources are scattered around without any real impact or result. Under present circumstances it may be impossible to get investors convinced for participating in the second round of financing if no visible results in product development can be shown.

By examining the 20 case companies one can realise that the focusing on a niche product/customer segment is very common. It gives direction to the R&D efforts and it offers a source for economies of scale. High-tech companies examined focused on electronic pipettes, software based frequency converters, light and radiation measurement, photo mask fabrication or other high- technology. Equally important the focusing seems to be in high-systems products area; where for example the focus was on gas detection systems for the military and civil shelters, vacuum systems for the food industry, quality control systems developed for the industrial mineral producers and cement industry, or fire extinction systems particularly suitable for marine purposes. The high-design and high-know how companies also specialised on niche products.

Interestingly the high-quality services sector seems to be the least specialised business area. One reason for this can be that the services sector usually requires direct investments in the target market area, which then have called for a larger product offering to justify the investments and derive scope advantages. It may be that the high proportion

of bankruptcies in the high-service field can be traced back to this lack of product development and business focus.

The development of the first product is often crucial and calls for a number of skilful R&D persons with “inventor mentality”. These resources however substantially differs from the ones that are required at the commercialisation stage when a majority of the R&D personnel should become salesmen and only a limited amount are required for product/ion support and service. The early preparation for the change in the key function should be started. First, in the selection phase personnel with multiple skills should be preferred although “generalists” seldom can perform the tasks of “specialists”. Secondly, contractual arrangements (personnel and outsourced force) should be flexible allowing for change of balance with short notice. Finally, the key resources for the next phase should be acquired well in advance to safeguard their availability.

### *5.1.3 Sales/marketing challenges and solutions*

There was already a good amount of problems and challenges in the management and R&D of Born Globals. The case is similar in sales and marketing. The following list gives enough evidence:

1. The sales and marketing resources have traditionally almost always been underestimated by companies entering global markets. Due to the fact that Born Globals are mainly established in high-tech businesss (72% of Finnish cases) originated by the technological experts this situation seem to be especially acute in Born Globals
2. The financial resources required for global marketing are exceptionally high in Born Globals. To give some proportion the investment in marketing could be twice as much as product development for a high tech industrial product or as high as twenty times that of product development in high-quality consumer services
3. Due to the delayed and late hiring of the sales and marketing people the time needed
  - for them to become acquainted with the complicated product was too long
  - to make a reasonable plan for sales and marketing was too long
  - to initiate effective marketing and sales efforts was too long
  - to get revenues to cover the cost was too long
  - to start to create and build up a global brand was too long

Based on our analysis of the case companies following solutions were identified:

1. Early planning of global marketing offering
  - transfer of attention/resources towards marketing
  - hiring of sales and marketing core people
  - focus on niche segment, often business customers
  - product modularity
2. Early preparation of sales and marketing activities
  - early contact with customers, channels
  - preparation of product lists, marketing material
  - preparation of sales budgets / reporting systems
3. Utilisation of advanced marketing strategies
  - advanced technology for sales and promotion
  - customer value based pricing, multiple marketing channels
  - formation of marketing partnerships and strategic alliances.

The early planning of sales and marketing starts with transfer of management and other key personnel attention and partly also resources from product development towards marketing. In addition new personnel will be needed. The core sales and marketing personnel should be hired early on to make sure that best resources are found and that the global marketing requirements are taken into consideration already as part of the product design. For instance, one of the high know-how companies hired their marketing director from the very beginning and placed him in US-Canada region to enable daily contacts with their lead market.

The focus on a niche segment is important in order to enable rapid globalisation. Almost all case companies had selected a niche segment as we already discussed as a part of R&D solutions. In addition, the companies stressed that they had purposefully selected business customers as focus since this cut down the needed number of sales contacts and the branding was not a must for industrial products to get started. Also the product must be modular to allow for country specific variations with separate country kits or easy installation of software. For instance, a high-tech company explained: “the software technology developed allows the company to offer customized products through applications loaded on the product while benefiting from mass production.”

The early preparation of sales and marketing activities includes contacts with key customers, OEM channels or other large channel members. Typical key customers could be research institutes like CERN, large IT companies like Nokia, HP, Siemens or Sun Microsystems that piggyback market their products. Huge OEM channels or large often-multinational retailers were used like Becton Dickinson, Johnson & Johnson or 3 M. The early preparation of product lists, brochures, brand identity manuals and other marketing material is important for credibility in the eyes of these key customers/channels and to enable fast service, order and logistics processing from the start. The logistics has been the reason for failure in many Born globals involved in dot.com business. Boxman's failure and the loss of some 80 million Euros risk capital is a good example. The company's internet pages were not working properly as the new technology ordered from IBM was late (Helsingin Sanomat 3.3.2002). Further, their strongest competitor Amazon.com was able to ship music records faster from US than Boxman was able to deliver from Sweden.

The sales budgeting and reporting systems must be in place from the beginning in order to guarantee a smooth flow of production and deliveries. Traditionally internationalising companies have a possibility to gradually build up their systems as they internationalise. The Born globals have a huge challenge to build global planning and reporting systems from the very inception. If this can be managed they can however gain from a consistent system in all of their subsidiaries, which rarely is the case in today's MNCs resulting from the history of many mergers and acquisitions.

The utilisation of advanced technology seems to be typical to Born Global companies. Many of the examined companies either used or had plans to start using internet for marketing communication and many times also for sales. The high-quality services and high know-how companies used internet often for sales, sales promotion and distribution of their products. Also many of the high-tech or high-design companies utilised internet for marketing communication and sales but naturally had to use physical distribution for delivery due to that they sold physical products. One of the high-tech companies (Terrapixel) commented the use of internet as follows: "The US customers probably don't know where their products are coming from due to that internet is used so heavily". High-system companies were using less internet for marketing purposes obviously due to that systems deliveries require also human interaction to coordinate between parties involved in projects.

Born Globals proceed from less advanced marketing strategies to advanced strategies from the outset or in a rapid pace. Customer value is used as basis for pricing

across markets. They often advance rapidly from single to multiple channels or jump over the single channels and start directly with multiple channels. Lead-customer's location often determines the markets to be entered, whereas business distance has less importance as explanatory factor. The global customer segmentation will first be applied and only as the next step the potential customer potential in different world markets will be estimated.

As many marketing approaches were rather advanced the only exception was branding where the companies can be divided into two groups: A) those which develop global corporate brand and B) those, which use OEM branding or private label branding or don't have any branding strategy at all. Some of the companies were using global corporate branding and OEM/ private labelling in order to increase the sales.

The lack of branding was quite common in the B to B companies, which was reasoned by a manager from a high-tech company as follows: "Branding is not seen as important as the product is sold to industrial consumers. We spend money in image building in the eyes of purchasing managers and visibility in trade fairs, industry magazines and internet." Another manager from a B to C high-quality service company emphasised that lack of own branding does not mean that branding would not take place under the partners name: "Investments into advertising and branding are as high as 80 million USD and therefore co-operation with media and entertainment industry is important. By allowing their brand to be used the marketing partners can simultaneously advertise for the movie and generate side revenues from games. Own brand development has been...preliminary planned for".

The formation of marketing alliances was extremely common in the business areas studied. The case companies co-operated with huge marketing partners like Johnson& Johnson, Cutler-Hammer, GlobeSet, 20<sup>th</sup> Century Fox film company (RIOT-E) or Artemis Management Systems (Single Source). The Born Globals have realised that when resources are not adequate for their own brand development they must co-operate with partners.

#### *5.1.4 Financial challenges and solutions*

Financial environment for Born Globals in general and for IT- and Biotech Born Globals in particular has changed tremendously. Before the summer 2000 there was almost oversupply of money even in domestic markets. After the business and financial crisis burst out, the possibilities of Born Globals in these two industries to get finance at

reasonable price deteriorated continuously ending to the deadlock situation where no money was available. Based on this the following list of financial challenges was collected:

1. Weak availability of money for Born Globals from venture capital firms and other similar sources in general and for IT and Biotech Born Globals in particular
2. Non-availability of money for service, know how and system Born Globals from banks and other similar sources due to the lack of required collaterals and from governmental agencies due to the lack of supporting policy
3. High price of money compared to the time before crisis
4. Unpreparedness of Born Globals to the fiercely changing situation in capital markets
5. Weak or nonexistent revenue flows in Born Globals due to the heavy and long-term R&D investments and “delayed” sales and marketing plans before crisis
6. Drastically cut investments and purchases in customer firms and use of below-cost penetration pricing for getting the first reference customer deal.

The workable alternatives to solve these problems and challenges in Born Globals were not easily available. The following can be mentioned:

1. Full stop of basic research projects and firing most of these experts
2. Transferring the rest of the experts of the RD-unit to work on required customer adaptations only and to help sales and marketing department to close deals for revenues
3. Remaking and renewal of the business plans and related sales, cost, investment and financing budgets
4. Drastic reduction of costs in all of those areas which did not make harm for the implementation of the new sales budget
5. Based on these new plans turning to those VC-firms and business angels whose business portfolios were not in red and who had money left for investments in new start-ups.

Due to dramatic changes in the action environment after the summer 2000 the behaviour of the Born Globals has changed considerably. Before that point of time the amount of equity money available through IPOs, business angels and VC-companies was more than needed. Also the terms of trade for the equity were very favourable for the Born

Globals of SMOPECs thanks to exceptionally high market values accepted by the investors. The future demand potential especially for the IT-Born Globals seemed to be large and rapidly increasing promising exceptionally high sales growth figures. Based on these extremely favourable circumstances Born Globals were able to plan and implement unprecedented strategies for the globalisation and global marketing. For example, marketing subsidiaries demanding large investments were established in the major markets from the very beginning, large R&D projects without explicit revenue patterns and investment plans were initiated with the intention of becoming global players and market leaders in the future. Rapid advancement abroad from the inception by jumping over traditional steps or even by reversing the ordinary process was more possible through perceived bottomless financing opportunities and endless growth outlook. Circumstances gave room for incredible hopes and beliefs.

However, the dramatic change in circumstances in the middle of 2000 broke the illusions down. The new economy with its new rules of the game collapsed. In the present situation it is clear that many of those Born Globals which were established “too late”, that is one to two years before the start of the crisis have gone or will go into bankruptcy. This is due to overly large initial investments by Born Globals in non-commercial stage activities based on the successful first round of external finance and due to impossibility to get enough second round finance for the starting of commercial stage under the risky business outlook perceived by a decreasing number of potential investors. Born Globals established earlier have better chances to survive and prosper because they started the commercialisation stage before the crisis and have had enough time to get convincing global sales references and to enter into growth stage in their globalisation process. These companies have understandably best opportunities to get additional finance even during the present time. The third group of the companies is located between these two. These are firms which have to be able to cut down their costs, to make disinvestments abroad, that is, to de-globalise by selling or closing their foreign subsidiaries and to change their POM-strategies closer to the traditional stagewise strategies.

Most of the Born Globals belonging to the fourth group, i.e., to companies established after the start of crisis or which are still to be established during the crisis are forced to face the realities of the present situation. This means that they are not able to raise massive amounts of equity capital at good terms and to rely on large global sales figures. They are more or less the acting the same normal business environment than non-

Born Globals which have followed the stages of the traditional internationalisation/globalisation process.

## ***5.2 Governmental challenges and solutions***

The major challenges for the governmental organisations, which are responsible for the promotion of gross border business activities are caused by the fact that as a new phenomenon Born Globals are relatively unknown to those agencies. However, as mentioned, Born Globals may behave exceptionally, deviating from the behaviour of traditionally internationalizing and internationalised firms.

Taking into account the above-presented arguments and the partial evidence on the product, operation and market (POM) strategy, the governmental promotion should be extended from the export promotion to the promotion of all operation modes of international business. In addition to different outward modes also inward and especially cooperative modes, which traditionally have been left outside of the promotional policies, should be included. This is based on the fact that the success of outward operations is often essentially dependent on the inward operations and on the fact that cooperation modes usually request both inward and outward activities (Luostarinen et.al. 1994; Luostarinen and Korhonen 1998).

Because Born Globals often utilise multiproduct strategies governments should pay much more attention to the promotion of services, know how and systems. These product items are not only sold in global markets as such but also together with the physical goods.

Due to the worldwide sphere of the activities of Born Globals, the promotional measures of the public agencies should be extended from the international level to the global level including the growing needs for area based entry strategies as well as penetration and escalation possibilities.

As mentioned, the founders of the Born Global firms are usually exceptionally young persons with technological skills. They need desperately help in planning for global business. This is where the government can help the sustainable development and survival of the new generation of entrepreneurs.



### ***5.3 Educational challenges and solutions***

Due to the recent emergence of the Born Globals the research on them is still in the infant stage creating challenges for the researchers. A lot of theoretical and empirical studies are needed (Knight and Cavusgil 1996, p. 23). The preliminary results presented in this paper are results of a survey of 89 Finnish Born Globals, a pilot study on 20 Finnish Born Globals and of a literature analysis on Born Globals. Additional studies on other Born Globals and studies on financing, information systems and use of subsidiary firms and a comparative study on the Born Globals in Israel are under work. The major scholarly aim is to contribute to the international body of science on Born Globals. By completing the project and by finding solutions and answers to the entrepreneurial, governmental and educational challenges authors are trying to do their share to narrow the broad knowledge gap on the Born Globals.

The results of the three years' ongoing Born Globals research project is to be disseminated to students, academicians, business managers and politicians alike. Obviously, many challenges are related to this. How to disseminate best the new managerial knowledge on alternative globalisation strategies and processes, global marketing strategies and financing of Born Globals? New skills are to be taught to students related to global and financial management, which may require also new educational methods. Entrepreneurs of Born Globals need to be reached and consulted in order to help avoid severe mistakes. Policy makers need to be advised to broaden governmental support from export and internationalisation promotion to the promotion of the globalisation of Born Globals. Finally, all of us who are under the globalisation squeeze and pressure should remember that the slogan really is "Globalise or die" and not "Globalise and die".

## **6. Conclusions and Contributions**

The results of this study clearly indicate that the talks about the death of traditional stages approach in research, teaching and practise are largely exaggerated. Pretty many of the Born Globals are actually forced to get closed or to follow these natural steps. This is caused by the fact that risks and uncertainties have not disappeared. Full and divine knowledge over the global markets and globalisation strategies is not available. And in addition to scarcity of knowledge the lack of money seems still to be a reality in business

– at least during the slow downs which still continue to exist as a balancing power of the booms.

However, Born Globals have come to stay because the pressure to globalise the activities in the five product/business areas has not vanished. This is why the Born Globals have the challenge to try to adapt the existing internationalisation/globalisation process into their own conditions and demands. The most obvious fact is that they have to be able to proceed faster through these steps and depending on the amount of the stock global business, management and marketing knowledge they can even jump over the less demanding stages. Especially they will obviously reverse the pattern of the holistic model (inward-outward-cooperation stages) by starting from the cooperation stage. For small SMOPEC firm with limited resources this offers a possibility to create networks, to enter into partnerships and to build up alliances i.e. it offers a possibility to strengthen resources by utilizing the resources of the chain members, partners and allies. At the same time it allows a good opportunity to reduce risks and uncertainties perceived by Born Global managers. This again is in full conformity with the lateral rigidity theory of behaviour which forms the explanatory basis for the existence of the stages approach at the company level (Luostarinen 1979).

This research includes some important theoretical contributions for Born Global researchers and academicians: first, the classification of the present Born Globals based on their development stage into mature, growth, development, starting, entry, domestic and RD stage is a novel finding. Earlier research has dealt with the Born Globals on an aggregate level, which clearly does not meet the complexity of reality. Second, this study compared the globalisation and global marketing of Born Globals to that of the traditionally internationalising/globalising companies. Some of the mature Born Globals were found to proceed faster, jump over or even proceed in a reverse order than the traditional companies. Many of the companies, however, seemed to follow the traditional stages along their globalisation process. It is important to recognise that although some of the findings deviate from the traditional behaviour of companies, the stages model still seems to have a high degree of explanatory power.

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## APPENDIX 1.

Product category \ Order of Introduction	1.	2.	3.	4.
Goods	(99)	4	1	4
Services	0	(47)	19	4
Systems	0	19	(48)	4
Know-how	1	30	32	(61)
Total percentage	100	100	100	100
N	998	217	84	26

Table 3. The chronological order of introduction of different international business sales objects in 998 Finnish companies in 1976 (Luostarinen 1979, p.103).

Operation mode \ Order of utilization	1.	2.	3.	4.
NIMOS	(98)	5	1	-
DIMOS	1	(64)	24	20
NIPOS	1	21	(44)	20
DIPOS	0	10	31	(60)
Total percentage	100	100	100	100
N	997	309	106	20

Table 4. The order of utilization of different operation modes in 997 Finnish companies in 1976 (Luostarinen 1979, p.123).

Country cluster by business distance	Company frequencies	
	Absolute	%
Very close	847	91.7
Close	43	4.7
Medium	16	1.7
Distant	16	1.7
Very distant	2	0.2
Total	924	100.0

Table 5. The absolute and relative frequencies of the first foreign entry of 924 Finnish companies by country clusters based on business distance (Luostarinen 1979, p.151).

## APPENDIX 2

