LAPPEENRANTA-LAHTI UNIVERSITY OF TECHNOLOGY LUT

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Master's Degree Programme in International Marketing Management (MIMM)

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# ANTECEDENTS AND FACTORS AFFECTING BORN GLOBAL GROWTH: FINNISH BORN GLOBAL COMPANIES IN SILICON VALLEY

Examiners: Professor Olli Kuivalainen

Postdoctoral Researcher Heini Vanninen

## ABSTRACT

Lappeenranta-Lahti University of Technology LUT
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**Antecedents and factors affecting born global growth: Finnish born global companies in Silicon Valley**

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The objective of this qualitative research is to study how the growth of born global companies occurs and what antecedents and factors affect their growth during the different phases of development. Despite the extensive research interest on born globals over the past few decades, research on the development of these firms beyond early internationalization remains scarce. This gap in the contemporary literature justifies the objective for this research where eight in-depth semi-structured interviews were conducted with representatives from six born global companies. The research focus is on Finnish born global companies that have internationalized to Silicon Valley during their early existence.

The theoretical base of this research consists of firm internationalization theories, stages of organizational growth theories, and international entrepreneurship which lay a foundation for the studied phenomenon. This study is conducted as a qualitative multiple case study using an abductive approach. Based on the in-depth analysis of each case company's growth development as well as a cross-case analysis of all six case companies, a framework illustrating the growth development of born globals is developed.

The findings of this research suggest that born globals develop through three different phases including introductory phase, resource accumulation phase, and growth phase. In addition, the antecedents and drivers that stem from the pre-incorporation phase of born globals play a significant role in the establishment of these companies. Factors that directly affect the growth of born globals are entrepreneurial orientation, firm's resources, capabilities, growth strategies, and product strategies. However, these factors affect firms' growth to varying degrees during each distinct phase of development.

**TIIVISTELMÄ**

Lappeenrannan-Lahden teknillinen yliopisto LUT
Kauppakorkeakoulu
International Marketing Management -koulutusohjelma

Kaisa Suojanen

**Born global -yritysten kasvukehitykseen vaikuttavat tekijät: suomalaiset born global -yritykset Piilaaksossa**

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Hakusanat: born global -yritykset, organisaatioiden kasvuteoria, kansainvälinen yrittäjyys

Tämän pro gradu -tutkielman tavoitteena on selvittää, miten born global -yritysten kasvu kehittyy ja mitkä tekijät vaikuttavat näiden yritysten kasvuun eri kehitysvaiheissa. Vaikka born global -yritysten kasvukehitys on herättänyt laajaa tutkimusmielenkiintoa viimeisten vuosikymmenten aikana, tutkimustieto näiden yritysten kasvukehityksestä varhaisen kansainvälistymisen jälkeen on edelleen vähäistä. Tämän tutkimusaukon täyttämiseksi haastateltiin kahdeksaa born global -yrityksen edustajaa kuudesta eri yrityksestä. Tutkimus keskittyy suomalaisiin born global -yrityksiin, jotka ovat kansainvälistyneet Piilaaksoon yrityksen varhaisessa kehitysvaiheessa.

Tutkimuksen teoreettinen osuus koostuu organisaatioiden kansainvälistymisteorioista, organisaatioiden kasvuteorioista sekä kansainvälisestä yrittäjyydestä, jotka luovat perustan tutkitulle ilmiölle. Tutkimus suoritettiin laadullisena monitapaustutkimuksena käyttäen abduktiivista lähestymistapaa. Kunkin yrityksen kasvukehityksen perusteellisen analyysin pohjalta suoritettiin cross case -analyysi kuuden yrityksen kesken, jonka pohjalta luotu viitekehys havainnollistaa born global -yritysten kasvukehitystä.

Tutkimuksen tulokset osoittavat, että born global -yritykset kehittyvät kolmen vaiheen kautta: alkuvaihe, resurssien kehitys- ja kumuloitumisvaihe sekä kasvuvaihe. Lisäksi yritysten perustamista edeltävän vaiheen aikana kerätty kokemus on merkittävä ajuri born global -yritysten perustamiselle. Born global -yritysten kasvuun vaikuttavia tekijöitä ovat yrittäjämäinen suuntautuminen, yrityksen resurssit, kyvykkyydet sekä kasvu- ja tuotestrategiat. Näiden tekijöiden vaikutus ja painoarvo yritysten kasvuun vaihtelee yritysten eri kehitysvaiheissa.

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# 1. INTRODUCTION

Born globals have become an important field of research as their impact on economic growth has been widely noted in the past few decades (Zander et al., 2015). Changes taken place in the macro business environment including the development of information and communication technology, transport connections, real-time finance systems, among others, have enabled the emergence of born globals (Luostarinen & Gabrielsson, 2004). Oviatt and McDougall (1995) first introduced born globals as an important type of firm that were innovation-driven, growth focused, and grew with limited resources. Despite born global firms being a significant source of new economic growth, the vast majority of them fail (Sleuwaegen and Onkelinx, 2014).

The born global phenomenon has been widely studied in numerous contexts. Early and rapid internationalization of these firms has been particularly an important focus of research as the internationalization process of born globals has opposed the stage model of internationalization, where the expansion to foreign markets occurs gradually (Oviatt & McDougall, 1994). Besides early internationalization, more recent studies have focused on the opportunity aspect of born globals and international entrepreneurship (Oviatt & McDougall, 2005; Cavusgil & Knight, 2015; Reuber et al., 2018) where the focus is on exploiting opportunities outside national borders and innovation across firm's value chain in recognizing opportunities. Furthermore, the extensive research interest on born globals over the past few decades has resulted in the emergence of various different definitions of rapid internationalizing firms such as international new ventures, born-again globals, and global startups which all somewhat refer to rapid internationalization of born global type of firms (Reuber et al., 2017).

Despite the extensive research interest towards born globals over the past few decades, studies on the growth development of these firms remains scarce (e.g., Picken 2017; Kuivalainen et al., 2012; Autio et al., 2000). In particular, the progress of how born global firms become successful established companies, and what factors enable them to advance from one phase to another lacks coherent research (Gabrielsson et al., 2008). Hence, it is deemed important to study the development of born globals and the patterns on how they become established companies as the majority of these firms fail during their early existence (Sleuwaegen & Onkelinx, 2014).

This gap in the current literature justifies the topic for this study where the focus is on Finnish born global companies that have internationalized to Silicon Valley during their early years of existence. Silicon Valley was deemed both suitable and an interesting research environment for this study as the region has long been regarded as the central hub for innovation and the startup capital of the world. Being the birthplace of some of the world's largest and most influential companies such as Google, Apple, and Facebook, Silicon Valley is specifically known to attract ambitious startup entrepreneurs from around the world in search for new business opportunities. (Kenney, 2003) Already in the mid 1990's it was argued by Oviatt and McDougall (1995) that born global firms usually exist in places like Silicon Valley, where rapidly changing industries face global demand. The unique characteristics and highly competitive landscape of the Silicon Valley ecosystem poses challenges, while it also provides invaluable business opportunities and networks that can significantly contribute to companies' success.

## 1.2 Research gap

As mentioned earlier, the internationalization of born globals has been widely studied in the past few decades. To date, a plethora of studies have been conducted on early internationalization of born global firms as well as motives, antecedents, and strategies affecting the early internationalization of these firms (Aspelund et al., 2007; Romanello & Chiarvesio, 2016). Despite the extensive amount of research conducted in the field, studies on growth patterns of born globals remains scarce and to date, very limited studies have focused on the growth development of born global firms (Picken, 2017). Furthermore, it has been suggested that research on born globals particularly lacks time dimension and hence, longitudinal studies on the topic are encouraged (Kuivalainen et al., 2012; Linqvist et al., 2010; Sapienza et al., 2006; Coviello & Jones, 2004). In addition, Autio et al. (2000) noted that incidents that firms face on each stage of development lacks coherent research and studies on critical incidents faced by firms during growth development would allow deeper understanding of the growth pathways (Lindqvist et al., 2010). One of the few studies attempting to explain the growth pathways of born globals and factors affecting growth at different development phases was conducted by Gabrielsson et al. (2008), who concluded that in order to understand the growth of born globals, future research on the phases that these firms progress through is needed.

To summarize, the research field of born globals lacks longitude research as well as understanding on what happens to these firms beyond early internationalization. In addition, factors affecting growth during the different phases of development lack coherent research. Hence, the focus of this study is on the phases that born global firms progress through and the factors affecting growth at different stages. By conducting this research, the study can bring valuable knowledge for born globals who expand to international markets early and aim for rapid growth.

## 1.2 Research questions

As discussed in the previous chapter, the research on growth phases of born globals remains scarce. More in-depth research on how born globals grow and what factors affect the growth of these firms have been recommended by many researchers. In order to contribute to this gap in the research field, the objective of this thesis is to study how born global firms grow and what factors affect their growth at different phases. In order to understand the growth development as well as the different phases that these firms advance through, it is also important to study how these firms are established in the first place and what drivers lead to the establishment of born globals. In order to fulfill the research objective of this thesis, the main research question is formed as follows:

**"*How does the growth of born global companies occur and what factors affect their growth at different phases of development?"***

In order to coherently answer the main research question, three sub-questions were formed as follows:

***Sub-question 1. "What are the antecedents and drivers for born global firms?"***

***Sub-question 2. "What different phases do born global firms progress through?"***

***Sub-question 3. "What factors affect the growth of born global firms?"***

The first sub-question aims to find out what the antecedents and drivers for born global firms are in order to explain how these firms are established in the first place. The second sub-question aims to explain what development phases do born globals progress through and consequently the third sub-question aims to find out the factors that affect the growth of born global firms. By answering the sub-questions, the main research question of this study can be answered.

## 1.3 Literature review

This chapter summarizes the previous research conducted in the field of firm internationalization, international entrepreneurship, born global firms, and stages of growth theory. By summarizing the earlier research conducted in the field, the research gap for this study can be justified.

Johanson and Vahlne (1977) first introduced the stage model of internationalization, also known as the Uppsala model, in the late 1970s. The model was developed to illustrate the internationalization process of firms where the focus was on gradual internationalization and decisions made in the firm. Moreover, the model suggested that firms internationalize to markets with low psychic distance from their home market. Few years later in 1982, Johanson and Hägg introduced an alternative model of internationalization where the focus was given on the development of relationships and networks in new markets referred to as the networks approach to internationalization. The stage models of internationalization have been criticized by many researchers (e.g., Reid, 1981; Andersen, 1993) who have argued that firms rarely follow a gradual stage model of internationalization (Hedlund & Kverveland, 1985) and that the model was not suitable for explaining the rapid internationalization of firms (Sharma & Johanson, 1987). Further developments of the model over the years have focused on firm's network of relationships (Johanson & Vahlne, 2009) and dynamic and process-based explanations of firm evolution (Vahlne & Johanson, 2017). Following the stage model of internationalization, the born global phenomenon started to attract research interest in the 1990s. Due to drastic changes taken place in the macro economic environment, there was an emergence of born global type of firm whose time of solely operating in the home market was short and that had global vision from inception. (Oviatt & McDougall, 1994) Hence, the research

space on early internationalization of born globals has attracted extensive research focus over the last few decades (Aspelund et al., 2007; Kuivalainen et al., 2007; Lindqvist et al., 2010; Cavusgil & Knight, 2015) as the born global theory has opposed the traditional stages model of internationalization that has not been able to explain the internationalization of young innovative born global type of firms (Autio et al., 2007). Born globals have been referred to as firms that seek aggressive growth, exploit technological advantages, and expand to new markets (Oviatt & McDougall, 1995), as well as firms with cutting edge technology and being managed by entrepreneurial visionaries (Knight & Cavusgil, 1996). Furthermore, born globals have been defined as firms that have reached 25 percent of their sales coming from overseas within three years of inception (Kuivalainen et al., 2007), however, Gabrielsson et al. (2008) noted that defining born globals based on numerical criteria can be problematic, as firms might differ extensively based on factors such as home market potential and export market receptivity.

The research field of international entrepreneurship has attracted profound research interest since it was first introduced in the late 1980s. However, many researchers argue that the field still lacks a clear theory base and development and that the term international entrepreneurship lacks a clear unifying definition (Keupp & Gassman, 2009; Zucchella & Magnani, 2016). The most used definition to date was introduced by McDougall and Oviatt (2000) who suggested that international entrepreneurship is the combination of innovative, proactive and risk-seeking behavior that crosses national borders. Other researchers have defined international entrepreneurship as a process of exploiting opportunities in foreign markets (Zahra & George, 2002) and being in the nexus of internationalization and entrepreneurship (Jones et al., 2011).

While the current literature includes a number of studies on firm stages of growth and life cycle models, according to many researchers (e.g., Levie & Lichtenstein, 2010; Kazanjian, 1988; Scott & Bruce, 1987), very few studies have attempted to explain how born global firms growth occur and how they progress from one phase to another. One of the few attempts to explain born global growth phases was conducted by Lindqvist et al. (2010). They studied how different stages in the life cycle model interfere with born global internationalization and concluded that transition from one stage to another was driven by critical incidents. Gabrielsson et al. (2008) concluded that born globals progress through three phases where companies' development is driven by critical incidents. Moreover, research on factors contributing to born global growth

has focused on resource-based view (Shepherd & Katz, 2005), use of inimitable resources to firms' competitive advantage (Barney, 1991), global vision of firm managers (Oviatt & McDougall, 2004), development of strategic adaptation and networking capabilities (Shepherd & Katz, 2005) as well as organizational learning (Gabrielsson et al., 2008). However, very few studies have integrated these factors to different growth phases of born global firms.

Based on the previous literature conducted in the field, it can be concluded that there is a gap in understanding how the growth of born global companies occur over time and which factors affect growth or non-growth at different stages they progress through, thus this study aims to contribute to this gap in born global literature.

## 1.4 Theoretical framework

The theoretical framework lays the foundation for this research presenting the main theories, concepts, and context used in this study. As the study followed an abductive research method and the aim was to explore the born global phenomenon without a clear theory base, the framework was formed as an initial guidance but was expected to change as the research progressed and additional data was gathered. The framework illustrates the main models and theories of internationalization and the antecedents and drivers of born global firms. The stages of growth theory is used to model the different phases born global firms progress through integrating the antecedents and factors affecting growth at different stages of development. A refined framework based on the results obtained from the empirical part of this research will be formed later in order to better explain which factors affect growth at each stage, and how they are related to growth of born global firms.

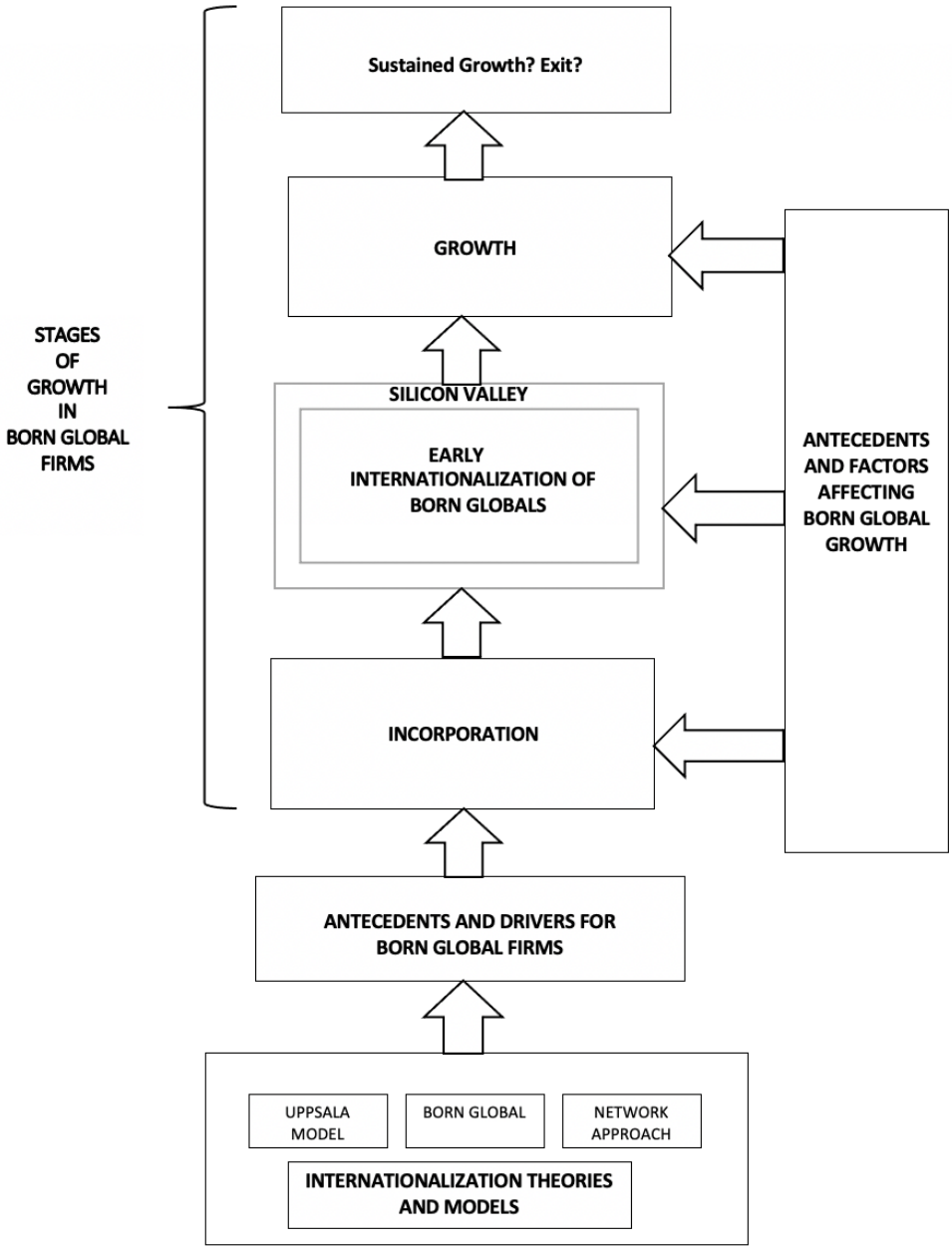


*Figure 1. Theoretical framework*

## 1.5 Definitions

**Born global**: Earlier literature has introduced various terms in defining firms that experience rapid internationalization and have global vision from inception. According to Knight and Cavusgil (1996), born globals and international new ventures are considered synonyms and similarly in this study the terms are used interchangeably. Consequently, born globals are defined as “Firms that from inception, intend to derive significant competitive advantage from multiple countries” (McDougall & Oviatt, 1994) and “Who seek aggressive growth, exploit technological advantages, and follow their customers into new markets” (McDougall & Oviatt, 1995).

**International entrepreneurship: “**International entrepreneurship is a combination of innovative, proactive, and risk-seeking behavior that crosses national borders and is intended to create value in organizations.” (McDougall & Oviatt, 2000)

**Stages of growth theory:** The stages of growth theory in business research aims to explain the development phases that firms progress through during their life cycle. The number of stages in life cycle models has varied among researchers, however, particular focus has been given to models varying from four to five stages (see e.g., Greiner, 1972; Churchill & Lewis, 1983, Kazanjian 1988).

**Early internationalization:** Early internationalization has been defined by different number of years since inception. Following the definition by Knight and Cavusgil (2004), this study defines early internationalization by firm internationalizing within three years of inception.

**Silicon Valley**: Silicon Valley is a geographical region located on the south side of the city of San Francisco, California. The area is known as the home of many world’s largest technology companies such as Apple, Facebook, and Google as well as the startup capital of the world. In addition, the area is famous for its technology focused institutions such as Stanford University, NASAs research center, and legendary PARC research and development center. (Kenney, 2003)

## 1.6 Delimitations

This study is delimited to born global firms originating from Finland which have internationalized to Silicon Valley during their early years of existence. Silicon Valley was chosen as the research environment for this study due to its uniqueness and competitive landscape that very few other startup and technology hubs in the world have to offer. There are certain delimitations related to the chosen case companies. In order to understand the growth stages of these firms along with their internationalization process, the selected case companies were required to have entered the market at least two years prior to the conducted case interviews as well as having operated in the market for a minimum of two years. The delimitations set for this research, however, can enable the researcher to draw coherent conclusions as the phenomenon is studied in a specific setting. Moreover, due to the longitudinal aspect of this research, it is believed to result in more accurate conclusions when studied with a sample of firms with similar background, making the comparison between these firms easier and more reliable.

## 1.7 Research methodology

The objective of this research is to find out how the growth of born global firms occur and what factors affect their growth along the different stages they progress through. This research is conducted as a qualitative multiple case study. The case study method is chosen as it allows the researcher to explore a phenomenon in real-life settings (Yin, 2014) and is regarded suitable when the studied phenomenon is at the early stage of research (Eisenhardt, 1989). This justifies the suitability of case study method for this research, as studies on growth stages of born global firms yet remains scarce (Zahra, 2004; Kuivalainen et al., 2012; Picken, 2017). Furthermore, a qualitative method was regarded suitable for this research, as many born global firms do not reach the later stages of growth and hence, quantitative data would have not been suitable in studying the phenomenon.

In order to coherently fulfil the research objective and research questions of this study, the research approach chosen for this study is abductive. As there was no clear theory base chosen to study the phenomenon at the start of this research, an abductive method felt suitable as it enables the researcher to shift between theory and observations (Dubois & Gadde, 2002). Furthermore, the study was conducted as an explorative research which is often used to help

understand a phenomenon or issue and has the advantage of being adaptable during the research project (Saunders et al., 2016). The data was collected through semi-structured interviews from eight company representatives from six case companies. The case company interviews did not follow a strict interview guideline, as the intention was to gather as much information as possible of the partly unknown phenomenon and let the interviewees talk in a relatively free manner about their experiences with a guidance of open-ended questions. In order to ensure the reliability of the qualitative data gathered through case company interviews, data triangulation method was used as it positively contributes to reliability of data (Tellis, 1997).

## 1.8 Structure of the study

This study is divided into seven chapters. The introduction chapter orients the reader into the research by discussing the background of the studied phenomenon, followed by the research objectives and questions formed for this study. The second, third, and fourth chapter of this study forms the theoretical base of the research compiling the earlier research and theories related to this study including internationalization models and theories, international entrepreneurship, born globals, stages of growth theory, and factors affecting the growth and survival of born global firms. The fifth chapter justifies the methodological choices of this research. The appropriate research design, approach, as well as the data collection methods and analysis methods are presented. The case selection and criteria are discussed, the reliability and validity of the study are analyzed along with data triangulation method and the use of secondary data. The sixth chapter presents the empirical findings of this research. In-depth analysis of each case company as well as cross case analysis of all six case companies are conducted in order to gain deep understanding of the growth development of the case companies. The final chapter of this study will form a summary and discuss the research findings and their relation to earlier literature. A framework of born global development and factors affecting growth will be formed based on the empirical findings. The chapter will present the theoretical contributions derived from the research results as well as practical implications emerging from the research findings. Finally, the limitations of the study will be discussed and recommendations for future research will be proposed.

# 2. INTERNATIONALIZATION MODELS AND THEORIES

This chapter will discuss the internationalization models and theories including the traditional stage model of internationalization, known as the Uppsala Model, the network approach to internationalization, as well as the born global phenomenon. Born global theory playing a central role in this study, chapter 3 will further discuss the phenomenon with the focus on the antecedents and characteristics of born global firms.

## 2.1 Stage model of internationalization

The early studies on the internationalization of firms focused on stage models of internationalization. The Uppsala model by Johanson and Vahlne (1977) describes the internationalization of firms as a process that occurs gradually and incrementally. The focus of the Uppsala internationalization model is on firms' gradual acquisition, integration, and the use of knowledge about foreign markets and incremental commitment to new markets (Johanson & Vahlne, 1977). The assumption of the model is that the firms' lack of knowledge of foreign markets is a major obstacle in developing their international operations and the internationalization of firm is an outcome of multiple incremental decisions. (Johanson & Vahlne, 1977) Furthermore, the Uppsala model of internationalization suggests that firms first enter markets that have low psychic distance to their home market.

Johanson and Vahlne (1977) suggested that the decision-making of firms played an important role in internationalization. They developed a dynamic model (Figure 2) which presents the steps of internationalization based on stage and change variables and how the outcome of one decision of the firm constitutes the input of the next decision.

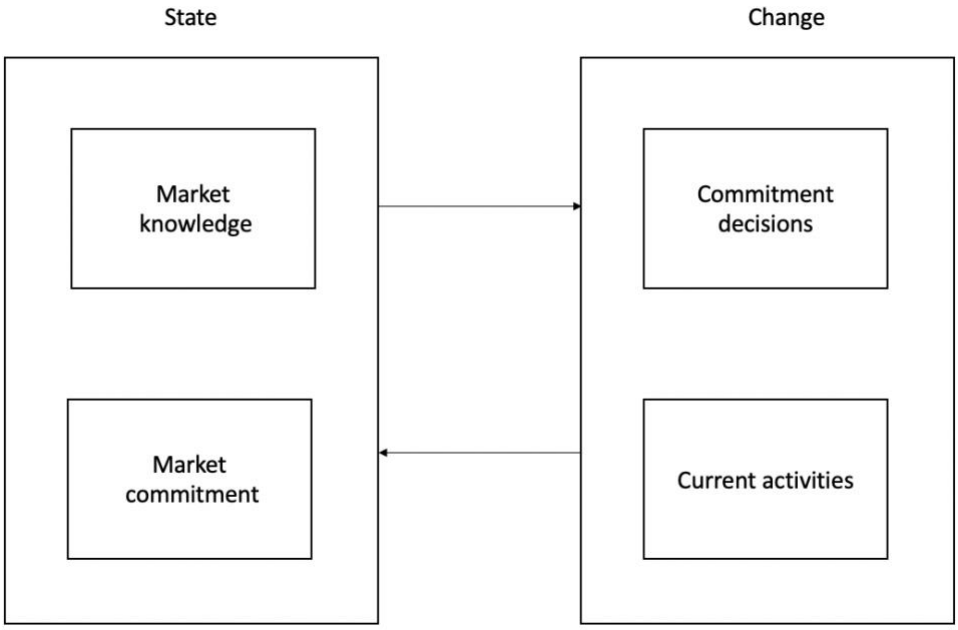


*Figure 2. The Basis Mechanism of Internationalization – State and Change Aspects. (Johanson and Vahlne, 1977).*

The model illustrates how the state aspect understands the resource commitment to foreign market (market commitment) and foreign market knowledge, whereas the change aspect illustrates the decision to commit resources (commitment decisions) as well as the performance of firms' current business activities (current activities).

The Uppsala model has received criticism and the suitability of the model in internationalization of rapidly growing firms like born globals has been questioned by researchers (e.g., Andersen 1993; Sharma & Johanson, 1987). In particular, the model has been criticized by researchers who have suggested that their observations on firms' internationalization did not follow a gradual process (Reid, 1981; Hedlund & Kverveland, 1985; Andersen, 1993). In response to the criticism of the Uppsala model, the model has been further developed and revisited over the years with a focus on the firms' network of relationships (Johanson & Vahlne, 2009) and dynamic and process-based explanations of firm evolution (Vahlne & Johanson, 2017).

## 2.2 Network approach to internationalization

Network approach theory in firms' internationalization has been widely studied from various aspects. The theory was initially developed by Swedish researchers Hägg and Johanson in 1982 with a central idea that firms internationalize by developing relationships with players in foreign markets which then enables them to gain access to external resources (Johanson & Mattsson, 1988). Furthermore, the model has explained internationalization as a strategy to use the business environment as a network facilitating the internationalization process (Hosseini & Dadfar, 2012). In order to gain access to valuable resources, firms build business networks with their customers, suppliers, competitors, and distributors. Furthermore, it has been suggested that the process of bonding is vital for building network relationships and that bonds can be used in product and process adjustments, logistics, and knowledge about counterparts. It was further argued that it is vital for firms to build relationships in a new market and the position of the firm in a network can determine the resource accessibility of the company, as being part of a network allows access to resources controlled by other players in the market. (Johanson & Mattsson, 1988) Figure 3 illustrates four different internationalization situations by Johanson and Mattsson (1988). These situations understand the internationalization process in three dimensions including extension, penetration, and integration.

*The Early Starter* is characterized as having very few relationships with firms in foreign market as well as the production net having very little international relationships in both domestic and foreign market. The firms falling into this category are heavily dependent on their size and resourcefulness and often initiate internationalization in nearby markets using agents rather than subsidiaries. These firms aim to minimize the requirement for knowledge development to minimize the need for adjustments as well as utilize positions in the new market which are occupied by institutional firms. (Johanson & Mattsson, 1988)

In the case of *Lonely International*, the degree of internationalization of the market is low but the firm's degree of internationalization is high. In this situation, firms' networks such as suppliers and other cooperative parties do not have access to foreign markets. This can be considered as an advantage in regard to firms' network position in the markets as these firms have gained knowledge about the foreign market environment helping them to continue

internationalization to other foreign markets even though they may lack support due to the absence of a network. (Johanson & Mattsson, 1988)

*The Late Starter* operates in a highly internationalized market, but the firm has a low degree of internationalization. Despite the low degree of internationalization, the firm usually has some indirect connections to foreign markets as a number of its stakeholders such as competitors and customers have internationalized or are located in foreign markets. However, these types of firms usually face difficulties due to lack of direct connections to foreign market environments. Furthermore, the network positions may have been already taken by competitors with established presence in foreign markets which further complicates the internationalization of these firms. (Johanson & Mattsson, 1988)

In the case of *The International Among Others*, both the market and the firm are highly internationalized. These types of firms are deeply connected with international networks enabling them to obtain useful resources and to enter new markets by using cooperative internationalization strategies. (Johanson & Mattsson, 1988)

| | | **Degree of Internationalization of The Market (the production net)** | |
|---|---|---|---|
| | | Low | High |
| **Degree of Internationalization of The Firm** | Low | The Early Starter | The Late Starter |
| | High | The Lonely International | The International Among Others |

*Figure 3. The network approach to internationalization (Johanson & Mattsson, 1988)*

As with the stage model of internationalization, the network approach has received criticism as studies have suggested that many rapidly internationalizing firms are required to build networks in foreign markets instead of relying on their existing networks. Furthermore, emphasis on network relationships will result in the neglection of strategic matters in the development of international growth (Loane & Bell, 2006). In addition, it has been argued that network approach

does not take into account the importance of firms' decision-makers in utilizing opportunities emerging from networks and that relationships established through these networks may limit the scope of firms' internationalization as they may control the decisions on what markets to enter (Chetty & Blankenburg Holm, 2000).

## 2.3 Born global internationalization

Due to significant changes taken place in the macro economic environment over the past few decades, there has been an increase in the number of firms that show global interest from inception and which have not followed the traditional stage model of internationalization but rather have initiated internationalization activities from the very early days of existence. (Luostarinen & Gabrielsson, 2004). These firms, referred to as born globals, were born due to drastic changes in the global business environment including globalization and advances in technology and communication (Oviatt & McDougall, 1994). Since the emergence of these rapidly internationalizing firms, born globals have become a dominant source of new economic growth (Sullivan Mort & Weerawardena, 2006).

As mentioned earlier, early and rapid internationalization of born globals have opposed the traditional stage model of internationalization introduced by Johanson and Vahlne (1977), which describes firm internationalization as a gradual process that progresses incrementally. Furthermore, Johanson and Vahlne (1977) described firm internationalization as a reaction to external triggers affecting the firm, opposing a vision that internationalization would be a result of a strategic choice which has been regarded as a suitable theory to explain the early internationalization of young and innovative firms (Lindqvist et al., 2010).

For born globals, the time of operating solely on the domestic market is shorter compared to firms following gradual internationalization. It has been suggested that immediate and rapid internationalization occurs in firms with radical innovations as their demand in domestic markets is often limited (Lindqvist et al., 2010). In line with this view, born globals often possess very specific types of products and hence, the domestic market is unlikely to generate enough demand for the companies' products. As a result, the domestic push forces them to operate in foreign markets soon after inception (Luostarinen & Gabrielsson, 2004).

As mentioned earlier, there are important distinctions between the stage model of internationalization and born globals. Table 1 summarizes the main variances between these two approaches to internationalization. The views of internationalization vary in terms of extent, pace, strategy, and networks among other factors. The central notion of these two approaches is that in the case of born globals, internationalization occurs rapidly requiring the firm for rapid and agile development in learning, strategy, and networks. (Chetty & Campbell-Hunt, 2004).

| Internationalization Attributes | Traditional Stages View | Born Global View |
|---|---|---|
| Home market | Domestic market developed first | Domestic market largely irrelevant (this study requires 75% export ratios) |
| Prior internationalization experience | None expected | Founder has extensive experience in relevant international maket |
| Extent of internationalization | International markets developed serially | Many international markets developed at the same time |
| Pace of internationalization | Gradual | Rapid |
| Psychic distance | In order of psychic distance | Psychic distance irrelevant |
| Learning to internationalize | At a pace governed by the ability to learn from (slowly) accumulated experience | Learning occurs more rapidly because of superior internationalization knowledge |
| Firm strategy | Not central to the firm's motivation to internationalize | Realization of competitive advantage requires rapid, full internationalization: product-market scope is focused/niche |
| Use of information and communications technology | Not central to internationalization | Key role as enabler of global market reach and learning |
| Networks of business partners | Used in early stages of internationalization and gradually replaced with the firm's own resources | Rapid development of global reach requires rapid, comprehensive network of partners |
| Time to internationalize | Not crucial to firm success; slow | Crucial to firm success within a few years of inception (e.g., two years) |

*Table 1. Differences between traditional and born-global views of internationalization (Chetty & Campbell-Hunt, 2004)*

# 3. INTERNATIONAL ENTREPRENEURSHIP AND BORN GLOBALS

This chapter summarizes previous research conducted in the field of international entrepreneurship and born globals. As the focus of this study is on born global firms, reflecting the concept of international entrepreneurship is considered important in order to create an overview of antecedents and drivers of born global firms. First, this chapter summarizes the earlier literature conducted in the field of international entrepreneurship including entrepreneurial orientation and entrepreneurial characteristics associated with international entrepreneurship. Second, earlier research conducted in the field of born globals will be summarized with a focus on the definitions and characteristics of these firms.

## 3.1 International entrepreneurship

While the field of international entrepreneurship has been widely studied, researchers have argued that the field still lacks unifying theory development (Keupp & Gassmann, 2009) as well as methodological base (Oviatt & McDougall, 2000). In addition, the term 'international entrepreneurship' has evolved ever since it was initially introduced by Morrow (1988) in the late 1980s and to date, it still lacks a unifying definition (Zucchella & Magnani, 2016). Presumably the most adapted definition was introduced by McDougall and Oviatt (2000), who defined international entrepreneurship as a "combination of innovative, proactive, and risk-seeking behavior that crosses national borders and is intended to create value in organizations". Furthermore, they concluded that behavioral characteristics of international entrepreneurship can exist on the individual, group, or organizational level. Five years later, Oviatt and McDougall (2005) refined their definition of international entrepreneurship as being the "discovery, enactment, evaluation, and exploitation of opportunities across national borders". In line with this view, Zahra and George (2002) expressed international entrepreneurship as a process of exploiting opportunities outside national borders. Furthermore, Jones et al. (2011) suggested that international entrepreneurship is the nexus of internationalization and entrepreneurship where entrepreneurial behavior crosses national borders.

Previous research in the field of international entrepreneurship has included different theory perspectives in explaining antecedents and drivers for international entrepreneurship. The

resource-based view (RBV) suggests that firms' tangible and intangible resources can determine the success of firms' performance, however, firms' resources must be unique and hard to imitate in order to exploit them to gain competitive advantage. (Barney, 1991) It has been suggested that previous international managerial experience in firms had a positive impact on the inception of entrepreneurial firms and that previous international experience of founders and entrepreneurial orientation can contribute to successful entry into new foreign markets. Furthermore, as these firms lack accumulated resources and capabilities during the early existence of the firm, they need to use the skills and resources acquired through their earlier experience (Laanti et al., 2007). Crick and Jones (2000) concluded that the skills developed from operating at international markets and handling complexities of international operations had positively contributed to successful internationalization of firms and international experience of CEOs had a positive effect on foreign sales (Magnusson & Boggs, 2006).

The literature on entrepreneurial orientation suggests three sub-dimensions of entrepreneurial orientation: innovativeness, proactiveness, and risk-taking behavior (Linton, 2019). Lumpkin and Dess (1996) suggested that firms with high entrepreneurial orientation practice experimentation, are open to new ideas, and set off from existing practices, while O'Cass and Weerawardena (2009) concluded that innovation-driven firms are able to better exploit foreign market opportunities. Similarly, Knight and Cavusgil (2004) suggested that firms with profound innovation culture have a tendency to internationalize earlier than firms lacking such culture. Moreover, they argued that innovative culture should contribute to knowledge acquisition which again leads to new skills and capabilities resulting in better international performance. Proactive behavior refers to the ability or tendency to predict future needs in the business environment and pioneer new methods and techniques (Lee et al., 2001) while seeking opportunities with a forward-looking perspective (Rauch et al., 2009). Risk-taking behavior and the ability to take risk is often considered as a characteristic of entrepreneurship. Risk-taking in the context of international entrepreneurship has been seen as the firms' propensity to take part in projects that are uncertain in nature that may result in high profits or losses (Knight, 2000). Besides innovativeness, proactiveness, and risk-taking behavior, opportunity recognition has become a central concept in the research field of international entrepreneurship (Oviatt & McDougall, 2005; Cavusgil & Knight, 2015; Reuber et al., 2018) and that innovation is increasingly involved in companies' value chain in terms of recognizing and exploiting opportunities (Cavusgil and Knight, 2015).

Entrepreneurial characteristics associated with born global success have been a focus of research in the domain international entrepreneurship. Oviatt and McDougall (1995) argued that there were seven characteristics that were commonly associated with growth and success of born global firms. While the global vision of founders since inception has been considered as one of the most important characteristics of born globals (see e.g., Oviatt & McDougall, 1995; Gabrielsson et al., 2008) other characteristics such as previous international managerial experience, strong international business networks, exploitation of pre-emptive technology or marketing, unique intangible assets, closely linked product and service extensions, and a closely coordinated organization worldwide have been also suggested to be important characteristics contributing to born global success (Oviatt & McDougall, 1995).

## 3.2 Definitions and characteristics of born globals

Over three decades of research of born globals has resulted in many definitions for the phenomenon. Oviatt and McDougall (1995) described born globals as “firms who seek aggressive growth, exploit technological advantages, and follow their customers into new markets”. Furthermore, they described born globals as an important and powerful economic engine that enable similar advantages and global operations for small firms and not only for large multinational enterprises. Knight and Cavusgil (1996) defined born globals as firms with cutting edge technology and the tendency to be managed by entrepreneurial visionaries. Definitions based on numerical base have also been introduced by many researchers. Knight and Cavusgil (2004) and Moen (2002) defined born globals as firms that had obtained over 25% of their foreign sales outside of their home market within three years of inception. Such numerical definitions, however, have been argued to be problematic as born global firms can vary greatly based on their home market potential, product, and export market receptivity (Gabrielsson et al., 2008). Gabrielsson et al. (2008) believed that the key factors of born global firms are the founder and the global vision from inception. Firms seeking rapid international growth are also often referred to as International New Ventures (INV). Oviatt and McDougall (1994) described international new ventures as “a business organization that, from inception, seeks to derive significant competitive advantage from the use of resources and the sale of output in multiple countries.” The definitions of born globals and international new ventures are often discussed in the literature interchangeably.

As mentioned earlier, born globals face early and rapid internationalization as these firms experience international pull and the vision is to aim for international markets from the early days of existence (Lindqvist et al., 2010). This type of behavior explains why growth objectives of born global firms are often much more ambitious than those of traditional firms (Luostarinen & Gabrielsson, 2004) and global vision of the founder is often seen as a good indicator of early and fast internationalization. Madsen and Servais (1997) suggested that one of the key drivers for early and rapid internationalization was the previous experience of the founder. Similarly, Gabrielsson et al. (2008) argued that the trigger for global vision of entrepreneurs often originated from their previous experience.

Autio et al. (2000) suggested that born globals can benefit from learning advantage of newness as due to rapid internationalization, they adapt to international markets from the very beginning. In contrast, firms that wait longer to internationalize decrease their ability to obtain growth outside their home market as their decision-making becomes more complex, also referred to as companies' lateral rigidity in decision-making (Gabrielsson & Gabrielsson, 2009). Oviatt and McDougall (1995) described born globals as firms that grow aggressively exploiting technological advantages. These firms often lack resources and economies of scale that local companies might benefit from, however, the resource scarcity can be overcome by being among the first companies to enter foreign marketplace with a product that is explicitly valuable from others (Oviatt & McDougall, 1995). On the other hand, Stinchcombe (1965) argued that firms that internationalize early face liability of newness and Zaheer (1995) concluded that firms face constraints when entering foreign markets, referring to it as a liability of foreignness that can include challenging factors such as transaction cost related to geographical distance and unfamiliarity of the market. Due to these constraints, Zaheer (1995) concluded that foreign firms would result in lower profitability and even lower chance of survival compared to local firms, all else being equal.

# 4. STAGES OF GROWTH MODELS

This chapter summarizes previous literature on general stages of growth theories, growth models of born global firms, as well as the antecedents and factors affecting born global growth.

## 4.1 Overview of stages of growth models

Organizational growth can be conceptualized through a life cycle, which presents companies' development from birth to death. Over the years, several distinct growth models varying anywhere from three to ten stages have been introduced by different researchers (Lester et al., 2003). As the majority of established organizational growth models have been shown to have weaknesses, new models have been formed continuously since the 1960s (Levie & Lichtenstein, 2010). In organization life cycle studies, the focus is often on critical incidents (Steinmetz 1969). Similarly, in internationalization studies, Lindqvist et al. (2010) argued that if firms aim to internationalize from the very beginning, those critical incidents can be seen as both prerequisites and accelerators for growth.

Despite researchers having introduced organizational growth models with a number of different stages, the majority of the models have typically included four to five stages where focus has been given to different factors. Greiner (1972) introduced a growth model with five stages and with a focus on growth crises. The model included: 1) growth through creativity (leadership crisis), 2) growth through direction (crisis of autonomy), 3) growth through delegation (crisis of control), 4) growth through coordination (crisis of red tape) and 5) growth through collaboration. Similarly, Scott and Bruce (1987) concluded that the crises faced by firms was a driving factor for companies to move between different growth stages. Their five-stage model included 1) inception, 2) survival, 3) growth, 4) expansion, and 5) maturity. According to their research, the transition from one stage to another requires change, and those transitions are accompanied by the crises that firms face. To overcome the crises resulting from transition to a different stage, they noted that managers should exercise proactive rather than reactive behavior, and previous knowledge on factors that develop crisis can help firms to adapt to the situation and hence, ease the process (Scott & Bruce, 1987). Churchill and Lewis (1983) developed a five-stage model including 1) existence, 2) survival, 3) success, 4) take-off, and 5) resource maturity, where the focus was on problems that arise at different stages of growth. They argued

that earlier organizational growth models were not suitable for small firms and that such models assume that firms must either pass through all stages of development or fail in an attempt. Few decades later, Lester et al. (2003) developed a five-stage model that was considered distinct from earlier growth models as it was designed for all types of organizations despite the size. The five stages in this model included 1) existence, 2) survival, 3) success, 4) renewal, and 5) decline. It was elaborated by highlighting the importance of identifying the decline phase as a separate part of organizational activities and structure which many of the growth models introduced earlier had omitted. Furthermore, with a focus on dominant problems, Kazanjian (1988) introduced a growth model which was based on problems that firms face at each growth stage. The model suggested that firms grow through four stages including: 1) conception and development, 2) commercialization, 3) growth, and 4) stability. The model goes on to identify how problems and incidents lead to new problems and subsequently move the company further along the development stages.

As mentioned above, there are various different models conceptualizing the stages of organizational growth. While these models present firms' life cycle through different stages, it has been argued that the models are not suitable to illustrate the growth of every firm type. Kazanjian (1998) argued that many organizational growth models do not take into account the industry, technology, and other variables that differ from organization to organization while Churchill and Lewis (1983) argued that general growth models were not suitable for small businesses. Table 2 summarizes stages of growth models by different authors.

| Author (year) | Greiner (1972) | Churchill and Lewis (1983) | Scott and Bruce (1987) | Kazanjian (1988) | Lester et al. (2003) |
|---|---|---|---|---|---|
| Number of stages | 5 | 5 | 5 | 4 | 5 |
| Stages | 1. Growth through creativity (crisis of leadership)<br>2. Growth through direction (crisis of autonomy)<br>3. Growth through delegation (crisis of control)<br>4. Growth through coordination (crisis of red tape)<br>5. Growth through collaboration | 1. Existence<br>2. Survival<br>3. Success<br>4. Take-off<br>5. Resource maturity | 1. Inception<br>2. Survival<br>3. Growth<br>4. Expansion<br>5. Maturity | 1. Conception and development<br>2. Commercialization<br>3. Growth<br>4. Stability | 1. Existence<br>2. Survival<br>3. Success<br>4. Renewal<br>5. Decline |

*Table 2 . Stages of growth models by different authors*

## 4.2 Stages of growth in born globals

Organizational growth theories have attracted focus in the field of entrepreneurship as entrepreneurial firms including born globals have been noticed to positively contribute to economic development of different countries and regions (Autio et al., 2007; Wennekers & Thurik, 1999; Wong et al., 2005). While a number of different organizational growth models have been introduced by various researchers, the research on stages of growth of born global firms and how born global firms progress from one stage to another remains scarce (Picken 2017; Kuivalainen et al., 2012; Gabrielsson et al., 2008; Autio et al., 2000).

One of the few studies focusing on this gap in the previous literature was conducted by Luostarinen and Gabrielsson (2006), who suggested that born globals progress through seven stages including: 1) research and development, 2) domestic stage, 3) entry stage, 4) starting

stage, 5) development stage, 6) growth stage and, 7) mature stage. The model was deeply embedded on revenues and the percentages of those revenues gained from foreign markets. It was suggested that the research and development phase of born globals was characterized by having no sales revenue but global vision from inception. Furthermore, as born globals developed over the different stages of development, the portion of their international revenue increased. It was concluded that born globals that reach the seventh development phase, defined as the mature stage, the portion of revenue from international markets is more than 50%.

A few years later, Gabrielsson et al. (2008) developed a model where they concluded that born globals progress through three phases including: 1) introductory phase, 2) growth and resource accumulation phase, and 3) break-out phase which differs from the traditional stages model of internationalization of small and medium-sized businesses. According to Gabrielsson et al. (2008), each of the three growth phases has a number of critical incidents. They concluded that the introductory phase was characterized by limited resources and underdeveloped organizational structure. Furthermore, the most important resources were the founders' unique knowledge and the ability to develop product with global demand and market potential. The growth gained during the early phase was dependent on the company's ability to choose the right channel strategy or networking approach. Gabrielsson et al. (2008) suggested that following the introductory and initial launch phase of born globals, these firms move on to the next phase described as the growth and resource accumulation phase. During this phase firms develop their organizational learning capabilities and their success heavily relies on their ability to place the product on the market. Finally, born globals reach the break-out phase where the company leverages on the organizational learning and experience while re-configuring its position in the network based on the strategies. In addition to these three phases identified, it was concluded that factors directly affecting the progress of born globals were innovation, finance, product strategies, networks, operations, market strategies, and organizational learning. (Gabrielsson et al., 2008)

Following the three-stage model of born global growth, Gabrielsson and Gabrielsson (2009) developed their model further with four stages including: 1) introductory phase, 2) commercialization and foreign entries, 3) rapid growth and foreign expansion, and 4) rationalization and foreign maturity. It was suggested that during the introductory phase born

globals develop a commercially acceptable product while secure financing. During the phase of commercialization and foreign entries, born globals enter foreign markets while their revenue increases. Rapid growth and foreign expansion phase are characterized by market penetration and expanding to new continents. Finally, born globals enter rationalization and foreign maturity phase where they align their operations and marketing to reach global synergies. (Gabrielsson & Gabrielsson, 2009)

| | Luostarinen and Gabrielsson (2006) | Gabrielsson and Gabrielsson (2009) | Gabrielsson et al. (2008) |
|---|---|---|---|
| Number of stages | 7 | 4 | 3 |
| Stages | 1. Research and development<br>2. Domestic stage<br>3. Entry stage<br>4. Starting stage<br>5. Development stage<br>6. Growth stage<br>7. Mature stage | 1. Introductory phase<br>2. Commercialization and foreign entries<br>3. Rapid growth and foreign expansion<br>4. Rationalization and foreign maturity | 1. Introductory phase<br>2. Growth and resource accumulation phase<br>3. Break-out phase |

*Table 3. Stages of growth in born global firms*

In addition to these three growth models of born globals, Lindqvist et al. (2010) focused on how the different stages in the life cycle model interfered with the born global model of internationalization introducing a model with four stages including: 1) pre-start, 2) start, 3) growth, and 4) consolidation. They concluded that the transition into a different stage was driven by critical incidents that were solutions to firms' organizational challenges.

## 4.3 Antecedents and factors affecting born global growth

Born globals are known to face many challenges during their early existence. The low survival rate of these firms has been explained by factors such as lack of resources (Oviatt & McDougall, 1995), liability of outsidership (Johanson & Vahlne, 2009), and liability of smallness (Aldrich & Auster, 1986). Furthermore, Hannan and Freeman (1984) argued that new venture firms face liability of newness due to their lack of inertia, reliability, and accountability that established organizations have obtained during their many years of operations. Similarly,

Stinchcombe (1965) suggested that young firms are prone to liability of newness due to their infancy in the market.

***Firm resources and capabilities***

Born global survival has been often explained by the firm's ability to use their resources to their advantage. According to the resource-based view, firms are a set of tangible and intangible resources (Penrose, 1959; Shepherd & Katz, 2005), and the way they use the inimitable, rare and valuable resources define the competitive advantage of the firm (Barney, 1991). While the use of firms' resources can be seen as the base for competitive advantage, capabilities are intangible resources that are hard to value (Shepherd & Katz, 2005). Furthermore, it has been argued that firms cannot benefit from the resources they possess if they do not have the capabilities to use and coordinate them properly (Verona, 1999). In line with this view, Shepherd and Katz (2005) suggested that born globals must hold firm specific capabilities in order to survive internationally. While a product may be easy to imitate by competitors, capabilities that are incorporated into systems are much more difficult to mimic (Bhide, 1996). Moreover, while the importance of capabilities varies across different industries, it has been noted that the development of strategic adaptation and networking capabilities of firms have stood out as having higher importance as they are prominent for all new venture type of firms regardless of the industry or competitive environment (Shepherd & Katz, 2005). Furthermore, Sapienza et al. (2006) argued that resource fungibility, the firm's ability to deploy resources to different uses at low cost, is more important.

***Firms' networks and networking capabilities***

Gabrielsson and Gabrielsson (2009) suggested that the growth of born globals has a positive connection with firms' networking capabilities, however, firms must possess solid customer understanding and marketing capabilities in order to benefit from such capabilities. Shepherd and Katz (2005) argued that new venture type of firms can minimize the negative impacts of liability of foreignness through networking and their ability to adapt to changes in their operating environment. Early internationalization of firms has been suggested to be strongly dependent on the firms' networks, networking proficiency, and social capital (Cavusgil & Knights, 2009; Chetty & Campbell-Hunt, 2003) and early relationships in new venture type of firms have been considered to positively affect growth (Sharma & Blomstermo, 2003). Furthermore, Kuivalainen et al. (2012) suggested that early internationalization among born globals enabled them to

acquire global reference customer relationships from the beginning and enabled firms to use references in their marketing communication as well as facilitating the growth of their partner network. Similarly, networks can act as a base for building more formal business linkages and partnerships in new markets (Freeman et al., 2010).

Johannisson (2000) concluded that the ability of the firm to use its networking capabilities is critical for new growth of new ventures while Shane and Cable (2002) argued that networks can compromise the lack of proven track record and low legitimacy caused by firms' newness. Furthermore, Baum et al. (2000) concluded that firms' networks can surpass the challenges firms might face due to their limited resources and further enable them for financing, market access, distribution channels, and referrals Coviello (2006). Mort and Weerawardena (2006) argued that born globals use networking capability to identify and use market opportunities to their advantages, get help in developing knowledge-intensive products and support international performance.

Firm's ability to access resources through networking has been seen as an important factor in born global growth. Oviatt and McDougall (1994) noted that networks should be seen as firms' resources and that networks that have been established even before firms' foundation can help in firm's internationalization (Coviello, 2006). Furthermore, Hagen and Zucchella (2014) suggested that established networks and partnerships can positively contribute to a firm's credibility and hence they can help in acquiring resources such as financial capital and customers.

***Financial resources***

As born global firms are often resource constructed and grow with limited resources, their growth is often affected by their ability to obtain external financing (Lee et al., 2001; Gabrielsson et al., 2004). While the lack of financial resources affects the growth and survival of firms in general (Carpenter & Peterson, 2002) it is especially substantial in the case of born global firms (Luostarinen & Gabrielsson, 2004). External financing can include funding from business investors, venture capitalists, government programs, and strategic investors (Laanti et al., 2007; Lee et al., 2001). Venture capitalists are a common way for born global firms to obtain external financing and they often seek firms with founders with previous international experience, global vision and linkages established with international partners (McDougall et al.,

1994). It has been suggested that the growth of firms with external financing occurs faster as these firms can develop and commit to foreign markets more rapidly, however, rapid internationalization and expansion driven by the acquisition of external financing can also risk the survival of born globals (McDougall et al., 1994). In line with this view, Gabrielsson and Gabrielsson (2009) suggested that the success of born globals' growth is not always dependent on financing, but growth is better obtained with a revenue-based model.

***Entrepreneurial orientation and characteristics***

Entrepreneurial orientation, characteristics, as well as entrepreneurial capabilities have received prominent research focus in born global studies as the entrepreneur and the global vision has been considered some of the most important antecedents for born global firms (Gabrielsson et al., 2008). As these entrepreneurial firms tend to have a small number of employees during the early phase of the firm, decision-making often falls into a small team or one individual (Hagen & Zucchella, 2014). Lateral rigidity in decision-making has been considered as an important factor in the survival of born global firms (Gabrielsson & Gabrielsson, 2009). According to Luostarinen (1979) lateral rigidity in decision-making can be seen in internationalizing firms where firms are rigid in lateral direction when it comes to new alternatives, but they are elastic in familiar alternatives. According to Gabrielsson and Gabrielsson (2009) that contributes to firms' survival as taking a less risky path, however, it decreases growth potential at later stages in foreign markets.

Madsen and Servais (1997) noted that entrepreneurial characteristics and experience are the most important antecedents for born global firms as the experience of founders forms the path for the internationalization of their current firms. Similarly, Gabrielsson and Gabrielsson (2009) concluded that a flexible and open-minded approach in search of alternatives is an important factor for born global firms during the introductory phase as well as in the growth and mature phases. Earlier research indicates that the success of born global firms often depends on having a global vision from the inception (Gabrielsson et al., 2008), an innovative product, and an organization focused on international growth (Oviatt & McDougall, 2004). Furthermore, global mindset of managers in born global firms has attracted research attention. Nummela et al. (2009) concluded that managerial experience and market characteristics are the most important drivers of global mindset. Moreover, their study a decade later confirmed that global mindset can predict international performance (Nummela et al., 2018). Consequently, global

mindset has been argued to be a prerequisite for early internationalization (Fletcher, 2000; Townsend & Cairns, 2003).

***Innovation***

It has been suggested that highly innovative products of born global firms can significantly contribute to successful internationalization and gain competitive advantage in foreign markets (Madsen & Servais, 1997; Laanti et al., 2007). The importance of a unique product is vital for born globals as they lack access to economies of scale and other advantages due to the small size and lack of resources (Oviatt & McDougall, 1995). Innovative products and niche markets have been noted to be included in strategies of born global firms as these firms with limited resources prefer niche focus where obtaining competitive advantage can be seen more viable (Aspelund et al., 2007; Gabrielsson et al., 2008).

***Early age at internationalization***

As mentioned earlier, born globals internationalize early due to a number of factors**.** According to Zahra et al. (2000) firms' early internationalization has a positive effect on firms' growth. Knight and Cavusgil (2004) suggested that early internationalization can occur despite low resources and experience of firms as these firms overcome the lack of resources by leveraging their capabilities such as high degree of entrepreneurial orientation, persistence, and innovation.

In conclusion, there are a number of factors that have been suggested to affect born global development. Figure 4 presents the growth factors affecting born global growth suggested by Gabrielsson and Gabrielsson (2009). The framework illustrates antecedent factors and outcomes for born global growth and survival including previous experience of founder, age of the firm at internationalization, firms' capabilities, resources, and lateral rigidity. Besides these factors, innovation, finance, product strategies, channels, and market strategies as well as organizational learning have been suggested as growth factors in born globals (Gabrielsson et al., 2008). In addition, Cavusgil and Knight (2015) proposed that proactive orientation, dynamic capabilities and skillful strategy are common characteristics of entrepreneurs of born globals.

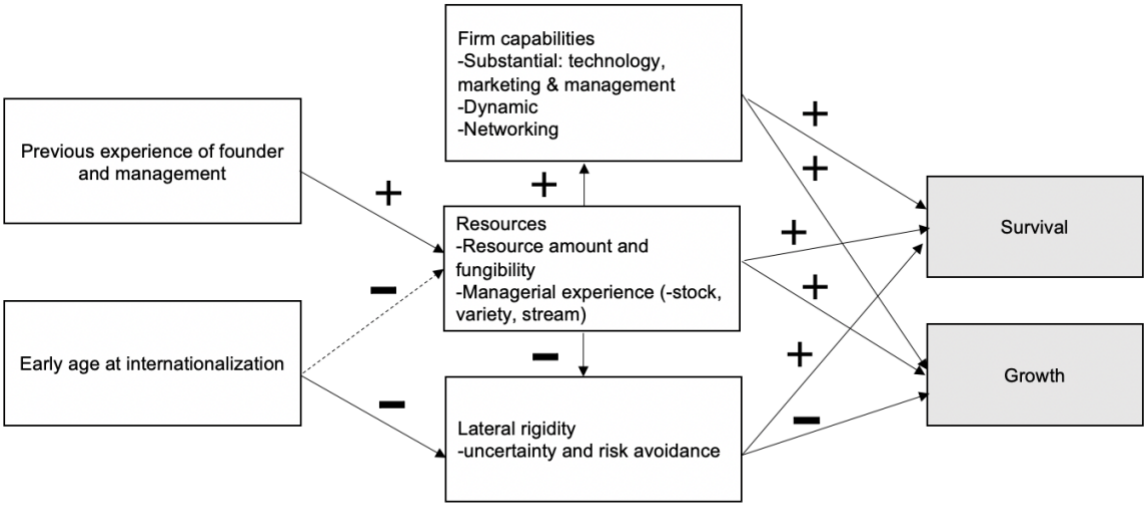


*Figure 4. Framework for survival and growth of born globals (Gabrielsson and Gabrielsson, 2009)*

# 5. RESEARCH METHODOLOGY

Research design is an overall plan on how to answer the research questions. It includes the research objectives, the sources of data used, methods of collecting data, as well as data analysis methods (Saunders et al., 2016). In this chapter, the research design used in this study will be discussed. First, a relevant research approach will be justified. Second, the methodological choice as well as the data collection plan and data analysis methods will be presented. Finally, the reliability and validity will be discussed.

## 5.1 Research approach

There are three main types of methodological approaches: inductive, deductive, and abductive. According to Saunders et al. (2016) using a purely inductive or abductive approach can be problematic and hence, many researchers use the combination of inductive and deductive approaches in their research, known as the abductive approach. As there was no clear theory base for the study at the beginning of the research, an abductive research approach was chosen for this study as it allows the researcher to move between theory and observations (Dubois & Gadde, 2002) and to explore a phenomenon by identifying patterns in data (Saunders et al., 2016).

The focus of this research is exploratory as according to Saunders et al. (2016), exploratory study is useful when there is a need to understand an issue or phenomenon. Exploratory research method was chosen, as it has the advantage of being adaptable to change during the research process (Saunders, 2016). Furthermore, in explorative studies the focus is often broad at the beginning but narrows as more knowledge is acquired through data collection. Similarly, in this research the theory base developed as more information was gained through data collection. The time horizon chosen for this study is longitudinal as the aim was to explore the patterns that occur in the growth process of born global companies. According to Saunders et al. (2016) longitudinal studies have the strengths of studying change and development over time.

## 5.2 Research strategy

As this research is exploratory in nature, and the aim was to study patterns occurring in a real-life setting, the multiple case study method was regarded as the most suitable choice of research strategy for this study. Case studies have become a popular method in many research disciplines including management research (Dubois & Gadde, 2002). Although it has been argued by researchers such as Yin (1994) that case studies provide little base for scientific generalization, it has been noted that building theory from case studies is likely to result in new theory that is accurate, interesting, and testable (Eisenhardt & Graebner, 2007). Case studies are suitable when the studied phenomenon is at the early stage of research (Eisenhardt, 1989) which further justifies the choice of case study method for this study as the research field on born global development beyond internationalization yet remains scarce (Zahra, 2004; Kuivalainen, 2012; Picken, 2017).

The research method used in this study is qualitative multiple case study. According to Dubois and Gadde (2002) this method might allow the researchers to find insights that may enable theory development. According to Yin (2014), case study is a thorough exploration into a phenomenon in real-life settings, which was regarded suitable for this study as the aim was to study patterns in born global growth in real-life settings. Furthermore, the nature of the researched phenomenon further justified the choice of qualitative method as a large number of born globals do not reach the later stages of growth development beyond internationalization, hence data collection through quantitative method could not be used in studying the phenomenon. In this study, the context plays an important role defining the research design. Case studies are rooted to the context the phenomena are studied in (Eisenhardt, 2007). According to Yin (2014), understanding the context in case study research is especially important and the case study method helps to understand the dynamics within the studied context (Eisenhardt, 1989).

## 5.3 Case selection criteria and research environment

Silicon Valley was chosen as the research environment for this study due to the unique characteristics of the market that offers a highly competitive landscape and a unique ecosystem that poses challenges but also provides invaluable business opportunities and networks that

can significantly contribute to companies' success. Since the 1960s, Silicon Valley has developed into a center hub for innovation, high technology, and startup entrepreneurship (Kenney, 2003). Oviatt and McDougall (1995) argued that born global firms usually exist in places like Silicon Valley, where rapidly changing industries face global demand.

The background research and initial ideas for potential case companies emerged during an informal interview with a representative from Silicon Valley Nordic Innovation House which was conducted before the beginning of the research process. Nordic Innovation House is an organization run by Business Finland that helps Nordic companies to enter global innovation hubs (Nordic Innovation House, 2020). The aim of the interview with the representative was to gain insights about the types of firms that have entered the market in the past and knowledge about the market environment in general.

As the objective was to study born globals originating from Finland that had internationalized to Silicon Valley during the early existence of the company, the amount of potential case companies was rather limited. The latest data stating the number of Finnish startup companies in Silicon Valley was acquired from 2018. During that year, there were around 50 Finnish companies located in Silicon Valley of which 33 were considered startup companies (Business Finland, 2018). The screening process for potential case companies was rather challenging as the firms were required to have similar background in order to generate comparable data.

The selected case companies were established between 2010 and 2016 and had all established a presence in Silicon Valley within three years of inception. The time frame for the research was limited to as few years as possible, in order to avoid memory bias that may occur in situations when researching occurrences that have taken place in the past. All case companies, except Company F, were operating in the technology sector. Both software firms and firms with physical products were presented in case companies. In order to understand the growth of these firms and antecedent and critical incidents in growth, the following criteria was set for participating case companies:

- The company had global vision from inception
- The company had entered Silicon Valley soon after inception or during the early years of existence
- The company had operated in the foreign market for a minimum of two years

If the companies fulfilled the above-mentioned criteria, they were then further screened by using data from secondary sources such as company websites, Business Finland databases, investor websites, and newspaper articles.

## 5.4 Data collection methods

Data collection in abductive approach aims to collect information that can be used to explore a phenomenon and identify themes and patterns that emerge from data as well as testing through collection of additional data (Saunders et al., 2016). As the aim of this research was to collect data from case companies in order to understand patterns and themes from their growth process, an abductive approach in the data collection process was chosen.

The empirical data in this research was collected through semi-structured interviews conducted with case company representatives. Table 4 summarizes essential information of the interviews. According to Saunders et al. (2016) data collection in exploratory research often includes interviews that are unstructured in nature. Furthermore, semi-structured interviews are a suitable way of gathering data when the questions are open-ended or complex (Saunders et al., 2016). In order to gain in-depth understanding of the research phenomenon, the interviews were carried in unstructured nature where the interviewee was able to talk without strict time limit or questions that were too specific in nature. However, the interviewer was guiding the conversation in order to ensure that data of the most important themes was gathered. The interview guide with directive questions is listed in Appendix 3. In addition to semi-structured interviews, secondary information sources such as press interviews and financial data were used to gather information as part of a data triangulation process. Data triangulation will be further discussed in the reliability and validity part of this research paper.

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| Company | Title of interviewee | Previous experience of interviewee | Duration | Interview method |
|---|---|---|---|---|
| A | Co-founder | Previous international experience on startup internationalization. Experience from Silicon Valley. | 47 minutes | In-person |
| B | Co-founder | Previous startup experience. International management experience from similar industry. Experience from Silicon Valley. | 38 minutes | Skype |
| | General Manager, US market | Previous international experience from management roles. | 44 minutes | Skype |
| C | Co-founder | Previous international experience through employment and academia. Experience from Silicon Valley. | 31 minutes | Skype |
| D | Co-founder | Previous international experience from academia. Experience from Silicon Valley. | 49 minutes | Skype |
| E | US Global Accounts Director | Previous international experience from management roles. | 39 minutes | Skype |
| F | Founder | Prior international experience from previous roles. | 34 minutes | Skype |
| | Co-founder, Head of US Operations | International experience from previous roles. Experience from Silicon Valley. | 48 minutes | Skype |

*Table 4. Summary of case company interviews*

## 5.5 Data analysis methods

The data analysis was conducted by combining both, inductive and deductive approaches. Despite the research base not clearly being defined at the beginning of the research, the main themes around the research problem were known as presented in the theoretical framework of the study (Figure 1). After each interview, audio files were transcribed. A total of eight interviews of case company representatives resulted in 79 pages of transcribed data. Transcriptions were conducted by carefully listening to the audio files and writing down the words how they appeared in the audio in order to ensure that no information was missed. According to Saunders et al. (2016) without transcribing nonverbal communication, some important notations might be missed by the researcher. While transcribing the interview data, the tone and non-verbal communication was documented in cases where it was deemed important including moments where the interviewee seemed hesitant of certain topics.

The collected data was analyzed using thematic analysis. Thematic Analysis is used to identify patterns or themes that emerge from data (Saunders et al., 2016) allowing for systematic analysis of qualitative data (Braun & Clarke, 2006). Thematic analysis requires coding of the interview data and according to Saunders et al. (2016) using purely inductive or deductive method to code data can be problematic. Hence, both approaches were used to code the data collected from case company interviews. Coding data using an inductive approach will help the researcher to explore themes that are related to the research interest. In this case, the researcher has the freedom to modify research questions as themes emerge from data (Saunders et al., 2016).

Due to the nature of the research approach, the interview data was coded systematically as the researcher was looking for emerging themes and the reoccurrences of patterns. This method was time-consuming, but as there was no clear theory base for the research problem at the beginning of the research process, it was evident that the whole data set would be coded to coherently look for emerging themes across different data sets. In analyzing the data, a total of 47 codes were created. In coding qualitative interview data, there are different sources and types of codes that can be used to analyze the data including ‘priori’ codes, ‘in vivo’ codes, and ‘data-driven’ codes. ‘Priori’ codes are usually derived from existing theory and literature, ‘in vivo’ codes are often based on actual terms used by interviewees or labels of codes that the

researcher develops as he/she is looking for the best meaning to describe a unit of data (Saunders et al., 2016). The derivation of these codes is illustrated in Figure 5.

The coding of the data gathered from case company interviews was first initiated with priori codes based on main theories from the theoretical framework of this study. Following the main priori codes, additional sub-codes related to those priori codes were created as they emerged from data. Additionally, data driven codes were documented as new themes emerged from data. An example of using priori and sub codes as well as data driven codes that emerged from data during coding the interview data are further illustrated in Appendix 1 and 2.

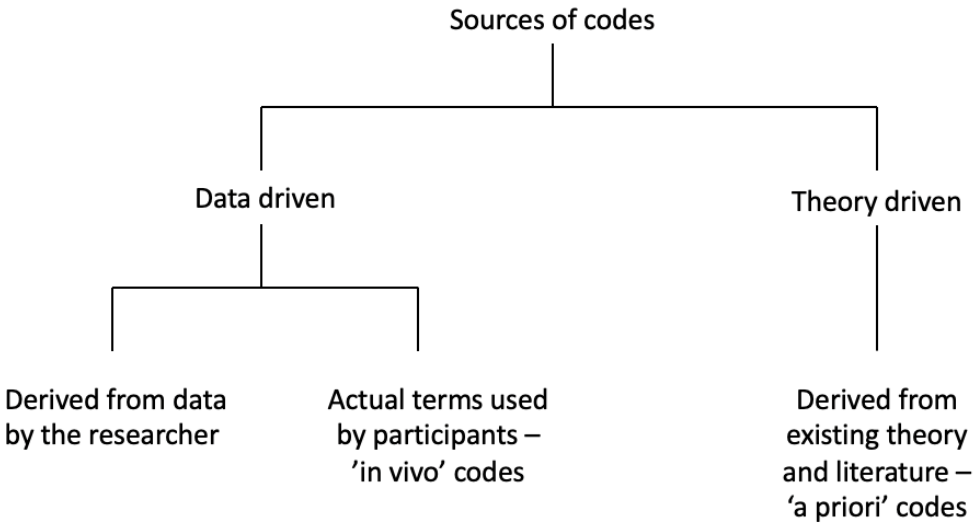


*Figure 5. Sources and types of codes (Saunders et al., 2016)*

To ensure systematic coding of each data set, each time a new code was created, an additional round of analysis was conducted for the rest of the data sets in order to observe whether the new code representing a new theme could be found in the other data sets. This method is used to ensure consistency in analyzing qualitative data sets (Saunders et al., 2016).

While analyzing the data, it was noted that the development of Company F was different from the rest of the case companies. According to Saunders et al. (2016) it is important to test propositions that emerge from the data by exploring negative examples that do not comply with

the pattern being tested. Furthermore, negative cases that emerge from data analysis should be seen positively as they help the researcher to clarify explanations of the research results. In this research, Company F can be seen to have emerged as a negative case as the analysis showed that factors that other case companies had considered as critical success factors, were lacking from Company F. The key differentiating factors were the lack of funding, not being physically present at the market continuously, and not operating in the technology industry. These factors are further elaborated in the analysis part of this study.

## 5.6 Reliability and validity

In qualitative research, “reliability refers to replication and consistency” and “validity refers to appropriateness of the measures used, accuracy of the analysis of the results and generalizability of the findings” (Saunders et al., 2016). In this research, data was gathered through semi-structured interviews conducted with case company representatives. From six case companies, a total of eight interviews were conducted. In the case of two companies, two employees were interviewed in order to gather information that one individual was unable to provide in e.g., market entry related questions which were regarded important for the research. In Company B, the Founder as well as the General Manager responsible for the US market were interviewed. As the Founder of the firm had not been closely involved in the market entry, it was necessary to gain insights from the employee responsible for the US market entry and operations. In case Company F the Founder and the Head of US Operations were interviewed for the same reason. In the case of Company E, the Accounts Director responsible for the US market was interviewed who had been involved in the company’s operations from the early years and taken the company to Silicon Valley. In other case companies, the founder had been involved in both markets and market entry and hence, it was noted that one informant was considered sufficient to conduct the interviews.

**Data triangulation**

According to Tellis (1997), the purpose of gathering data from multiple sources is triangulation of evidence as it positively contributes to the reliability of data and the data gathering process. Similarly, Yin (1994) concluded that case studies using multiple sources of evidence are rated with higher quality and reliability than those using only a single source of information.

As mentioned earlier, prior to initiating the collection of primary data through case company interviews, one informal interview was conducted with a representative of the Nordic Innovation House in Silicon Valley. The aim of this informal interview was to gain a wider understanding of the research topic and gain insights into the potential case companies for the research. The representative was chosen to be interviewed due to the extensive knowledge of Finnish startup companies that have entered the market in Silicon Valley. Furthermore, data triangulation was used to gather data from secondary sources. The amount of secondary data used in this study was approximately 38 pages. The sources of secondary data included case company websites, Business Finland's databases, financial funding reports, and articles from Finnish media outlets such as Kauppalehti and Talouselämä. Initially, secondary data sources were used to gain preliminary information of the case companies and their suitability for the research. Later, secondary sources were used to verify and fulfill the results derived from primary data such as exact times of funding and other important occurrences during the companies' development.

# 6. RESEARCH FINDINGS AND ANALYSIS

This chapter discusses the findings of the empirical part of this research. First, the case companies will be introduced from which the data was collected through semi-structured interviews. Second, the most important concepts of this research in relation to the case companies will be analyzed. The antecedents and drivers for international entrepreneurship in each case company will be discussed, as well as the growth stages emerged from the collected data and the factors affecting companies' growth. Finally, cross-case analysis of the case companies will be formed to identify patterns and differences between the case companies.

## 6.1 Descriptions of case companies

This chapter will briefly introduce the case companies interviewed for this research. All companies were founded between 2010 and 2016 and they were selected based on the case selection criteria mentioned in Chapter 5.3. All companies were originated from Finland and had a global vision from inception. They had entered foreign markets soon after inception and had operated in Silicon Valley for a minimum of two years at the time of the interview.

**Company A** is a Finnish company operating in the healthcare industry. The company was established by three founding members and the company entered Silicon Valley during its first year of operation. The interviewee of Company A was one of the founding members of the company who had extensive previous entrepreneurial experience from multiple countries prior establishing the case firm. The other two founding members had also acquired prior experience from startup companies and venture capital firms. At the time of the interview, Company A had offices in Finland and US and had initiated expansion to other market regions besides Silicon Valley. Since inception, Company A had remained research and development operations in the home market.

**Company B** is a Finnish technology company offering software solutions in several different industries. The company was founded in Finland but soon after inception established incorporation in the US and presence in Silicon Valley a few years later. All founders had extensive prior experience in working in the software industry and many of the companies' employees had been formerly employed by a large Finnish technological company which has

acted as a driver for the founding of the case company. Two employees of Company B were interviewed as part of this research including one of the founders of the company as well as the employee responsible for the US market who had been deeply involved in the company's market entry into Silicon Valley. The founding team of Company B had extensive experience from the company's operating industry as well as prior experience from Silicon Valley. At the time of the interview, the company had offices in Finland, Silicon Valley, as well as three other countries in Europe, however, the company's research and development operations have remained in Finland since inception.

**Company C** is a software company initiated from Finland. During the same year of establishment, the company also created a presence in Silicon Valley. The company was founded by three founders that all had extensive prior international work experience from earlier startups and academia. The interview of Company C was conducted with one of the founders of the company who had been one of the key members in taking the company to Silicon Valley. With the company's global vision from inception, their strategy was to establish presence in Silicon Valley as the market characteristics and existing demand were deemed highly relevant for their product. At the time of the interview, the company had operations in Finland and the US.

**Company D** is a Finnish company operating in the healthcare industry that established a presence in Silicon Valley two years after inception. The company was founded by four founders that all had extensive prior experience from the healthcare industry gained through previous experience from academia and prior employment. The founding team had also experience from Silicon Valley through academia and work, which had a strong influence in their decision to enter the market. During the early phase of the company, the founding team hired a CEO that had experience from the software industry, running a startup, and the acquisition of venture capital. He was hired to steer the business management side of the company. One of the founding members who had been responsible for the market entry into Silicon Valley was interviewed as part of this research. At the time of the interview, the company had established broad international presence in multiple countries and had been recently acquired by another company.

**Company E** is a Finnish technology firm that established a presence in Silicon Valley four years after inception, however, before having physical presence in the area the company had

established client partnerships and sales activity in the market. The company was established by two founders in Finland but grew in employee numbers as operations expanded to foreign markets. The employee responsible for the US market who had also been part of the company from the very early years of existence was interviewed for this research. The employee had prior international experience from management positions and was among the first employees of the company. The US had served as the main market from the very beginning and majority of the company's revenue was generated from the US market, however, the company also had sales activities in other markets besides Silicon Valley. At the time of the interview, the majority of the company had been acquired by another organization.

**Company F** is a Finnish company operating in the organizational development sector. The vision for the company had emerged through the founder's earlier international career. Having a global vision from inception, Silicon Valley was chosen as a suitable market to enter partly due to established connections in the region as well as the market environment which had indicated potential demand for the product. The presence in Silicon Valley was established by hiring an employee with years of experience from Silicon Valley. At the time of the interview, the company had operations in Finland and in the US market.

## 6.2 Antecedents and drivers for case companies' establishment

In this chapter, the antecedents and drivers for each case company will be discussed. Defined as one of the sub questions in this study, it is important to understand how the earlier experience of founders and occurrences taken place during the pre-incorporation phase impact the establishment of these born global companies.

**In Company A** there was prominent international experience that was gained through earlier work experience prior establishing the case company. One of the company's founders interviewed for this study had prior experience in establishing startup companies in the past, the oldest being from nearly ten years before starting the current company. Furthermore, the experience of the Co-founder was obtained from the same industry that the current company operated in. Similarly, the other two founders had previous experience from founding and working at startup companies in the past. During the interview, it was noted that the Co-founder had a high-level of passion towards entrepreneurship as elaborated during the interview:

“When I founded my first startup, I realized how much passion I had towards international entrepreneurship” (Co-founder, Company A, 2020). The earlier experience gained from previous firms was considered as an important driver for international entrepreneurship and the inception of the company. The interviewee noted that they were aware of the issues that they had faced with the earlier firm such as localization of their product to meet the market demands of different countries. Based on this experience they had elaborated that if they wanted to grow the next company to become truly global, the best market to enter would be the US market and preferably Silicon Valley. The vision for the case company’s product had emerged through their earlier experience working in the healthcare industry. The new product idea included a new and innovative technological approach to prevailing industry problem they had recognized. The Co-founder stated it as follows: “Based on my previous experience from the industry, I had a clear vision on how we can work in this industry with a digital product that solves the problems that people have” (Co-founder, Company A, 2020). This is in line with Lee et al. (2001) who defined proactiveness as a tendency to predict future needs in the business environment and to deploy new methods and techniques. Based on these observations made from the interview with the Co-founder of Company A, it can be noted that the previous experience of the team, proactive behavior, opportunity recognition of founders, and entrepreneurial orientation were important drivers for the establishment of the case company.

**In the case of Company B** there was extensive prior experience gained through earlier firms of the founding members. The Co-founder had established a startup company at a relatively young age at the time when the economic environment was unstable, making it hard to seek employment. The Co-founder later worked in a Finnish multinational technology company as well as a rapidly growing software firm that was later acquired by another organization. Together with other employees of the former firm, the Co-founder established the current company. All five founders had prior software experience and expertise in the industry that Company B operates in. In addition, the Co-founder and the rest of the founding team had previous experience from operating in Silicon Valley as expressed by the Co-founder: “I have lived in Silicon Valley before and similarly many of our company’s employees worked in the market before so the market environment itself did not come as a surprise in the case of the current company” (Co-founder, Company B, 2020). In addition, the Co-founder mentioned that the earlier experience and knowledge gained from the industry had impacted their ability to recognize new industry opportunities. Furthermore, changes faced by the industry had offered

them new business opportunities: “The industry is facing drastic changes and we have been able to respond to those changes with our technology” (Co-founder, Company B, 2020). Based on the information gained through the interviews conducted with Co-founder of Company B, it can be noted that the experience of founders gained through earlier international experience and ability to recognize opportunities through proactive behavior were drivers that led to the establishment of the case company.

**In Company C,** the Co-founder interviewed had gained prominent international experience prior establishing the current company with the rest of the founding team. International experience was gained from previous work positions as well as academia. In addition, the Co-founder had also prior experience from Silicon Valley. It was noted that another Co-founder of the company had experience from startup companies prior to establishing the current company. When discussing the drivers that had led them to start the business, the Co-founder stated that the decision was relatively easy as they had a suitable group of people thriving for the project making the initiation rather simple. The idea for the product of Company C had emerged from a problem that was recognized to be present in the industry before the company was established. The Co-founder noted that they had noticed that there was no product that was currently solving the problem in the industry, so they had decided to start developing a product that would meet the industry demand: “Basically, I had some prior experience from the same industry which made us think of ways on how we could solve the problems that were present in the industry” (Co-founder, Company C, 2020). It can be concluded from the answers gained through the interview with the Co-founder of Company C that problem recognition of the founding team acted as a driver for establishing the case firm. This is in line with Reuber et al. (2018), Oviatt and McDougall (2005), and Cavusgil and Knight (2015) who suggested that international entrepreneurship includes opportunity recognition and exploitation of opportunities outside national borders and involves innovation in exploiting opportunities. As in the case of other companies, in Company C prior international experience gained through previous positions and academia was a driving factor for the establishment of the case company.

**In Company D,** all founders had gained international experience from Silicon Valley before the inception of the current company. The experience was gained through academia and it was noted by the Co-founder interviewed that “The experience gained through academia was truly

a turning point for all of us founders" (Co-founder, Company D, 2020). The experience gained through academia had taught valuable lessons that were used when later establishing the case company in Finland. The Co-founder also noted that there was an influence from professionals operating in the same industry: "We were surrounded by academics that had established their own firms" (Co-founder, Company D, 2020). The Co-founder expressed that the courage and somewhat brave behavior that those people had, had acted as an inspiration for the founding team as those people in the academia had been able to shift from academia to the business world. Through their academic experience as well as previous employment gained from the same industry, the Co-founder suggested that they developed the product based on their own needs. In other words, as the founding team had deep knowledge of the industry, they were aware of a solution that would meet the demand of the professionals working in the industry, however, the type of product had still not existed. This finding is in line with the connection between the initiation of international entrepreneurship and problem recognition suggested by earlier researchers (e.g., Oviatt & McDougall, 2005; Cavusgil & Knight, 2015). It can be argued that in Company D, the previous experience from academia as well as professional experience of the founders were drivers for the inception of the company along with the opportunity recognition and entrepreneurial orientation of founders.

**In Company E**, it was elaborated that the founding team had none or very little prior international experience before establishing the company. Before establishing the case company, the founders worked in the same firm. The idea for the case company's product had emerged through an issue that they had observed in the workplace consequently leading them to develop a product to solve the issue. The Accounts Director responsible for the US market was interviewed as part of this research. The employee had joined the company at the early stage being among the first employees of the company. Due to the previous international experience of management roles, the employee was considered as a suitable person to take responsibility for the company's expansion to the US market. It can be concluded that in Company E, the drivers for international entrepreneurship emerged from entrepreneurial orientation, opportunity recognition, and innovation of the founding team.

**In the case of Company F,** the Founder and The Head of US Operations were interviewed for this research. The Founder had pursued a long international career before establishing the current company including previous experience operating in the US market. Having worked as

an entrepreneur for approximately two decades, the idea for the product had emerged through the expertise that the Founder had in the operating industry. The Founder noted that: “At some point during my earlier career, I started to reflect whether the method could be used in a more meaningful way than just in its original form” (Founder, Company F, 2020). The Founder noted that the product had much more potential to be used in a different form than it had had in its current use. Based on the interview conducted with the Founder of Company F it can be concluded that the drivers for the establishment of the case company emerged through the earlier experience and opportunity recognition of the founder.

## 6.3 Stages of growth in case companies

In this chapter, the stages of growth in each case company will be analyzed. In line with the stages of born global development suggested by Gabrielsson et al. (2008), some similar growth phases were identified from the case companies interviewed for this research. Based on the interviews, three development phases emerged including introductory phase, resource accumulation phase, and growth phase. The different stages of growth within each case firm were defined by multiple factors. Besides financial figures and the growth in employee numbers, more emphasis was given to the description of critical incidents and strategies that had led the company to progress and develop from one stage to another which are further elaborated in Chapter 6.4. The analysis and identification of the development phases was reinforced by the statements made by the interviewees. Statements on shifting from one development phase to another were expressed by interviewees in relation to important incidents such as: “This month, we reached our new sales record and we will soon raise another round of funding which will enable us to scale further” (Co-founder, Company C, 2020). Statements made on growth development were compared to the analysis of the data as well as secondary data such as financial figures which helped to strengthen the identification of the phases.

### 6.3.1 Stages of growth in Company A

In company A, three different development phases could be identified that were connected by important incidents that took place in the company.

*Introductory phase* - During the same year of establishment, the company started operations in Silicon Valley, however, concrete presence and permanent office were established in the market at a later stage. As mentioned earlier, the Co-founder of Company A had obtained international experience from foreign markets as well as experience from Silicon Valley prior establishing the case company with two other founding members. It became evident during the interview that entering a foreign market during the introductory phase was regarded as an obvious strategy and that the firm was seen as global from inception. The introductory phase of company A lasted for approximately one year and was characterized with in-depth research of the market and the industry. The team had executed research and benchmarked their product to those of competitors in both Europe and the US market. The research conducted had strengthened the founders' vision that their solution would have a unique approach: "We conducted a lot of research at the early stage and we had a clear vision that we had a unique approach in terms of our product" (Co-founder, Company A, 2020).

*Resource accumulation phase* - The second stage identified in Company A's development can be defined as the resource accumulation phase. This phase was characterized with strategic decisions that played an important role in the company's growth and development. The resource accumulation phase can be seen to have lasted for approximately three years. Gabrielsson et al. (2008), suggested that born global firms enter the resource accumulation phase with very little resources and hence, they aim to position themselves in important networks and channels to overcome the challenges caused by resource scarcity. This is in line with the findings of Company A. As Company A started to build presence in the new market, they had very little company resources available. Their strategy was to apply for a startup accelerator program in order to build important networks in the market. The Co-founder noted that since they did not have existing networks in the market, applying for an accelerator program would help them build business networks that were deemed of high importance in succeeding on the market. Besides their strategy of gaining more business networks through accelerator program, they also considered that to be a competent way to build credibility and receive validity for their product. During the resource accumulation phase, the company went through a comprehensive market pivot. The pivot was driven by the characteristics of the market environment that had an impact on the positioning and the demand of the product. It was elaborated that the pivot was a critical step in the company's growth and the only major

pivot taken until present time, however, smaller scale pivots in communication and marketing were executed at later stages. The Co-founder emphasized on the importance of having physical presence on the market. During the introductory phase, the team had travelled back and forth between their home market, Finland and Silicon Valley but had soon after realized that growth in the market would be very difficult to obtain without having physical presence on the market. Hence, during the resource accumulation phase, the firm established a presence in Silicon Valley. During this phase, Company A also conducted clinical studies which were considered an important tool to build credibility in the operating industry.

*Growth phase* **-** At the time of the interview, Company A had progressed to growth phase, as expressed by the Co-founder: “This year we have started to scale” (Co-founder, Company A, 2020). The company had recently secured a new funding round which had enabled new growth strategies for the company. The acquired resources and growth had enabled the company to increase the number of recruitments and open a new company location in the US. The most important changes and characteristics of this stage were the increased number of investments including recruitments and market expansion. New recruitments were made especially in the sales department where professionals with local market knowledge were deemed important and which had resulted in increased sales.

### 6.3.2 Stages of growth in Company B

Company B’s strategy from inception had been to obtain sustainable revenue driven growth while avoiding major risk-taking. It was elaborated by the company that due to this strategic decision, the company’s growth in Silicon Valley had progressed slower. In the case of company B, three main phases of development in the market could be identified: introductory phase, resource accumulation phase and growth phase where the first two phases occurred somewhat simultaneously.

*Introductory and resource accumulation phase*- In company B, the introductory and the resource accumulation phase occurred somewhat simultaneously. Company B was established in Finland and during the same year, incorporation was registered in the US. As mentioned in Chapter 6.2, the founders of the company had extensive prior international experience as well as experience from working in the software industry. The biggest challenge for the company during the early phase was the acquisition of their first client: “The biggest

challenge in the beginning was the fact that we had no references so starting from zero was very challenging" (Co-founder, Company B, 2020). The lack of networks and starting out as a small industry player were deemed challenging, however, the company was able to acquire their first client in Silicon Valley during the first year of operation. The first three years of operating in Silicon Valley the company's growth in the US market was considered rather slow.

*Growth phase* - While the company as a whole had obtained sustained and rapid growth, the growth in Silicon Valley had progressed slower. It was elaborated by the interviewees that the slow expansion in Silicon Valley had been mostly due to challenges in recruitment and the company's strategy to grow incrementally as revenue was obtained. As mentioned earlier, networks were considered highly important and hence, during this phase, the company emphasized on the acquisition of important networks in the market by attending as well as organizing events to build their network and acquire potential client partnerships. The company took part in a market entry program that assisted the team in obtaining solid market knowledge resulting in a faster expansion in the market. During this period, the company placed its first employee in the market to take responsibility for the company's US operations as it was elaborated by the interviewees that growth would be implausible to obtain without physical presence established in the market.

### 6.3.3 Stages of growth in Company C

In Company C, three different phases could be identified in the company's development: introductory phase, resource accumulation phase, and growth phase. In addition to these three phases, the pre-incorporation phase played an important role in the company's development. Before incorporation, the company had executed product pilots in the home market with an organization that had proven the suitability and functionality of the product. The results gained from the product pilot further strengthened the founders' vision about the functionality of their product and hence, the company decided to register the business with the aim to access global markets from inception.

*Introductory phase* - Company C was established in Finland but entered Silicon Valley soon after inception. At the beginning, one of the founding members with prior experience from Silicon Valley established a presence in the region. It became evident during the interview that

physical presence in the new market was deemed highly important from the very early phase of the company. The introductory phase in the new market was characterized by challenges emerging from the lack of networks and challenges in gaining credibility. Moreover, the Co-founder interviewed noted that the early existence of the company was characterized by a high level of risk-taking and minimal resources. It was further elaborated that Silicon Valley was chosen as a suitable market due to the familiarity of the market gained through previous experience and the networking opportunities. Silicon Valley had also raised admiration among the founding team, as the Co-founder noted during the interview: “In Silicon Valley, there are plenty of large successful companies and we had dreamt of being there and grow along these large successful organizations” (Co-founder, Company C, 2020). The introductory phase of Company C can be seen to have lasted for approximately one year.

*Resource accumulation phase* – Following the short introductory phase, the company can be seen to have entered resource accumulation phase. This phase was characterized by the acquisition of first important client partnerships, acquisition of funding, and high-level of risk-taking. The acquisition of funding had allowed the company to establish a subsidiary in the US market, grow their research and development operations as well as develop marketing and sales operations by increasing recruitments. The resource accumulation phase of company C can be seen to have lasted for approximately three years.

*Growth phase* - At the time of the interview, Company C had acquired new clients, executed a large product pivot, and reached the highest sales record in the company’s history. Expansion of the team and the growth in sales indicated that the company had entered a growth stage. This was further confirmed by the interviewee who noted: “This month, we reached our new sales record, and we will soon raise another round of funding, which will enable us to scale further” (Co-founder, Company C, 2020).

### 6.3.4 Stages of growth in Company D

Company D’s development can be seen to have progressed through three different phases. The introductory phase was short and was followed by a resource accumulation phase and subsequently growth phase. In addition, following a four-year growth period the company was acquired by another organization operating in the same industry.

*Introductory phase*- The early phase of Company D lasted for approximately one year during which the company incorporated in Finland. Funding was acquired immediately after establishment and during the introductory phase, the company heavily focused on product development and testing the product prototype. The biggest challenges during the introductory phase were to reach the functionality of the prototype as expressed by the Co-founder: “We had to devote nearly a year to our product development before we had reached the functionality of our prototype” (Co-founder, Company D, 2020).

*Resource accumulation phase* – The second phase of development in Company D was characterized by initial sales of the product, physical presence in the market, continued development of the product, and acquiring first clients. According to the Co-founder, selling products at the very early stage was part of the company’s strategy for rapid growth. During this phase, one of the Co-founders moved to Silicon Valley to establish a concrete presence in the market, which was deemed important for the success of the company. Silicon Valley was deemed as a suitable market to enter due to the familiarity gained through the founders’ previous experience from the market, the market characteristics suitable for their industry, and the availability of venture capital. The first two years in the market were considered very intensive and challenging: “The first two years in the US market we really had to fight and struggle before acquiring any proper business” (Co-founder, Company D, 2020). According to the Co-founder, the biggest challenges during the resource accumulation phase were the industry barriers such as regulations and the rapid industry growth rate which both influenced the company’s operations.

*Growth phase* - The Co-founder elaborated that the main success factor for growth was obtained by reaching the product market fit. It was noted that: “That year was a turning point for our company as we had developed a so-called “sweet spot” product that was unique, and which was clearly lacking from the US market. As a result, the company obtained fast growth” (Co-founder, Company D, 2020). During this phase, the company had built their credibility in the industry to the level that helped them to attract investors and consequently resulted in acquiring additional funding. Moreover, during the growth phase of the company, the company faced an increased number of recruitments. The growth phase of the company can be seen to have lasted for approximately four years and finally resulted in the company being acquired by another organization operating in the same industry.

### 6.3.5 Stages of growth in Company E

Company E's development occurred through three main phases. The company's incorporation took place in Finland with a global vision to expand to foreign markets from inception. Resource accumulation phase lasted approximately four years followed by the growth phase during which the majority of the company was acquired by another organization.

*Introductory phase* - The introductory phase at Company E can be seen to have lasted between two to three years. This phase was characterized by the focus on product development and refining the product features. During the early years of existence, the company faced challenges due to resource scarcity, however, towards the end of the introductory phase, the company acquired seed funding which helped the company's initial development.

*Resource accumulation phase* - The second phase in the company's development can be defined as the resource accumulation phase. The company's strategy was to enter the US market and expand exporting operations. They participated in a small-scale accelerator program in Finland prior to properly initiating market entry activities and during the same year, the company acquired the first important client partnership in the US market. It was noted that the market entry was executed with very little resources which was considered relatively risky, but the team had anticipated that it was important to have physical presence in the market in order to grow the company. After four years of incorporation, the company established a presence in Silicon Valley with a dedicated employee responsible for the market operations. During this phase, the company received notable financial funding that enabled them to refine product development and build sales organization in the new market. In addition, the company's product received an important industry award that increased the validation of the product and which was deemed as an important driver for the US market entry. The most important challenges faced by the company during this phase were the lack of networks and references: "It took us a while to build networks in the new market, but once you manage to create connections, it will boost itself in a way that your connections will refer you to their connections and so on" (US Accounts Director, Company E, 2020). Furthermore, it was noted that the product strategy related decisions had an impact on the company's growth: "The company took a big turn when we made a strategic choice of decreasing the number of products in our

portfolio. The decision was made based on the products that had the most potential for success" (US Accounts Director, Company E, 2020).

*Growth* - The important incidents positively affecting the development of the company during the resource accumulation phase led the company to obtain rapid growth which resulted in tripled revenue. During this phase, the company increased the number of recruitments and distributors in the US which resulted in high increase in employee numbers. Couple of years along the growth phase of Company E, the majority of the company was acquired by another firm.

### 6.3.6 Stages of growth in Company F

In Company F, two different development phases were identified including the introductory phase and resource accumulation phase. However, the development of the company's product concept had been in progress already during the pre-incorporation phase of the company. During that phase, the idea of the product was developed at small scale accelerators programs in the home market and product pilots were executed at a small scale.

*Introductory phas*e **-** The introductory phase of Company F lasted for approximately two years from the moment the company was established. During this phase, the concept was developed and a serial entrepreneur with profound experience from working at startup companies joined the company. It was noted that there was no clear intention to enter the market in Silicon Valley, but it was rather a choice led by having personal connections in the area that served as an inspiration to test the product in that market. During the introductory phase, a couple of visits were made to the market without establishing a coherent presence. The biggest challenges faced by the company during the introductory phase were the lack of resources such as funding, the acquisition of first clients, product development process, as well as the smallness of the team.

*Resource accumulation phase - Two* years from incorporation, the company hired an employee located in Silicon Valley who was assigned responsible for the US market. During the same year, the company received funding and organized product demos in Silicon Valley, however, it was elaborated by the founder that the amount of funding was restrained and hence, was not

sufficient for investments needed for rapid expansion. During the resource accumulation phase, the biggest challenges faced by the company were the difficulty in creating networks that could have enabled the company to test their product and obtain validation. Market entry into Silicon Valley with a product that was not necessarily categorized as a technology product but rather a concept used in the organizational development sector was considered as a challenge for company's growth: "In the end, we were surprised how technology intensive the market was which resulted in difficulties in building networks" (Founder, Company F, 2020). Based on the interviews conducted with Company F representatives, the company had not reached the growth phase in the company's development. It was noted by the Founder of Company F, that financial funding and acquisition of valuable, well-known references in the market would be crucial for the company in order to gain growth.

## 6.4 Factors affecting growth at case companies

Building to the analysis of the previous chapter where different growth stages of case companies were analyzed, this chapter will discuss the factors affecting growth at the case companies. In addition, timelines of each case company will be developed in order to illustrate how different factors affect growth during different development phases. The analysis of factors affecting growth will be analyzed in terms of entrepreneurial orientation, resources, capabilities, growth strategy, market activities, and product strategy. In addition, challenges and liabilities affecting growth at case companies will be analyzed.

In this study, resources are defined as company resources that are useful to explore market opportunities, enable minimizing threats, and can't be replaced by another resource (Barney, 1991). As suggested by Hannan (1998) for born globals, resources can be valuable only if they are continuously deployed in an effective way. Firm capabilities are defined as the firms' ability to deploy and coordinate their resources to their advantage (Verona, 1999). It has been suggested that the most important capabilities for born global firms are networking capabilities (Gabrielsson & Gabrielsson, 2009), as well as substantive and dynamic capabilities (Verona, 1999). Technological capabilities are considered important in the case of born global companies and dynamic capabilities enable firms to integrate and build competences to adjust

to fast changing environments which is typical in the case of born globals (Gabrielsson & Gabrielsson, 2009).

### 6.4.1 Factors affecting growth in Company A

***Entrepreneurial orientation and entrepreneurial characteristics***

Entrepreneurial orientation of founders in Company A played an important role during the pre-incorporation phase as well as during the introductory phase of the company. In addition, proactive behavior of founders was a driving factor for market opportunity recognition. The Co-founder expressed that: “I noted that there were major problems in the industry, and these issues have become even more prominent and visible in our society during the recent years” (Co-founder, Company A, 2020). The Co-founder interviewed explained that the founder team had a very clear vision on how their product could be used in order to solve issues prevalent in the industry they operated in: “We knew the two major problems in the industry, and we had a clear vision how we could solve them and create value” (Co-founder, Company A, 2020). It was further elaborated that this vision had emerged based on the experience gained from the earlier company. Certain characteristics of the founding team were considered important in the decision to enter the new market. The Co-founder mentioned that they were aware of the competitiveness of the market in Silicon Valley, but the challenge intrigued them: “If you succeed in this market, you can succeed anywhere” (Co-founder, Company A, 2020). New market entry had posed challenges to the company, and it became evident during the interview that hard work and persistence of the founding team had played an important role in the company’s survival particularly during the resource accumulation phase. Risk-taking of the founding team had been more prominent during the introductory phase of the company as expressed by the Co-founder: “Certain risks need to be taken in order to enter the market and start operations” (Co-founder, Company A, 2020). It was elaborated that the risk-taking of the team had decreased as the company had acquired resources in the market as elaborated by the Co-founder: “I think the amount of risk-taking has decreased. When you have acquired something, for example, pilot customers, you start being a little more cautious and do not want to take high risks as you already have something that works” (Co-founder, Company A, 2020).

It can be concluded from the interviews that entrepreneurial orientation had the highest dominance during the introductory phase of the company including higher risk-taking,

proactiveness, and founders' ambitious behavior. During the resource accumulation phase of the company, team members' persistence and ambition became more prominent as that phase in the company's development was characterized by hard work, acquisition of first customers, and building networks.

***Resources***

Funding was considered as one of the key success factors in the company's development. The company had received funding each year since inception. The most important funding round had been acquired during the resource accumulation phase of the company. It was noted that an important seed funding round was acquired partly due to the credibility acquired from getting accepted to a well-known accelerator program: "Acceptance to the accelerator program was very important for us as it enabled us to acquire seed funding round and in addition, it enabled us to expand our networks in the new market" (Co-founder, Company A, 2020). The previous experience of founders and skills were considered as an important resource in Company A. During the interview, it became evident that previous experience of the founders and the global mindset had helped the company to proactively seek business opportunities in the new market as stated by the Co-founder: "Due to our prior experience of operating in multiple countries, we realized that if we want to build a firm that is truly global, we should do it from the US" (Co-founder, Company A, 2020).

***Capabilities***

Networking capabilities were considered important growth drivers in Company A's development. The first pilot customer was gained through personal networks in Silicon Valley, and it was considered to have played an important role in the company's growth as it had contributed to the company's credibility in the new market: "Conducting the first pilot for free with a well-known company was a good strategy as we were then able to do more pilots with larger companies which were no longer conducted for free" (Co-founder, Company A, 2020). It was also elaborated that gaining the first pilots had started a positive loop in the company's growth development and credibility building: "Acquiring a first reference customer has resulted in more references. It is like climbing a ladder to build a company's credibility" (Co-founder, Company A, 2020).

Dynamic capabilities can be seen to have played an important role in the company's growth. The company was able to shift directions quickly having a flexible approach in product

development. The company conducted an extensive product pivot during the resource accumulation phase which included changing the market focus of the product in order to meet the prevailing market demand. The Co-founder elaborated that soon after introducing their product in the market, they had realized that while it did respond to the prevailing issues faced by the industry at that time, the industry structure did not support the concept. Hence, they executed a market pivot to respond to the market's demand. According to the Co-founder, the product pivot was one of the most critical factors affecting their growth in the market. As mentioned earlier, in addition to networking and dynamic capabilities, entrepreneurial opportunity recognition was considered as an important capability during the introductory phase of the company.

***Growth strategy and market activities***

Company A's strategy was to be a global company from inception and entry to the US market was considered as an obvious choice for the company ever since incorporation. The Co-founder emphasized on the importance of physical presence in the new market. During the first year of operation the founders visited the market on a regular basis, however, they had soon realized that market entry would not be successful until physical presence would be established in Silicon Valley. The biggest challenges faced by Company A was the lack of business networks as well as customer references. In order to overcome these challenges, the company's strategy was to apply for an accelerator program in order to build important networks and gain credibility for their product. The entry into an accelerator was not self-evident and hence, the founder team worked extensively to gain access to the program. According to the interviewee, the teams' persistent behavior played an important role in accessing the program. Another important milestone in new market activities for Company A was the acquisition of their first pilot customer. As mentioned earlier, the company's strategy was to conduct a free product pilot with a well-known company operating in the market anticipating that good results gained from the pilot would help build the company's credibility in the market. The positive results gained from the pilot helped Company A in acquiring new business partners and build their credibility in the market. Another strategy which helped the company in further customer acquisition was the conduction of clinical studies which, according to the Co-founder, were an important element in building credibility in the industry: "We were aware that these studies would help build our product's credibility" (Co-founder, Company A, 2020).

### *Product strategy*

During the introductory phase, the company had conducted market research in order to gain information about the market environment and industry competitors. Based on their research, the founders were assured that their product was unique to the market. As mentioned earlier, the company conducted a large product pivot during the early existence of the company. Later, product validation was gained through product pilots with different companies. It was noted that the development of the product was an ongoing process that could be chaotic at times.

### *Challenges and liabilities*

Understanding the market environment caused challenges for the company during the introductory phase resulting in difficulties defining the company's value proposition. The challenges emerged mostly from industry regulations and governmental regulatory requirements. In addition, the high cost of the market had made the company remain their product and development operations in the home market. As mentioned earlier, the company also faced challenges due to lack of networks especially during the resource accumulation phase.

<table>
<tr><td></td><td>Years since incorporation</td><td>0</td><td colspan="3">1 2 3</td><td>4</td></tr>
<tr><td>Pre-incorporation phase</td><td></td><td>Introductory phase</td><td colspan="3">Resource accumulation phase</td><td>Growth phase</td></tr>
<tr><td rowspan="6">Antecedents and drivers for international entrepreneurship<br>Innovativeness and proactiveness.<br>Previous experience of founders.</td><td>Entrepreneurial orientation and entrepreneurial characteristics</td><td>Proactive seeking of new solution to industry problem. Global mindset. Ambitious attitude of founders. Risk-taking</td><td colspan="3">Entrepreneurial orientation drives firm growth. Ambition and persistence of founders.</td><td></td></tr>
<tr><td>Resources</td><td>Funding. Previous experience of founders.</td><td>Funding round</td><td>Funding round</td><td>Funding round. Acquisition of first important clients. Increased number of recruitments.</td><td>Funding round. Increased number of recruitments</td></tr>
<tr><td>Capabilities</td><td>Entrepreneurial opportunity recognition</td><td colspan="3">Networking capabilities. Dynamic capabilities</td><td></td></tr>
<tr><td>Growth strategy and market activities</td><td>Global from inception. Entry to US market.</td><td>Establishment of physical presence in foreign market.</td><td>Application to well-known accelerator program in order to gain network connections and build credibility.</td><td>Industry studies to help build credibility.</td><td>Opening of new office location.</td></tr>
<tr><td>Product strategy</td><td>Market research. Competitor analysis.</td><td>Comprehensive product pivot based on market demand.</td><td colspan="2">First product pilot with well-known company resulting in product validation and increased credibility.</td><td></td></tr>
<tr><td>Challenges & Liabilities</td><td>Industry specific regulations.<br>Lack of resources</td><td colspan="3">Lack of networks. Liability of foreigness.</td><td></td></tr>
</table>

*Figure 6. Factors affecting growth in Company A*

### 6.4.2 Factors affecting growth in Company B

***Entrepreneurial orientation and entrepreneurial characteristics***

Based on the interviews conducted with Company B representatives, it was suggested that entrepreneurial drive and prior experience of the founders had played an important role in the company's development. It was elaborated that due to the founders' extensive prior experience in the field, they had been able to recognize business opportunities in the industry and proactiveness of the founding team was considered a driving growth factor as noted by the Co-founder: "The industry is facing drastic changes and we have been able to respond to those changes with our technology" (Co-founder, Company B, 2020). In Company B risk-taking was considered rather low as the strategy was to grow as revenue was generated.

***Resources***

In the case of Company B, funding was acquired from the very early existence of the company. Funding was initially received from government institution for development purposes. Unlike typical startup companies that often take risks and initially grow with external funding, Company B's growth strategy was to grow with cash flow financing with managed risk-taking. High-skilled employees of Company B were considered as one of the main success factors in the company's growth. It was noted by the interviewees that the company had been able to obtain employees that had exceptionally high skills in software development and specific skills needed to compete in the industry: "Our employees are high-skilled professionals which have helped us in acquiring challenging and interesting client projects" (Co-founder, Company B, 2020). In addition, earlier managerial experience and characteristics of founders and employees were seen as a driving factor in company's development: "Our success relies on what we have done in the past, we have senior employees that had already established networks in the industry" (General Manager USA, Company B, 2020).

***Capabilities***

At Company B, the technological capabilities of employees were considered as a critical success factor for the company. Networking capabilities were visible in the company's ability to create networks in the new market. In particular, industry events organized by the company were considered important resulting in multiple client acquisitions: "Some of the first events we organized here in Silicon Valley were very successful and resulted in many new client acquisitions" (General Manager USA, Company B, 2020). In addition, the founders' capability

to recognize opportunities was considered as an important driver of growth which stemmed from their previous experience.

***Growth strategy and market activities***

Company B's strategy had stemmed from earlier experience of the founding team who all had obtained years of experience working in the software industry. It was explained by one of the Co-founders that: "As we had operated in the industry for many years, we were able to identify a niche where we could compete" (Co-founder, company B, 2020). The importance of skilled employees and high technological expertise were considered critical in company B's success and the growth strategy of the company relied heavily on acquiring the employees with skills suitable for demanding projects. In addition, having permanent presence in Silicon Valley was considered important in terms of market growth and hence, an employee was recruited to be responsible for the market operations in Silicon Valley.

***Product strategy***

It was elaborated that strategic decisions about the company's products were based on some of the mistakes made in previous firms. The company's strategy was to focus on a niche product range where the founding team knew they would be able to compete with better success as expressed by the Co-founder: "We concentrate our efforts in markets where we know we can best compete" (Co-founder, company B, 2020). Even though the company had a vision of the product market fit based on prior experience and observations in the industry, product pivots were executed throughout the early years of the company's existence. Participating in a market entry program fulfilled the gaps that were missing from the product market fit resulting in faster market expansion.

***Challenges and liabilities***

The biggest challenges faced by Company B were the lack of industry references as noted by the Co-founder: "As we started from zero, it was hard to acquire initial clients as we did not have any reference customers from the industry". In addition, acquiring skilled employees in Silicon Valley was considered as a challenge for Company B as recruitment of local skilled professionals was difficult due to the highly competitive talent market as well as the high expenses of recruitment.

| | Years since incorporation | 0 | 1 | 2 | 3 | 4 | 5 |
|---|---|---|---|---|---|---|---|
| **Pre-incorporation phase** | | **Introductory phase** | **Resource accumulation phase** | | **Growth phase** | | |
| **Antecedents and drivers for international entrepreneurship:** Previous experience of founders. Proactiveness of founders. | **Entrepreneurial orientation and entrepreneurial characteristics** | Global mindset of founders. Managed risk-taking. | | | Managed risk-taking. | | |
| | **Resources** | High-skilled employees of the company. First client acquisition in Silicon Valley. | Funding. Established networks in the market. | | Funding. Recruitment of employee responsbile for US market. | Funding | Funding. Increased recruitments in the US market. |
| | **Capabilities** | Entrepreneurial opportunity recognition. | Technological capability of employees. | | Networking capabilities increase customer acquisition. | | |
| | **Growth strategy and market activities** | Focus on niche market. Incorporation established in the USA. | Partial presence established in Silicon Valley. | | Participation in market entry program.Physical presence established in Silicon Valley. Client acquisitions through networking events. | | |
| | **Product strategy** | Focus on niche product. | | | Iterations of product to meet market demand. | | |
| | **Challenges & Liabilities** | Challenge of recruiting local professional in Silicon Valley. High cost of recruitment. High competition of market. | | | | | |

*Figure 7. Factors affecting growth in Company B*

## 6.4.3 Factors affecting growth in Company C

***Entrepreneurial orientation and entrepreneurial characteristics***

Entrepreneurial orientation and entrepreneurial characteristics were considered important growth factors during the introductory and resource accumulation phases of Company C. It was also noted that surviving in the new market environment with limited resources required a high level of persistence and constant hard work. It was noted that prominent risk-taking was present during the introductory phase as well as at the early phases of the resource accumulation phase of the company. Furthermore, it was elaborated that personal life situation of founders had an impact on the level of risk-taking: “It was easy for us to take high risks in the beginning due to our life situations as you are only responsible for yourself and no one around you will suffer from the consequences in case you fail” (Co-founder, Company C, 2020). There was a high entrepreneurial drive for developing a successful product and the founding team had shown a high level of passion for building a leading product for their industry as expressed by the Co-founder: “Our objective is to build the best software for this industry” (Co-founder, Company C, 2020).

***Resources***

Company C received funding from angel investors during the first year of operation. The most important funding round occurred during the resource accumulation phase when the company

received seed round funding. Overall, funding was regarded as an important enabler for growth as expressed by the Co-founder during the interview:" We will be soon closing our next round of funding that will enable us to further scale our operations" (Co-founder, Company C, 2020).

It was elaborated that employees were an important driver for company's growth. Particularly the product development team based in the home market was considered as a valuable resource as well as one of the success factors of the company. It was noted that the company had been able to hire employees with high expertise in software development: "Our software development team is a brilliant team of individuals and it is amazing how they get things done" (Co-founder, Company C, 2020). The founding team of Company C was described as a group of individuals with unique skills which had resulted in a well-working team. It was suggested by the Co-founder that different characteristics such as analytical and pragmatic qualities of team members had acted as a valuable resource: "The different characteristics among team members have been a great resource for the whole team". (Co-founder, Company C, 2020).

As mentioned earlier in chapter 6.2, the founding team's previous international experience was considered as a driver for international entrepreneurship and consequently, the establishment of the case company. The international experience was also considered as a facilitating factor when entering Silicon Valley as suggested by the interviewee: "I had lived in multiple countries before, so it felt natural for me to come to the US and Silicon Valley". (Co-founder, Company C, 2020).

***Capabilities***

Networking capabilities played a critical role in the company's growth and helped the company in acquiring the first important customers in the new market. The interviewee noted that having no networks in the market had forced them to start building networks from scratch and with very minimal resources. According to the Co-founder, acquiring the first client came as a result of hard work and persistence: "The acquisition of the first client in the market came as a result of extensive amount of hard work. You meet a lot of new people and you try to connect dots between different networks and figure out who knows who" (Co-founder, Company C, 2020).
First important customers came as a result of networking capabilities of the founding team. Furthermore, it was noted that trust built between the prospect client and the company's founding team acted as a positive factor in sales negotiations and signing agreement:" It all

starts with trust between us and the client, if they did not trust us, they wouldn't work with us" (Co-founder, Company C, 2020).

***Growth strategy and market activities***

The company's strategy was to become global since inception and the company entered the US market during the first year of operation and physical presence was established one year later. The research and development team had remained in the home market since inception partly due to the high employment costs and competitive talent acquisition industry of Silicon Valley. Company C's growth strategy heavily relied on building important networks and the acquisition of important partnerships which acted as a growth channel for the company.

***Product strategy***

During the pre-incorporation phase of the company, the product had been tested in the home market in order to obtain initial product validation. After preliminary validation was gained from working with few companies in the home market, the company registered as a business. Besides product pilots conducted in the home market, it was noted that the founders conducted some market research activities and screening of potential emerging competitors in the US market, however, it was noted by the interviewee that the team had had a strong vision about the product's uniqueness. The main concept of the product had remained similar during the company's early years, however, the changes in the market environment had driven the company to conduct a product pivot which had positively affected the demand and consequently, the growth of the company. Besides one large-scale product pivot, it was noted that changes to the product had been conducted in a regular basis ever since inception due to customer demand: "We have had to constantly add new features to our product in order to serve our clients better and by listening to our client's preferences" (Co-founder, Company C, 2020).

***Challenges and liabilities***

It was noted that the most important challenges faced by the company were the lack of local networks and credibility, which stemmed from their liability of foreignness: "It is very challenging when you first enter the market, and you know absolutely no one." (Co-founder, Company C, 2020). The interviewee also elaborated that due to the newness of the product, it was challenging to build credibility and prove the functionality of the product at the beginning:

“Another challenge was to convince our first clients about the product as it was relatively new to the market” (Co-founder, Company C, 2020). It was noted that the expansion of operations to the US market resulted in communication barriers and slower decision making between the teams on the home market and the US. It was noted that the time difference between the two markets had caused challenges for the operating teams: “The communication between different time zones can get really difficult and result in a slower decision-making process” (Co-founder, Company C, 2020).

| | Years since incorporation | 0 | 1 | 2 | 3 | 4 |
|---|---|---|---|---|---|---|
| **Pre-incorporation phase** | | **Introductory phase** | **Resource accumulation phase** | | | **Growth phase** |
| **Antecedents and drivers for international entrepreneurship:** Proactiveness. Previous experience of founders. Suitability of the founding team. | **Entrepreneurial orientation and entrepreneurial characteristics** | Global mindset. Ambitious attitude of founders. | High risk taking. Ambitious behaviour. Persistence of founders. | | | |
| | **Resources** | Angel investors. Previous experience of founders. High-skilled software development team. | Funding round. Acquisition of first important client partner. | Acquisition of two important client companies. Good management of resources. | Funding round | Good management of resources. |
| | **Capabilities** | Entrepreneurial opportunity recognition | Networking capabilities | | | |
| | **Growth strategy and market activities** | Global from inception. Entry to US market. | Establishment of physical presence in the new market. | Important client partnership builds credibility. | | Incresed number of recruitments. |
| | **Product strategy** | Small scale market research and competitor analysis. | Constant product iterations to meet market demand. | | | Comprehensive product pivot. |
| | **Challenges & Liabilities** | Lack of networks. Liability of newness. Unfamiliarity of product. Lack of resources | Lack of networks in the market. Liability of foreigness. | | | |

*Figure 8. Factors affecting growth in Company C*

## 6.4.4 Factors affecting growth in Company D

***Entrepreneurial orientation and entrepreneurial characteristics***

The previous experience of the founding team at Company D was obtained through academia and previous employment. The prior experience gained from Silicon Valley was considered as a turning point for many of the founders as it had enabled them to realize many of the business opportunities that their industry had to offer. It was noted that: “We kept thinking on how this technological innovation could be used in the clinical industry” (Co-founder, Company D, 2020). In addition, it was noted that there was a high level of ambition towards problem solving and recognition as noted by the Co-founder: “I was very interested in research and finding new things and solving problems" (Co-founder, Company D, 2020). It was also elaborated that

during the time at academia, the founders' mindset had somewhat shifted from academia towards business and entrepreneurship. This shift had been driven by the people the founding team had met during their time at academia:" We met many people in the academia who had shifted from their academic career to the business world taking risks and practicing bold decision-making" (Co-founder, Company D, 2020).

Controlled risk-taking was prevalent in the company's early stages. At the start, the Co-founder continued working at a regular day job while developing the case company with the rest of the founding team. A while after incorporation, the Co-founder decided to resign from the daily job and focus on the case company's development: "At some point I realized that we had acquired more funding and recruited more employees, so I decided to take the risk and start working on this project full time" (Co-founder, Company D, 2020). It can be concluded that while risk-taking was present at the early stage of the company, the risk was fully taken only after the project had shown some positive signs of development, for example, funding and additional recruitments: "When we had received first signals of potential growth from the US market, we started to recruit as well as plan an operational team to the US". Furthermore, risk-taking in the company was elaborated further: "We have always been quite cautious and conservative at the same time, so we did not immediately recruit many people when we first entered the market" (Co-founder, Company D, 2020).

***Resources***

Company D received its first funding immediately after incorporation and subsequently received funding during the following years: "At start, everything happened very rapidly. Very soon after inception we created a pitch for our product concept and received first angel investors and government funding" (Co-founder, Company D, 2020). It was further explained that the acquisition of funding had been relatively easy for the company and that initiating the sales of their products at an early stage attracted more investors: "Generating revenue at the early stage is the best way to show the outside world that the company is making sales which attracts international investors" (Co-founder, Company D, 2020). It was also noted that the company had been able to develop their product with a relatively small amount of funding compared to its competitors, hence the company practiced good management of resources.

During the introductory phase, the founding team hired a CEO for the company that was considered as an important factor for the company's initial growth: "The new CEO had previous

startup experience as well as experience dealing with venture capitalists. That is how we brought more experience to our team" (Co-founder, Company D, 2020). The team's high expertise from the field was seen as a success factor in company's growth as elaborated during the interview: "I believe that we succeeded because of having the right people in the team" (Co-founder, Company D, 2020). In addition, it was noted that the members of the founding team had been friends before establishing the company which had positively contributed to the company culture. The team's experience was also an important factor in acquiring first clients. It was noted that since the founding team were experts in the operating industry and had developed the product for themselves to use in their daily work, it seemed unnecessary to recruit a sales organization to sell the product in the beginning. It was noted that first clients and business partners were acquired very soon after inception, however, it was not until approximately two years after the market entry when the company acquired its first important clients.

***Capabilities***

Dynamic capabilities of the team at Company D were considered as an important growth driver in the company's development and was prominent in the company's ability to change directions quickly when needed. This was particularly visible in the product development as the Co-founder stated: "The competition in this industry is very high which means that even if you have minor issues with the product, and you don't fix them, you will be out" (Co-founder, Company D, 2020). It was further elaborated that the team's ability to develop the product at a fast pace had positively affected the company's development: "I think we have survived because we have been able to develop the product in the right pace and we have done the right decisions about the market analysis and consequently developed the product to the right direction." (Co-founder, Company D, 2020).

***Growth strategy and market activities***

Having physical presence in the market at an early stage was considered important in the company's success and also had a positive effect on the product development: "Having presence on the market at an early stage helped us to observe and understand the market better" (Co-founder, Company D, 2020). As mentioned earlier, the company started to sell its products at a very early stage which generated revenue and consequently attracted more investors at an early stage. As part of the company's strategy, they moved their production to

another location in the US due to the high operational costs of Silicon Valley. It was also noted that there were many mistakes and errors that the company had made during the early years and hence, the team had been able to learn from many of the mistakes along the way. When the product was finalized, the sales operations in the US market were initiated. At the same time, the company recruited more employees which were considered critical for the company's growth: "It was critical for our success in the US market that at some point we were able to start recruiting more local employees in the US" (Co-founder, Company D, 2020).

***Product strategy***

As mentioned earlier, the product went through many iterations and the development was constant due to the high growth of the industry as well as the high level of industry competition. Dynamic capabilities of the company played an important role in the product's success as the team was able to shift directions quickly when the market environment demanded so. It was noted that the high complexity of the product required the company to invest a lot of time in testing the prototype during the introductory phase of the company.

***Challenges and liabilities***

The biggest challenges during the early phase of the company were the testing of the prototype and its functionality: "We had to devote nearly a year to our product development until we reached the functionality of our prototype" (Co-founder, Company D, 2020). When entering the market in Silicon Valley, it was noted that industry regulations posed challenges and slowed down operations. In addition, the high growth rate of the market required the company to constantly invest in the development of the product to keep their competitive position on the market.

| | Years since incorporation | 0 | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Pre-incorporation phase** | | **Introductory phase** | **Resource accumulation phase** | | | **Growth phase** | | | | **Exit** |
| **Antecedents and drivers for international entrepreneurship:** Opportunity recognition of founders. Previous experience of founders. High expertise in the industry. | **Entrepreneurial orientation and entrepreneurial characteristics** | Global mindset of founders. High ambition to problem solving. | Risk-taking. Persistence of founders. | | | | | | | |
| | **Resources** | Immediate funding. Recruitment of a CEO with business development experience. | Team's high expertise in the field considered as a key resource. | | | Increased number of successfull recruitments. | Acquisition of a large important funding round. | Increased revenue. Good management of resources. | | |
| | **Capabilities** | Entrepreneurial opportunity recognition. | Dynamic capabilities enable quick reacting to changes occurring in the fast growing industry. | | | | | | | |
| | **Growth strategy and market activities** | Global from inception | Execution of sales as early as possible. | Establishment of physical presence in the new market. | Acquisition of first small customer partnerships. | Credibility gained enables growth and attracts investors. | | | Company's production changes location. | Firm acquired by another company |
| | **Product strategy** | Testing of prototype | Constant product iterations | | | Developing a unique product with strong market demand. Product market fit | | | | |
| | **Challenges & Liabilities** | Product functionality and validation. | Industry regulations slow down product development. High growth rate of the industry. | | | | | | | |

*Figure 9. Factors affecting growth in Company D*

## 6.4.5 Factors affecting growth in Company E

***Entrepreneurial orientation and entrepreneurial characteristics***

The initial idea for the product in Company E had emerged by the founding members of the company in their former workplace. They had recognized an issue prevalent in the work environment and were eager to provide a solution to that problem. It was elaborated that entrepreneurial opportunity recognition and innovativeness were drivers for establishing the company. As noted during the interview, the founding team of the company had the ability to create a product that was unique, and which still did not exist in the market: “At the beginning, there was no similar products in the market meaning that we basically created a whole new market space” (US Accounts Director, Company E, 2020). In Company E, proactive seeking of new methods to problems prevalent in the industry were sought resulting in being among the first companies offering such products. Due to the newness of the product, it was suggested that there was very little competition during the early phase of the company which allowed the company to deeply concentrate in their product development without tight timelines.

***Resources***

The company received seed funding two years after incorporation. It was noted that the first years of operations were challenging as the company faced resource scarcity which had nearly led the company into bankruptcy. The most prominent funding round was granted during the

same year the company established a physical presence in Silicon Valley. It was also noted that during that same period, the company's sales increased extensively. Team and company culture were seen as an important factor in company's growth. Special notion was given to the relatively large product development team which resonates with the high quality and complexity of the product that was regarded as one of the most important success factors of the company: "Considering the size of our company, we have a relatively large product development team" (US Accounts Director, Company E, 2020). It was elaborated that high number of resources were placed in product development in order to secure the company's position in the operating market:" We are constantly focusing on the future and we are aware that the competition is high meaning that we constantly need to invest in our product development" (US Accounts Director, Company E, 2020).

***Capabilities***

Networking capabilities were considered as a driver for growth in the new market. It was noted that entering the US market is challenging as business partnerships are highly dependent on personal and business connections. "It took us a while to build networks in the new market, but once you manage to create connections, it will boost itself in a way that your connections will refer you to their connections and so on" (US Accounts Director, Company E, 2020). Furthermore, the company's strategy included partnering with various distributors in multiple locations. It was stated during the interview that one of the key success factors of the company was the acquisition of important well-known resellers: "As we acquired important well-known resellers, we were able to increase our sales" (US Accounts Director, Company E, 2020). As mentioned earlier, high competition of the industry required the company to invest in agile product development which was enabled by the company's use of dynamic capabilities.

***Growth strategy and market activities***

As mentioned earlier, Company E had a strong focus on product development since inception and especially during the introductory phase. Before establishing physical presence in Silicon Valley, the company took part in a market entry program which helped the company to refine their market entry strategy and to gain deeper knowledge of the market environment: "Participating in the program helped to strengthen our hypothesis of the market and enabled us to move in the right direction" (US Accounts Director, Company E, 2020). Physical presence was deemed important for the growth of the company. Despite distributors and resellers being

present in the foreign market, it was noted that physical presence was inevitable in the new market: “You will not be able to create proper business in the market before you have a dedicated employee physically placed in the market” (US Accounts Director, Company E, 2020). The placement of an employee in Silicon Valley had positively contributed to sales and subsequently growth in the market. In addition, forward looking vision of the company had been an integral part of the company’s growth strategy. It was explained by the interviewee that “We always aim to be one step forward from where we are now” (US Accounts Director, Company E, 2020). This vision could be seen in the company’s way of acquiring resources such as technology: “In acquiring new systems for the company we rather invest in something that we see that will not only suit our operations now, but which will also serve us in three years from now” (US Accounts Director, Company E, 2020).

***Product strategy***

The unique product of Company E was considered as the competitive advantage of the company as noted during the interview: “We have created a whole new market space and we are currently the global leader in this industry” (US Accounts Director, Company E, 2020). The product of Company E was unique in the market and hence, during the early years of operations, competition barely existed. It was noted that an important turning point was the moment when the company had made the decision to decrease the number of products from their portfolio and only focus in developing the best performing products: “The company took a big turn when we made a strategic choice of decreasing the number of products in our portfolio. The decision was made based on the products that had the most potential for success” (US Accounts Director, Company E, 2020). However, despite this strategic choice, product iterations were made continuously due to changes in market demand and competition: “We have iterated our products multiple times to meet the market demand” (US Accounts Director, Company E, 2020). Furthermore, it was suggested that studies conducted on the product and industry recognitions were important factors in building credibility which subsequently helped in acquisition of new clients. First customer acquisitions in both home and foreign market played an important role in the company’s growth: “We were certain about our product’s suitability as we already had some successful customer cases in Finland and the US before market entry” (US Accounts Director, Company E, 2020).

***Challenges and liabilities***

The early years of Company E's existence were dominated by many challenges. The most important challenges were mainly due to lack of resources and issues faced in developing the product. Later when entering the new market, lack of networks was considered as a challenge for the company as stated by the interviewee: "If you don't have local networks, references, and contacts, you will not be taken seriously" (Accounts Director US, Company E, 2020). It was further elaborated that business relationships in the US market are heavily focused on networks which poses challenges to foreign companies entering the market: "I think the biggest challenge for a Finnish firm to enter the US market is the fact that in the US everything happens through networks and references" (Accounts Director US, Company E, 2020).

<table>
<tr><td></td><td>Years since incorporation</td><td colspan="2">0 1</td><td colspan="4">2 3 4 5</td><td colspan="5">6 7 8 9 10</td></tr>
<tr><td>Pre-incorporation phase</td><td></td><td colspan="2">Introductory phase</td><td colspan="4">Resource accumulation phase</td><td colspan="5">Growth phase</td></tr>
<tr><td rowspan="6">Antecedents and drivers for international entrepreneurship:<br>Opportunity recognition of founders. Innovativeness.</td><td>Entrepreneurial orientation and entrepreneurial characteristics</td><td colspan="2">Global mindset from inception. Persistence of founders.</td><td colspan="7">Ambitious behaviour. Forward-looking vision of the company.</td></tr>
<tr><td>Resources</td><td colspan="2">Founders' know-how</td><td>Seed funding</td><td>Acquisition of first important customer in the US market.</td><td>Funding round. Sales person placed in Silicon Valley.</td><td>Company's product receives important industry award.</td><td colspan="3">Increased number of recruitments. Increased number of distributors.</td></tr>
<tr><td>Capabilities</td><td colspan="2">Recognizing market niche for product (entrepreneurial opportunity recognition of founders). Ability to create a new market space.</td><td colspan="7">Networking capabilities enable the establishment of networks with distributors in the market. Dynamic capabilities.</td></tr>
<tr><td>Growth strategy and market activities</td><td colspan="2">Focus on product development</td><td colspan="2">Market entry program</td><td>Establishment of physical presence in the new market.</td><td>Aggressive seeking of distributors in new markets.</td><td colspan="3">Majority of the firm acquired by another organization. Intensive growth continues.</td></tr>
<tr><td>Product strategy</td><td colspan="4">Constant iterations and development of the product. High emphasis on product development.</td><td colspan="3">Product validation through references. Focus on best performing products.</td><td colspan="3">High increase in product sales.</td></tr>
<tr><td>Challenges & Liabilities</td><td colspan="4">Challenges faced in product development. Lack of resources.</td><td colspan="6">Lack of networks in the market. High competition.</td></tr>
</table>

*Figure 10. Factors affecting growth in Company E*

## 6.4.6 Factors affecting growth in Company F

It became evident based on the analysis of Company F that the company progressed through two different phases of development including an introductory phase as well as a resource accumulation phase. Unlike other case companies, the company had not yet developed into a growth phase.

***Entrepreneurial orientation and entrepreneurial characteristics***

During the interviews conducted with two company representatives, it was elaborated that the product concept and method used by the company was relatively new and hence, the concept was fairly unknown in the industry. However, while the company acquired first validation for their product it was suggested by the interviewee that: “We received validation where we could notice that some market leaders were already planning a somewhat similar concept that we had” (Founder, Company F, 2020). The product concept had emerged through innovativeness of the founder as stated during the interview “I had been thinking of how this product concept could be used in helping organizational development” (Founder, Company F, 2020). However, it was also suggested that the product was in some terms, too new and innovative as similar concepts have not yet been present in organizational development before: “I feel that our product concept has been somewhat ahead of its time, and that is why our development has been rather slow because the concept has been very new and unknown for many people” (Founder, Company F, 2020). It was noted by the founder that managed risk-taking was taken during the early phases of the company’s development. In addition, the company had a global vision from inception as suggested during the interview: “As I have gained international experience through my previous career, it was obvious for me from the very beginning that the company would be international from inception” (Founder, Company F, 2020).

***Resources***

Funding was seen as a critical growth factor for the company. It was noted that the additional funding would be critical in order for the company to grow in the new market as suggested during the interview: “We are on the edge of growth phase, we just need to receive more funding” (Founder, Company F, 2020). The company had received some minor funding during the early phase of the company, however, the amount of funding had been rather limited affecting the growth speed of the company: “We have been developing very slowly as our budget has been very limited” (Founder, Company F, 2020). It was further elaborated by the Founder that: “It is harder for us to obtain funding because our product concept is not very scalable” (Founder, Company F, 2020). Moreover, the newness of the product concept as well as the industry were seen as slowing factors to obtain funding.

It was noted by the founder that one of the critical resources in the company’s development were the recruitments made during the early phase of the company. In particular, recruitment of an employee who was based in Silicon Valley was deemed as an important driver of

company's development as physical presence was established in the market. In addition, a serial entrepreneur who joined the company at the early stage brought valuable business know-how gained through previous experience with startups. The different backgrounds, experience, and characteristics of the team members were seen as an important resource in the company's development: "The expertise of our team is from very different backgrounds such as company boards, startup entrepreneurship, technology companies, branding, and design. This experience from many different fields has been an advantage for us" (Founder, Company F, 2020).

***Capabilities***

Networking capabilities and creating networks were considered of high importance in the new market and the company had benefited from both personal and acquired networks. The company acquired initial partners through personal networks in the market. According to the founder, networking capability in acquiring intros with large well-known companies was important in the company's initial development: "Having been able to meet people from large technology companies in Silicon Valley has been very important for us. By introducing our concept, we have been able to make them resonate with the issues they have" (Founder, Company F, 2020).

***Growth strategy and market activities***

The company's strategy was to be global from inception. In addition, the company aimed at entering the US market from very early on, however, very little prior research of the market was conducted by the company. During their first visits to Silicon Valley, the company's strategy was to conduct pilot workshops where the product could be tested and validated. It was suggested that: "By conducting product pilot workshops, we were testing the product while at the same time, we received validation for our product" (Head of US Operations, Company F, 2020). The potential acquisition of a well-known client was deemed as an important factor in the development of the company, and it was noted that well-known references would positively contribute to the company's credibility: "We are aiming at acquiring an important client partnership in order to gain good reference clients" (Founder, Company F, 2020).

***Product strategy***

It was noted by both interviewees that the product concept had been under constant iterations and development since inception, even though the main concept of the product had remained

the same: “We had to execute many product iterations in order to make the product suitable for the US market” (Head of US Operations, Company F, 2020). As mentioned earlier, the product concept was rather new to the market and hence, many pilots were conducted in order to receive validation for the product: “It has been considered very important that we have been involved in events where the concept has been in use by clients as we have been able to receive immediate feedback of the product and gain validation” (Head of US Operations, Company F, 2020).

***Challenges and liabilities***

Company F faced many challenges during the introductory and resource accumulation phase. It was noted by the founder that the biggest challenges at the start were the acquisition of the first client, product development process, and lack of funding. Some challenges were overcome by recruiting an employee with prominent experience working at startup companies. “At the early stage of the company, a serial entrepreneur joined the company who became a big support for me” (Founder, Company F, 2020). The lack of proper physical presence in Silicon Valley was regarded as one of the major factors of slow development of the company: “I feel that one of the biggest challenges has been the fact that I have not been able to be in Silicon Valley” (Founder, Company F, 2020). It was further elaborated by the other interviewee from Company F that: “We should have been able to allocate more efforts into this and have more than one person present in the market” (Head of US Operations, Company F, 2020), or “Trying to get access into a good accelerator program or put more effort into acquiring skilled people locally” (Founder, Company F, 2020). Company F did not operate in the technology industry and it was noted by the founder that it had made building networks harder for them: “It was very hard to find networks from our industry in Silicon Valley as the market is highly technology intensive” (Founder, Company F, 2020).

| | Years since incorporation | 0 | 1 | 2 | 3 | 4 |
|---|---|---|---|---|---|---|
| **Pre-incorporation phase** | | **Introductory phase** | | **Resource accumulation phase** | | |
| **Antecedents and drivers for international entrepreneurship** Previous experience of founder. Innovativeness. | **Entrepreneurial orientation and entrepreneurial characteristics** | Global vision from inception. Proactiveness. Persistence of founder team. Managed risk-taking. | | | | |
| | **Resources** | New employee joins management team with extensive startup experience. Funding | | Recruitment of employee responsible for US operations and based in Silicon Valley. Funding | Recruitment of professionals. | |
| | **Capabilities** | Networking capabilities: establishing relationships with potential clients. | | Acquisition of first partners through networking. | | |
| | **Growth strategy and market activities** | First market visits to Silicon Valley | | Product pilots in Silicon Valley. | | |
| | **Product strategy** | Constant iterations of the product. Acquisition of well-known references. Validation through product pilots. | | | | |
| | **Challenges & Liabilities** | Lack of funding. Lack of networks in the market. Product development process. Challenges in customer acquisition. | | | | |

*Figure 11. Factors affecting growth in Company F*

## 6.5 Cross case analysis

This chapter will summarize the empirical findings and discuss the similarities and differences between case companies. First, the antecedents and drivers for international entrepreneurship and born globals will be summarized. Second, the different development phases of case companies will be discussed and third, the similarities and differences in factors affecting growth in case companies will be analyzed.

### 6.5.1 Antecedents and drivers for case companies' establishment

In five case companies, there was prominent prior international experience gained through previous work positions or academia. In addition, four case companies had previous experience from Silicon Valley gained through prior professional experience or academia. In all case companies it was elaborated by the interviewees that the previous experience of founders had been a leading factor in the establishment of the case companies. In addition, the previous experience of founders in all case companies had particularly impacted the ability to recognize issues or problems that existed in the industry. These findings are in line with earlier

literature where opportunity recognition has been considered as a driving factor for international entrepreneurship. (Oviatt & McDougall, 2005; Cavusgil & Knight, 2015). In addition, Ardichvili et al. (2003) suggested that opportunity recognition and entrepreneurs' ability to identify the right opportunities for new business is one of the most important qualities of successful entrepreneurs. Furthermore, the proactiveness of the entrepreneurs can be recognized in their ability to proactively seek new methods and anticipate the future needs of the corporate environment (Lee et al., 2001).

In Company A, the previous experience of founder had a high relation to establishing the case company: "Based on my previous experience from the industry, I had a clear vision on how we can work in this industry with a digital product that solves the problems that people have" (Co-founder, Company A, 2020). Similarly, in Company B the previous experience had a high impact on establishing the company. The founding team had worked together in the previous firm which was deemed as a driving factor for the initiation of the case company: "When we sold the previous company, we established the current company with people we had already worked with in the previous firms." (Co-founder, Company B, 2020). In Company C, the impact of previous experience in relation to the establishment of the company was deemed to have medium impact as there was limited experience gained prior the incorporation of the company: "Basically, I had some prior experience from the same industry which made us think of ways on how we could solve the problems that existed in the industry" (Co-founder, Company C, 2020). In Company D, previous experience of founders had a high impact on founding the case firm: "Based on our prior knowledge and experience of the industry, we developed a product to ourselves as we knew that such product had not yet been developed and which we knew would have demand in the industry" (Co-founder, Company D, 2020). In Company F, the previous experience of founder was deemed to have partly affected the establishment of the company: "At some point during my earlier career, I started to think how this method could be used in the business development concept, however, it took me years to elaborate this idea" (Founder, Company F, 2020). In Company E, the previous experience of founders was considered to have lower impact on the establishment of the case company as the founders did not have extensive experience from working in the industry nor international experience.

Furthermore, entrepreneurial orientation and certain entrepreneurial characteristics were considered as driving factors for international entrepreneurship and the establishment of the

case companies. Proactive behavior was present in all case companies which contributed to the founders' ability to seek new innovative approaches to solve problems existing in the industry. In addition, all case company representatives expressed that companies had had a global vision from inception and the intention was to become a global company from the very early days of the company's existence. This is in line with earlier research findings which indicate that global vision of founders is one of the most important factors affecting born global success (e.g., Oviatt & McDougall, 1995; Gabrielsson et al., 2008). Table 5 summarizes the previous experience of founders and its impact on the establishment of the case companies.

| | **Company A** | **Company B** | **Company C** | **Company D** | **Company E** | **Company F** |
|---|---|---|---|---|---|---|
| **Previous experience of founders** | Previous international startup experience. | Previous international work and startup experience. | Previous international experience from academia and worklife. | Previous international experience from academia. | None/Low previous international experience. | Previous international work experience. |
| **The impact on the establishment of the case companies** | *** High | *** High | ** Medium | *** High | None/Low | ** Medium |

*Table 5. Previous experience of founders and its impact on the establishment of the case companies. Intensity defined based on the qualitative analysis of interview data: Low * Medium ** High ****

## 6.5.2 Stages of growth in case companies

Based on the empirical findings from each case company, different development phases could be identified. Even though there were differences between the growth development of case companies, many similarities were found in the different stages of development and factors that enabled the companies to progress from one phase to another. The different development phases in case companies were identified as introductory phase, resource accumulation phase, and growth phase. Gabrielsson et al. (2008) introduced a three-phase development model where they suggested that born globals progress through three phases including: introductory and initial launch phase, growth and resource accumulation phase, and break-out phase. The phases identified in this research have similarities to these three phases, however, in addition to the identification of the development phases, factors affecting growth at each stage were researched in detail.

***The introductory phase*** in all case companies was short and lasted approximately one to three years. During the introductory phase, case companies had low financial resources and the most important resources were considered the previous experience and expertise of the founding team. This is in line with earlier study conducted by Gabrielsson et al. (2008) where it was suggested that the introductory phase of the firms is dependent on firms' individuals' knowhow and unique skills which are used to retain their advantage (Barney, 1991). In all case companies, funding was received during the introductory phase, however, the amounts and types of funding varied greatly between the firms. Product development and testing of product was given extensive focus during the introductory phase in all case companies. In addition, it was noted that entrepreneurial characteristics and team dynamics played an important role during the early existence of the company.

***The resource accumulation phase*** was followed by the introductory phase in the case companies. In five case companies, this phase lasted for approximately two to four years. In Company F the still ongoing resource accumulation phase had lasted for approximately three years at the time of the interview. In all case companies, concrete physical presence was established in the market during the resource accumulation phase. Physical presence was established with an office location and at least one permanent employee living on the new market. It was noted by all case companies that having a physical presence in the market was crucial in the growth development of the companies. The resource accumulation phase was characterized by building relevant networks as well as acquisition of first important customers or partners in the new market. It was noted by all case companies that networking capabilities had played an important role in acquiring the first client. These findings are somewhat in line with Gabrielsson et al. (2008) who suggested that during the resource accumulation phase, born globals need to position themselves in relevant networks in order to overcome their resource shortfalls. In addition, product development including product pilots and validation with initial clients played an important role during the resource accumulation phase while the most dominant challenges during this phase were the high costs of the market and lack of networks.

Five case companies had reached ***the growth phase*** at the time of the interviews. The growth phase of case companies was characterized by stable presence in Silicon Valley as a result of

increased client acquisitions and partnerships established in the market. All the case companies that had reached *growth phase,* had also increased recruitments during this phase which was explained by the increased number of sales and client partnerships. Similar to earlier development phases, product development played an important role also during *growth.* Even though it was elaborated by the interviewees that they had reached a product market fit, it was noted companies used the learning gained from earlier phases of development in order to conduct constant iterations to product which were driven by the high competitiveness of the market. These findings have similarities to the findings by Gabrielsson et al. (2008) who suggested that born globals use and leverage organizational learning and experience gained from earlier phases, however, their model suggested that growth and resource accumulation phase occurred simultaneously while the findings of this study suggest that growth is only obtained after resource accumulation.

All case companies interviewed progressed through the introductory and resource accumulation phase. At the time of the case interviews, Company F had not yet reached a growth phase and Company D had been acquired by another company. Hence, in five case companies, three similar development stages could be identified: introductory phase, resource accumulation phase, and growth phase. Table 6 presents the growth phases of each company. In addition to the different growth phases identified in each case company, the pre-incorporation phase of the companies was studied in this research. In more particular, the research interest on the pre-incorporation phase focused on the antecedents and drivers for international entrepreneurship and the inception of the case companies as discussed in Chapter 6.2.

| Company A | Company B | Company C | Company D | Company E | Company F |
|---|---|---|---|---|---|
| 1.Introductory<br>2.Resource accumulation<br>3.Growth | 1.Introductory/<br>2. Resource accumulation<br>3.Growth | 1.Introductory<br>2.Resource accumulation<br>3.Growth | 1.Introductory<br>2.Resource accumulation<br>3.Growth<br>4. Exit | 1.Introductory<br>2.Resource accumulation<br>3.Growth | 1.Introductory<br>2.Resource accumulation |

*Table 6. Summary of stages of growth in case companies*

### 6.5.3 Factors affecting growth at case companies

***Entrepreneurial orientation and entrepreneurial characteristics***

Entrepreneurial orientation and the ability for innovation creation was prevalent in all case companies. In addition, in each case company the idea for the companies' product had emerged based on the prior knowledge and experience. During the interviews, it became evident that founders had a strong willingness to support new ideas and experiment how products could be used in a new innovative way. This is in line with Lumpkin and Dess (1996) who suggested that "Firms with a high entrepreneurial orientation eagerly embark upon experimentation, support new ideas, and depart from existing practices". In addition, the founders could be expressed as individuals that had a strong tendency to recognize new business opportunities and anticipate how their industry would change in the future. This behavior is in line with earlier research where proactive behavior of entrepreneurs has been referred to as "The tendency to anticipate future needs in the corporate environment and to pioneer new methods and techniques" (Lee et al., 2001).

Risk-taking varied between case companies. It was noted that firms with entrepreneurs of younger age and less international experience were more open to bigger risks whereas there was more controlled risk among firms where founders expressed that lower risk-taking resulted from personal background such as family matters. Furthermore, risk-taking had been considered higher during the introductory phase of the companies compared to the later stages of development.

Based on all six case companies, the results show that during the early existence of the companies, entrepreneurial orientation and characteristics played an important role in the birth of the company. Certain characteristics of founders emerged repeatedly from case company interviews, as all entrepreneurs mentioned ambitious behavior and five mentioned persistence in relation to development of the case companies. However, some firms showed more ambition than others. In Company B and Company F, where the level of risk-taking was lower compared to other case companies, also the level of ambition and growth in Silicon Valley had been lower.

In all case companies the founding team was connected through earlier work experience, academia, or personal networks. When discussing the team dynamics in each case company,

the different characteristics of team members were considered as an advantage in building a "dream team". Furthermore, in all case companies it was important to practice a good corporate culture and maintain a good overall working environment.

Considering the different development phases of the case companies, entrepreneurial orientation played the most dominant role during the introductory phase of the case companies. Due to lack of resources, companies were required to take more risks during the early existence of the companies. During the resource accumulation phase, entrepreneurial characteristics such as proactiveness, persistence, and ambition were seen as important growth factors. The findings are in line with Kuivalainen et al. (2007) who suggested that entrepreneurial orientation is usually stronger during the early phases and internationalization of born global firms.

***Resources***

Different resources played an important role in the companies' growth. Financial resources such as venture capital were considered crucial for companies' development and consequently funding was considered to have a direct impact on growth. All six case companies had received government funding from Business Finland. In addition, private funding was acquired through venture capitalists in some case companies. The amounts of funding received varied greatly. In the case of Company F, it was noted that the amount of funding had been rather low and that the acquisition of a larger funding round would be critical for the company's development. Similarly, the difficulty in acquiring funding also varied between the case companies. In the case of Company B, Company D, and Company E it was suggested that obtaining funding had not required high effort from the case companies as expressed by the Co-founder of Company D: "We were able to attract angel investors and government funding to our project straight from the start" while in Company F it was noted that: "It has been hard for us to obtain funding as our business model is not very scalable" (Founder, Company F, 2020). In addition, the importance of funding varied depending on the amount of funding and time of funding, however, no clear similarities on the importance of funding during different development phases were discovered but were unique to each case company. Furthermore, there was no linkage between entrepreneurs' earlier experience of raising venture capital at former firms in the easiness of raising capital in the new firms, as it has been suggested by earlier research (Zhang, 2009). Overall, the findings are in line with earlier research that suggest that lack of financial resources affect the survival of firms (Carpenter & Peterson, 2002; Luostarinen & Gabrielsson, 2004).

Besides funding, human resources and unique skills of employees in particular were considered as a critical resource in the company´s development in all six case companies. As mentioned earlier, the previous experience of the founders played an important role in the establishment of five case companies. In addition, the experience gained before inception was considered particularly important during the introductory phase of the case companies. Some case companies who lacked experience in business operations recruited skilled professionals with business knowhow during the early phase. In Company D, it was elaborated that even though the founding team's unique skills were considered as a critical resource for the company, the company lacked business knowledge and hence, recruited an employee with extensive business experience from operating at startup companies. Similarly, Company F recruited an employee with extensive business know-how to fulfil the company's gaps in business knowledge.

Five case companies had recruited local employees. In most case companies, some recruitments were made during the resource accumulation phase, but larger investments in recruitment were made during the growth phase. The recruitment of local employees was considered particularly important in marketing and sales related roles where networks were regarded to play an important role in building client partnerships. According to Company D and Company E, the recruitment of local employees in the US market was one of the key success factors in the development of the companies.

In addition to funding and human resources, the first client partnerships established in the new market were considered as a valuable resource in case companies. These partnerships assisted in building companies' credibility and positively affected further customer acquisitions.

***Capabilities***

Networking capabilities were an important growth factor in all case companies. It was noted by each interviewee that networks in Silicon Valley played a crucial role in succeeding in the market. This is in line with Gabrielsson and Gabrielsson (2009) who suggested that networking capability is essential among born global firms as those firms lack resources due to their young age and hence, they use their networking capabilities to partner with players in international networks. Having established networks in the market had helped the case companies to

acquire their first important client partnerships which had consequently enabled them to obtain important references which again, had increased their credibility as a player in the market. This line of actions was referred to as a positive loop that affected companies' growth in Silicon Valley. Networking capabilities were seen as most crucial during the resource accumulation phase of case companies which was characterized by aggressive search of networks and clients in the new market.

Due to the highly competitive market environment of Silicon Valley, it was noted by the case companies that they faced constant challenges due to competition in the market which required quick reaction and agility from the companies especially in product development. Besides competition, product pivots were driven by customer orientation and external drivers such as legalities taking place in the market environment. Dynamic capabilities played an important role as product iterations were noted to be constant as suggested by Company E representative: "It is essential to have a product and development team that can adjust to changes fast allowing you to stay ahead of competition" (US Accounts Director, Company E, 2020).

As mentioned earlier, the earlier experience of founders acted as an antecedent for the establishment of the case companies. The experience gained as well as the expertise and skills of founders and employees were a driving growth factor in each company. While all case companies' growth was affected by skillful founders and employees, companies with products that required high technology expertise considered the importance of a high skilled product development team more important than other case companies. This explains why in four case companies, the technological capabilities were considered as one of the main success factors of the company.

***Growth strategies***

Growth strategies were unique to each case company, however, there were also some clear similarities between the companies. In five case companies, the initial strategies involved having access to relevant channels and networks. It was elaborated that having access to networks in the new market was critical for the survival of the case companies. The most important strategies of each case company are presented in Table 7. In all case companies, the establishment of physical presence in Silicon Valley was considered crucial for succeeding in the market and all companies established a presence in the market during the resource

accumulation phase which helped them to further build valuable business networks in the market. In addition**,** five case companies had clear strategic motives to enter Silicon Valley. First, four of the case companies had previous experience from the market. Second, they considered Silicon Valley as a unique business environment that offers valuable business networks, and which is suitable for new innovative products. In addition, networks, both acquired through previous business partnerships as well as personal networks had affected the market entry decision of the companies. Third, it was elaborated by some companies that having a presence in Silicon Valley was considered valuable for the firm's reputation and brand image as Silicon Valley is often associated with successful companies.

Four case companies had participated in accelerator programs as well as market entry programs in order to gain product validation and to obtain market knowledge. Based on the empirical findings, it can be noted that the perceived benefits gained from such programs varied between case companies. While some companies aimed at gaining credibility and product validation through the programs, some focused on the acquisition of market knowledge through market research activities. For Company A, gaining access to an accelerator program was considered as an important step in the company's development as the program enabled them to access and build valuable networks that were deemed important on the market. On the other hand, Company E strengthened their go-to-market strategy by participating in a market entry program as suggested by the interviewee: "Participating in the program helped to strengthen our hypothesis of the market and helped us to move in the right direction" (US Accounts Director, Company E, 2020).

Based on the case company interviews, building credibility in the new market acted as one of the biggest challenges when entering Silicon Valley. In all case companies, the acquisition of initial clients was deemed as a driving factor for building credibility, and which consequently positively contributed to growth development of the companies. Building company's credibility was seen as a lengthy process that required high efforts from the founders as expressed by the Co-founder of Company A: *"*Building credibility is like building a house of cards" (Co-founder, Company A, 2020). Furthermore, the lack of initial client partnerships and references in the case of Company F were considered as a slowing factor in the growth development of the firm. At the time of the interview, Company F had not yet acquired its first client in Silicon Valley, however, obtaining a well-known client was deemed as an important factor in building

credibility in the new market: “We are aiming at acquiring a well-known client in order to gain valuable references” (Founder, Company F, 2020).

As mentioned earlier, the innovativeness of the companies’ product played a central role in the companies’ growth strategies. The products were under constant iterations that were driven by competition, customers preferences, and characteristics of the market environment. These factors explain the relatively high allocation of resources into product development in five case companies.

| | **Company A** | **Company B** | **Company C** | **Company D** | **Company E** | **Company F** |
|---|---|---|---|---|---|---|
| **Growth strategies and credibility building** | Participation in well-known accelerator program<br><br>Product pilots with a well-known company<br><br>Industry studies | Focus on niche market<br><br>Acquisition of well-known references | Partnership with a well-known industry company | Selling products at an early stage<br><br>Credibility gained through early revenue stream | Establishment of wide distributor network<br><br>Industry studies and awards | Acquisition of well-known client to conduct product pilots and build credibility |

*Table 7. Case companies’ initial growth strategies*

### *Most important challenges and liabilities*

As mentioned earlier, one of the most important challenges faced by the case companies was the lack of networks in the market. This is in line with Hymer (1976) who suggested that firms face liability of foreignness when entering new markets. Despite four companies having networks in Silicon Valley through earlier experience, the lack of networks was still considered as one of the greatest challenges as often those existing networks were acquired from industries that were irrelevant to case companies and hence, were not considered valuable from a business perspective. This finding is also in line with Johanson and Vahlne (2009) who noted that one of the most important challenges for internationalizing firms was their liability of outsidership that stems from the lack of networks when entering new markets. On the contrary,

they further argued that firms with established networks in foreign markets enjoy the advantage of insidership as they are connected with relevant networks and hence, it is considered as a facilitating factor in successful internationalization. On the other hand, Stinchcombe (1965) suggested that young firms are more likely to fail compared to established organizations as they face liability of newness and lack legitimacy. Moreover, they heavily depend on cooperation with strangers which makes it hard to compete with larger organizations. In line with this view, Hannan and Freeman (1984) argued that new venture firms face liability of newness due to their lack of inertia, reliability and accountability. These types of liabilities were visible in the case companies as being young firms that internationalized early with low resources.

In line with liability of newness, small firms have been noted to face liability of smallness. Aldrich and Auster (1986) suggested that the age and the size of firms is linked to the success of firms. It was proposed that in order to overcome the liability of smallness, firms can partner with larger organizations by franchising, contracting or being acquired by those firms. However, these actions may lead to being highly dependent on other firms resulting in loss of control. In case companies, the liability of smallness can be seen to be overcome by creating and positioning the company in relevant networks in the market.

In addition to the challenges mentioned above, market specific factors such as high administrative and recruitment costs were considered as a slowing factor in the growth development of the case companies. Due to the high costs of the market environment, five case companies had retained product development in the home market. Furthermore, industry specific regulations were prevalent in the market but differed between case companies operating in different industries. Case companies operating in the healthcare industry were particularly prone to regulations and other industry barriers. Table 8 summarizes the most important challenges faced by the case companies during their growth development.

| Company A | Company B | Company C | Company D | Company E | Company F |
|---|---|---|---|---|---|
| Industry specific regulations<br><br>Lack of resources<br><br>Lack of networks<br><br>High cost of the market | High competition of skilled professionals<br><br>Lack of networks<br><br>High cost of the market | Lack of resources<br><br>Unfamiliarity of the product<br><br>Lack of networks<br><br>High cost of the market | Product development (functionality of the product)<br><br>High cost of the market<br><br>Industry specific regulations | Product development (functionality of the product)<br><br>Lack of networks<br><br>High cost of the market | Lack of funding<br><br>High cost of the market<br><br>Lack of networks |

*Table 8. Most important challenges and liabilities affecting growth at case companies*

# 7. DISCUSSION AND CONCLUSIONS

In this chapter, the research results will be discussed and reflected with earlier literature. First, the research questions will be answered and discussed. Second, the theoretical contributions of this research will be presented, and finally the practical implications as well as limitations of the study and recommendations for future research will be discussed.

## 7.1 Summary

The aim of this research was to study how the growth of born global companies occur and what factors affect their growth at different phases of development. In order to fulfill the aim of this research the main research question was formed consequently ***"How does the growth of born global companies occur and what factors affect their growth at different phases of development?".*** In order to coherently answer the main research question and fulfill the aim of this research, three sub-questions were formed which will be now discussed in detail.

The first sub-question was formed as ***"What are the antecedents and drivers for born global firms?".*** In order to answer the main research question, the first sub-question aimed to find out the antecedents and drivers for born global firms while reflecting on the theory of international entrepreneurship. The empirical findings of this research suggest that the most important antecedents and drivers for born global firms are the previous experience of the founding team and the entrepreneurial opportunity recognition of founders that stems from their previous experience. These findings support the earlier literature where opportunity recognition has been linked as a driver for international entrepreneurship (Oviatt & McDougall, 2005; Cavusgil & Knight, 2015). In five case companies, the previous experience of the founding team had been a leading factor in the establishment of the case firm. The experience was gained through earlier work experience from working in the industry, startup companies, and academia. In all six case companies, previous experience had enabled the founders to recognize issues that were present in the industry and consequently recognize opportunities that new innovations could solve. Differences on the intensity of the previous experience in relation to the establishment of the case companies were identified based on the research findings. In three case companies, where the intensity was considered high, the prior experience was gained from the same industry where the case company operated. Furthermore, the members of the

founding team had been closely connected through earlier experience in work life or academia. In addition, entrepreneurial orientation and entrepreneurial characteristics of founders were considered important antecedents for the establishment of the case companies. Based on the analysis of the case companies, all founders had practiced proactive behavior which had led into proactive seeking of new innovative solutions to solve problems in their industry. These factors had also impacted the opportunity recognition of founders and consequently driven the founders to establish the case companies. The findings are in line with earlier literature where proactive behavior of founders has been suggested to be an important characteristic of born global firms (Oviatt & McDougall, 2005) and earlier managerial experience linked as a growth factor of born global firms (Laanti et al., 2007).

The second sub question was formed as ***"What different phases do born global companies progress through?"*** Based on the empirical findings of this research, born global firms progress through three different development phases including introductory phase, resource accumulation phase, and growth phase. The stages were identified based on the interview data where growth development of each case company was discussed in detail. The analysis of the growth phases was then further reflected with secondary data and data triangulation was used to support the growth phases identified from case company interviews. The analysis and descriptions on how the interviewees described the development and growth stages in each case company are further discussed in Chapter 6.3

The three phases of development were identified in five case companies while one case company still remained in the resource accumulation phase. The introductory phase in case companies was short and lasted only between one to three years. During this phase, the companies heavily relied on the founders' unique skills, technological capabilities, and financial resources. In addition, the development of the product was given extensive focus during the introductory phase. Following the short introductory phase, five case companies entered a resource accumulation phase which lasted approximately two to four years. During this phase, case companies established a physical presence in the foreign market while heavily focusing on creating and positioning themselves in valuable networks in order to acquire important client partnerships. Following the resource accumulation phase, five case companies entered the growth phase which was defined by growth in sales and stability emerging from market expansion, the establishment of new office locations, and distribution networks. During this

phase, case companies increased the number of recruitments and focused on agile product development practices in order to maintain their position in the market. In addition to the three growth stages identified, two case companies had been acquired by other organizations during the growth phase.

The third sub-question was formed as follows: ***"What factors affect the growth of born global firms?".*** The empirical findings suggest that factors that affect born global growth are entrepreneurial orientation, availability of resources, firm capabilities, growth strategies and product strategies. Along these factors, specific challenges and liabilities affect the growth of born globals.

*Entrepreneurial orientation* was a positive growth factor in all case companies. In particular, entrepreneurial opportunity recognition, innovativeness, and proactiveness of founders were considered as a positive driver of growth. However, the amount and intensity of entrepreneurial orientation varied between the case companies. It was noted that the intensity of entrepreneurial orientation varied based on the growth strategies of firms and founders' background. Furthermore, it had the most prominent impact on growth during the introductory phase of companies which can be explained by the lack of resources that was faced by the case companies during their early existence. These findings support earlier studies where higher entrepreneurial orientation usually takes place during the early phases of firms' development (Kuivalainen et al., 2007). In addition, high risk-taking during the introductory phase allowed faster growth in case companies. In case companies where risk taking was considered to be lower, the growth development was also moderate. In addition, it can be concluded that higher entrepreneurial orientation correlated with more ambitious growth strategy and consequently faster growth.

*Resources* - Funding from government and private investors was a critical factor in the success of the case companies which is in line with earlier literature that suggests that lack of financial resources affect the survival of born globals (Carpenter & Peterson, 2002; Luostarinen & Gabrielsson, 2004). In addition, findings suggest that obtaining funding was easier for firms where founders had high expertise in the field gained through previous experience, operated in the high technology sector, and whose products were scalable, highly innovative, and had proved to have market demand from the very beginning. This is partially in line with earlier

research, where innovative products have been considered highly important in the successful globalization of born global firms (Laanti et al., 2007). The importance of funding varied depending on the amount and time of funding, however, no clear similarities on the importance of funding during different development phases were discovered but were rather unique to each case company. Furthermore, unlike previous studies have suggested (see e.g., Zhang, 2009) that the founders' previous startup experience is positively correlated with easier access to venture capital, the findings of this study did not support such linkage.

*Employees' previous international experience* and unique know-how positively contributed to growth at case companies. The previous experience of founders had the highest impact on growth during the introductory phase of the companies when founders used their skills and know-how gained from earlier experience to cope through the challenges faced during the early existence. Earlier literature suggests a similar linkage between founders' previous experience in relation to born global growth (Madsen & Servais, 1997). In addition, unique skills of employees were considered important growth factors in all case companies. Employees' unique skills had the highest impact on growth in firms where high technological expertise was required. In addition, the recruitment of local employees was considered as a factor positively contributing to growth and particularly important in marketing and sales related roles, where networks were regarded to play an important role in building client partnerships. This finding is partly inconsistent with earlier research where it has been suggested that marketing functions in born global firms should be kept in house rather than outsourced (Hashai & Almor, 2004). The difference between these findings, however, may stem from the Silicon Valley research environment as it was suggested by the interviewees that it was deemed important to recruit local marketing and sales professionals that had established networks in the region. In addition, these professionals had the advantage of having deep market knowledge compared to the founders of the case companies.

*Three different types of capabilities* impacted growth of born global firms. Networking capabilities played a crucial role in born global growth in all case companies which is in line with findings by Gabrielsson and Gabrielsson (2009) who suggested that born globals can overcome the liability of resource scarcity by positioning themselves in relevant networks in new markets. Shepherd and Katz (2005) noted that networking capabilities are regarded as the most important capabilities since they are prominent for all new venture type of firms regardless

of the industry or competitive market environment. The findings of this study similarly suggest that case companies aimed at positioning themselves in relevant networks in order to overcome the liability of smallness and lack of resources. Networking capabilities were considered most crucial during the resource accumulation phase of the case companies which was characterized by aggressive seeking of relevant networks and clients in the new market. In addition, dynamic capabilities played an important role as product iterations were conducted in a constant manner and quick reaction and adjustments in the changing market environment were required from all case companies. The possession of dynamic capabilities was considered particularly important during the resource accumulation phase when product pivots were driven by competition, customer orientation and industry specific regulations and barriers. In line with these findings, earlier research has suggested that there is a positive linkage between dynamic capabilities of born globals and the growth and survival of these firms (Gabrielsson & Gabrielsson, 2009). In addition to networking and dynamic capabilities, technological capabilities were considered highly important especially in companies with high technology products.

*Companies' strategies* had an impact on growth in case companies. One of the most important decision in the case companies' strategies was the establishment of a physical presence in the new market which is in line with Rangan & Adner (2001), who suggested that despite the technological advances and companies' online presence, it is vital for born globals to establish concrete presence in new markets. It can be further elaborated that presence needs to be permanent with at least one employee dedicated and responsible for the foreign market operations. In addition, the findings suggest that the earlier the presence was established, the faster the growth was. It is also important to take into account the unique market environment of Silicon Valley which was suggested to have an impact on the early investment of physical presence due to the high competitiveness of the market. Furthermore, the early presence positively contributed to the creation of market networks which were considered vital for growth in Silicon Valley. The strategy to enter Silicon Valley was often driven by the highly innovative products of the case companies. Based on the empirical findings it could be argued that the case companies considered Silicon Valley as the most suitable market to enter as all case companies had highly innovative products that had very little demand in other markets during the early phases of the companies.

The growth strategies of born globals often included participating in an accelerator or market entry program. The benefits that born global companies gained from such programs varied and were dependent on the objective and type of programs. The case companies' participation in such programs was driven by the goal of gaining product validation, credibility, building networks, and to obtain market knowledge. Difficulty in getting access to such programs seemed to depend on the reputation and potentiality of companies. Furthermore, case companies relied on growth strategies that were product focused. Building credibility and obtaining valuable references were the most important factors affecting growth at the early phases of the companies. Credibility was gained through product pilots, industry specific recognitions, and references gained through initial customer acquisitions.

Lastly, born global growth is affected by numerous challenges. The most important challenges that companies faced were the lack of networks and resource scarcity. In addition, the challenges specific to the research environment was the high cost of Silicon Valley.

In order to answer the main research question ***"How does the growth of born global companies occur and what factors affect their growth at different phases of development?"*** a framework is developed to illustrate the growth phases of born global firms and the factors that affect growth during different phases. As mentioned earlier, the research results suggest that the growth and development of born global firms occurs through three different phases: introductory phase, resource accumulation phase, and growth phase. Furthermore, the occurrences taking place during the pre-incorporation phase of case companies lay the foundation for the antecedents and drivers for born global firms. Building on the analysis of growth phases of born globals and factors affecting their growth, Figure 12 integrates these findings illustrating the factors that affect born global growth during different development phases, consequently answering the main research question of this study.

Partially in line with three growth phases of born globals introduced by Gabrielsson et al. (2008), this study suggests somewhat similar development phases but further illustrates the most important factors affecting growth during each development phase. The growth factors are categorized into entrepreneurial orientation, resources, capabilities, strategies, and market activities.

As illustrated in Figure 12, the pre-incorporation phase of born globals lays the foundation for factors acting as antecedents and drivers for international entrepreneurship and consequently the establishment of born globals. The most important antecedents are the previous experience of founders as well as entrepreneurial orientation and entrepreneurial characteristics such as proactiveness, innovativeness, and global mindset. These factors contribute to opportunity recognition of founders which can be seen as a positive driver on the establishment of the case companies.

As illustrated in the framework, the introductory phase was characterized by global vision from inception leading to internationalization activities from the early days of existence. The most important capabilities and resources during the introductory phase were the technological capabilities and opportunity recognition of founders as well as financial resources, high-skilled employees, and previous experience of founders. As mentioned earlier, the introductory phase was short and lasted only between one to three years. In addition, prominent focus was given on product development and product pilots during this phase.

The resource accumulation phase of the companies was characterized by establishing physical presence in the new market and strategies leading companies to aggressive customer and partner acquisitions, product validation, and credibility building. Networking capabilities in particular were considered to play an important role during the resource accumulation phase of the companies. The transition to growth phase was enabled by the increased number of client references gained, credibility built, and sufficient financial resources that led into additional recruitments, broadening of distribution networks and establishing new offices and other investments in the new market. After reaching the growth phase, born globals either sustained continuous growth or ended up being acquired by other organizations.

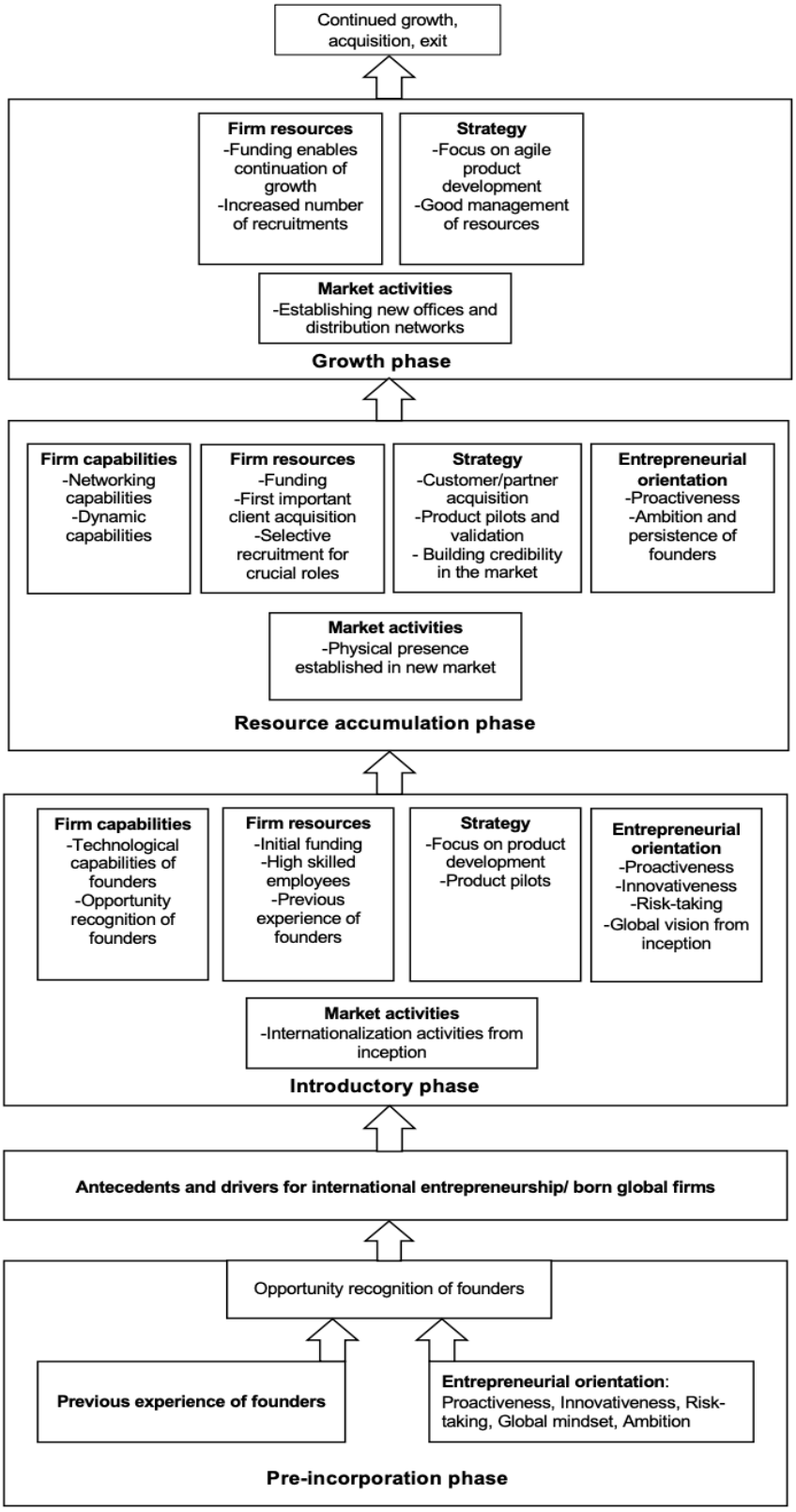


*Figure 12. Factors affecting born global growth at different development phases*

## 7.2 Theoretical contributions

As discussed earlier, literature on born global growth development and what happens to born global companies beyond internationalization still lacks coherent research. (Picken 2017; Hagen & Zucchella, 2014; Kuivalainen et al., 2012; Gabrielsson et al., 2008; Autio et al., 2000). In addition, research on born global growth pathways and factors affecting growth yet remains scarce (Lindqvist et al., 2010; Coviello & Jones, 2004; Gabrielsson et al., 2008; Autio et al., 2000). Hence, the aim of this study was to contribute to this gap in the literature as it is deemed important to study the development of born globals and how they become established companies, as their impact on economic growth has been widely noted in the past few decades (Zander et al., 2015). Moreover, as a high proposition of born global firms fail during their early years of existence (Sleuwaegen & Onkelinx, 2014), it is considered important to study what factors contribute to successful development of these companies.

The most important theoretical contribution of this study is the integration of the growth development phases of born globals with factors that affect growth during the different phases. Based on the in-depth analysis of the case companies, growth phases, and factors affecting growth, a framework illustrating the findings was developed (Figure 12). This study is one of the few attempts to explain the growth of born globals while integrating the factors affecting growth during different phases of developments. Few earlier studies have attempted to explain the growth of born globals where growth factors have been somewhat integrated with time dimension, (see e.g., Hagen & Zucchella 2014; Gabrielsson & Gabrielsson, 2009; Gabrielsson et al., 2008) however, this study further emphasizes on the timing and the intensity of factors affecting growth as well as the interplay between the different factors. At the same time, this study also sheds light on the development of born globals beyond internationalization which still lacks coherent research (Zahra, 2004; Picken, 2017).

Based on the empirical findings, born globals progress through three phases: introductory phase, resource accumulation phase, and growth phase. In addition to the three phases identified, the pre-incorporation phase and the antecedents and drivers for born globals were studied. The phases were identified based on the in-depth analysis of each case company.

Conclusions on phases that case companies progress through were made based on important incidents and were further elaborated by using data triangulation with secondary data. The researcher's analysis of the phases was then compared to the phases identified by the interviewees who described the shift from one growth phase to another during the interviews. These findings have similarities to the three-phase model introduced by Gabrielsson et al. (2008), however, the second phase of their model was defined as "growth and resource accumulation phase" whereas based on the findings of this study, notable growth is only gained after resource accumulation phase and growth is obtained through the resources and networks gained during the resource accumulation phase.

The findings of this study suggest that the most important antecedents and drivers for born global firms are the previous experience of company founders and the opportunity recognition that stems from their prior experience. Furthermore, the intensity of this correlation is higher in cases where the founders' previous experience has been gained from the same industry and the members of the founding team have been connected through earlier experience. Similarly, proactive behavior of founders plays as an important antecedent for opportunity recognition of founders and subsequently the establishment of born global firms. These findings are partially in line with Gabrielsson et al. (2008) who suggested that experience gained during pre-incorporation phase of born globals can ease the challenges faced during the introductory phase of the company. During the short introductory phase, the company heavily relies on founders' unique skills, technological capabilities, and financial resources. Furthermore, the research findings suggest that entrepreneurial orientation plays the most dominant role during the introductory phase which is in line with earlier research (Kuivalainen et al., 2007; Gabrielsson & Gabrielsson, 2009). Earlier findings have suggested that growth during the introductory phase of born globals is heavily dependent on the company's selected channel strategy and networking approach, however, the findings of this study suggest that these factors have more dominance later during the resource accumulation phase when born globals aggressively seek of relevant networks in order to obtain client and partner acquisitions. Resource accumulation phase can be characterized by establishing physical presence in foreign market and as mentioned earlier, aggressive seek of relevant networks and channels. The findings indicate that networking capabilities are the most crucial during this phase as born globals aim to position themselves in relevant networks. Unlike suggested by Gabrielsson and Gabrielsson (2009) and Gabrielsson et al. (2008), the born globals studied in this research

experienced very little growth or revenue during the phase followed by the introductory phase. Hence, this study suggests than born globals progress through two distinct phases of development before obtaining proper growth. In addition to the three development phases identified in this study, the pre-incorporation phase as well as a phase when born global may be acquired by another firm could be integrated with the stages of born global development in future research.

## 7.3 Practical implications

The results of this study offer many practical implications for managers of born global companies who aim for rapid growth and early internationalization into global markets. First, the findings of this study provide insights on the many challenges that firms may face when entering a new market as a resource restrained company. As the findings suggest, financial resources were considered invaluable throughout the development of the companies, however, the importance of funding differed based on timing and amount of funding. It was noted by all case companies that establishing physical presence in the new market is crucial for a company's success. Even though it was elaborated by some of the case companies that in the modern world where information technology and connections enable instant communication across the globe, physical presence is still considered highly important and should be established as early as possible. This is in line with Rangan & Adner (2001), who noted that it is vital for born global companies to establish presence in the new markets despite the technological advances, as local presence builds trust among customers, helps localization of products, and is needed for investments in local marketing. The findings of study also suggest that the acquisition of first client partnerships highly depend on the networking capabilities of the founders which should encourage future managers of born globals to heavily focus on creating and using networks as a valuable resource. As the results of this study indicate, born globals can benefit from different types of accelerator programs as well as market entry programs for various reasons and hence, exploring opportunities through this type of programs is highly encouraged. Lastly, it was mentioned by a few case companies that investing in the future development of the company was considered as an integral part of the growth strategy, which was visible in the companies' investments in technology and operational systems. This forward-looking vision had enabled to "stay one step ahead" as new systems and technology contributed to efficiency and saved resources in the long run.

## 7.4 Limitations and future research

As all research papers, also this study has certain limitations. The qualitative data in this research was gathered through semi-structured interviews. While a qualitative research method was considered as a good methodological choice for this study as it enabled longitudinal research of the phenomenon, qualitative method can also pose some limitations. Longitudinal studies are always prone to memory biases, however, the risk for memory bias of interviewees selected for this research was considered low as the time span was relatively short and data triangulation was used as a method to verify the timing of critical incidents in the case companies' development.

This study only focused on Finnish born global companies that have internationalized to Silicon Valley during their early years of existence which acts as a limitation. In particular, the research environment of Silicon Valley used in this research can pose certain limitations. As Silicon Valley is often considered as a highly competitive and expensive market environment for companies to operate, it could be argued that the case companies participated in this research were successful born global companies whose performance was above average as they had succeeded in such market environment. Hence, the results driven from this study might not be directly comparable and generalized with born globals studied in different settings. Nevertheless, despite the case selection being narrowed down to the aforementioned criteria, it enabled the researcher to draw coherent conclusions as the phenomenon was studied in a specific setting.

The development phases of each case company were identified from empirical data. Conclusions on phases that case companies progress through were made based on important incidents and were further elaborated with the help of data triangulation of secondary data. The researcher's analysis of the phases was reflected on the phases identified by the interviewees who described the shift from one growth phase to another during the interviews. As development phases were partially defined by interviewees' experiences and personal views of the companies' development, certain limitations to the phase identification may be present in this study as it is not possible nor rational to draw strict divisions in time dimension. Hence, further research is encouraged to test the phases identified in this research.

Considering the research environment of Silicon Valley, questions have arisen as to whether the market that was once the birthplace of some of the world's most successful technology companies will exist in the future. Factors such as the dominance of large technology companies, changing regulations, change in investor attitudes, and ethical capitalism are expected to have an impact on the technology industry and Silicon Valley (Gavet, 2020). Hence, further research on the dominance of the region as a technology capital and a global startup hub can act as an interesting area of research.

Lastly, the research gap for this study was defined based on the scarcity of longitudinal studies on born global growth development as today the field still lacks coherent research. Hence, it is suggested that more longitudinal studies on born global development will be conducted in the future with a focus on different markets and industries.

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# APPENDICES

## Appendix 1. Coding of qualitative data

| Category | Code |
|---|---|
| First level category:<br>International entrepreneurship | 1st lever priori code:<br>IE |
| Subcateogry: previous experience | Subcode: IE-PREV-EXP |

| Code | Company A | Company B | Company C | Company D | Company E | Company F | Summary |
|---|---|---|---|---|---|---|---|
| IE-PREV-EXP | "I established my first startup in 2005. The experience from the earlier firm taught me that internationalizing as a small firm can be challenging" | "I have experience from Silicon Valley through my earlier firm"<br><br>"Each member of the founding team has prior software industry experience as well as international experience" | "The founding team has extensive amount of international experience gained through earlier work experience"<br><br>"I knew the area (Silicon Valley) quite well as I had lived there before" | "The whole founding team has experience from the area (Silicon Valley)"<br><br>"The experience gained from here (Silicon Valley) had a notable effect on the founding team" | "Due to my previous experience in similar roles and international experience, it was easy for me to jump into this role" | "I have gained a lot of international experience while working around the world, including the USA"<br><br>"I have 15 years of experience from Silicon Valley" | In five case companies, there were prominent international experience gained through earlier firms. Four case companies had previous experience from Silicon Valley. |

## Appendix 2. Abductive method in coding qualitative data

| **Priori Codes** | **Code** | **Sub codes:** | **Code** | **Data driven findings (abduction)** | **Data driven code** |
|---|---|---|---|---|---|
| International entrepreneurship | IE | Risk-taking | IE - RISK | Change in risk-taking | IE-RISK-CHANGE |
| | | Previous experience | IE - PREV-EXP | Global mindset driven from previous experience | IE-PREV-EXP-GLOBALM |
| **Priori Code** | **Code** | **Sub codes:** | **Code** | **Data driven findings (abduction)** | **Data driven code** |
| Challenges/Liabilities | CHALL | External challenges<br>Internal challenges<br>Liability of newness<br>Liability of foreignness | EXT-CHALL<br>INT-CHALL<br>CHALL-NEWN<br>CHALL-LOF | Strategy to overcome liability of foreignness | CHALL-LOF-STRG |
| **Priori Code** | **Code** | **Sub codes:** | **Code** | **Data driven findings (abduction)** | **Data driven code** |
| Critical incidents | CRITIC-INCI | Firm critical incidents<br><br>Critical incidents in industry | FIRM-CRITIC-INCI<br>CRITIC-INCI-INDUS | Luck in relation to critical incidents | CRITIC-INCI-LUCK |

### Extraction of data driven codes from interview data

| **Extract from interview data** | **Priori code** | **Data-driven code** |
|---|---|---|
| "As we were new in the market and did not have any connections or networks in Silicon Valley, our strategy was to apply for a well-known accelerator program in order to gain networks and succeed in this market." (Co-founder, Company A, 2020) | Liability of foreignness<br><br>Code: CHALL-LOF<br><br>"As we were new in the market and did not have any connections or networks in Silicon Valley…" | Strategy to overcome liability of foreignness<br>Code: CHALL-LOF-STRG<br><br>"…our strategy was to apply for a well-known accelerator program in order to gain networks and succeed in this market." |

## Appendix 3. Interview guideline

The interview questions presented here served as a guide for the interviewer. The questions were not always asked in the exact order or format as interviewees were allowed to talk freely in order to draw as much information from the responses as possible. However, the interviewer ensured that all critical information regarding the research objective were gained from each company.

### Company initiation and entrepreneurship

1. Tell me about yourself and how did you become an entrepreneur?
2. Tell me about the company. How was the company initiated and how did the idea for the product/service emerge?
3. How would you describe the founding team of the company?

### Early phase of the company

1. What were the biggest challenges at the early phase of the company?
2. What were the biggest changes at the early phase of the company?
3. How did you estimate demand for your product?
4. How was the competitive advantage of the company regarded at the early phase of the company?

### Internationalization

1. Tell me about your company's internationalization to Silicon Valley.
2. Tell me how and why the decision to enter Silicon Valley was made.
3. What was the entrepreneurs'/team's role in the decision to internationalize?
4. How did you estimate the demand for your product in the foreign market?
5. If you did, what kind of challenges did you face when entering the market? How did you overcome those challenges?
6. How did your company change due to internationalization?

**Post internationalization**

1. What challenges did the company face on the market after internationalization?
2. What were the most important success factors for your company to succeed in the new market?
3. How was your company's credibility built on the new market?
4. Has your product changed over time? If yes, how and why?

**Growth**

1. What factors have positively contributed to the company's growth?
2. What factors/ challenges have negatively affected the company's growth?
3. What have been the most important events in the company's journey so far?

**Present and future plans**

1. Tell me about your company's present situation. In which stage is your company at the moment?
2. What kind of future plans do you have?

Is there anything else you would like to add?

Thank you.