BORN GLOBAL: CHALLENGES AND SUCCESS FACTORS

CASE VAADIN OY

BORN GLOBAL YRITYSTEN HAASTEET JA MENESTYSTEKIJÄT

Autumn 2013

Autumn 2013
Date: 05.01.2014
Joni Helminen 0359482
Supervisor: Anssi Tarkiainen
Opponent: Pauliina Määttä
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1. INTRODUCTION

The ever-increasing international trade of recent years seems to indicate that the decision to internationalize for many new firms is no longer an option, it's a necessity. Research on multinational corporations has shown that internationalization is generally a slow process; both the Uppsala Model of Johanson & Vahlne (1977) and the Innovation-based models of Cavusgil (1980) and Reid (1981) implicate that the process of internationalization takes a significant amount of time and that it's orchestrated gradually in stages. These traditional models suggest that internationalization requires ample resources, experience and unique organizational characteristics that enable their internationalization strategies to evolve over time and therefore incrementally overcome the barriers of entry.

However, in contrast to the traditional approach there is recent evidence of firms that aim for global markets upon inception. Technological progress has allowed for firms to organize across countries and markets easier than ever before, and the recent reduction of trade-barriers has created newfound possibilities. Welch and Luostarinen (1988), along with Oviatt and Mcdougal (1994) first recognized this new phenomenon and trend of a new breed of firms. They called them International New Ventures (INV) that, according to Oviatt's and Mcdougall's definition, are business organizations that from inception, seek to derive significant competitive advantage from the use of resources and the sale of outputs in multiple countries. Later through other researchers the term "Born Globals" (BGs) became more popular and that is what this thesis will use exclusively when referring to these types of companies.

1.1 Research objectives

Current research on Born Globals has focused on how to launch and grow a small firm to satisfy the needs of customers in a global niche (Cavusgil and Knight, 2009; Knight and Cavusgil, 1996; Madsen and Servais, 1997), but many researchers have approached the Born Global phenomenon by focusing on a specific characteristic of these firms or through specific causalities and interactions such as strategic
leadership, importance of networking or entrepreneurial capabilities (e.g. Karra et al. 2008; Gleason et al. 2006; Rialp-Criado et al. 2010; Sepulveda & Gabrielsson, 2013). These studies seek to understand the early internationalization process of BGs but a comprehensive study on the success factors along with operational risks and challenges of BGs has yet to be compiled.

This thesis will attempt to discover and outline the two ends of the spectrum: typical risks and challenges that Born Globals face, as opposed to the firms internationalizing the traditional way, as well as the success factors that define a Born Global’s growth and survival. Additionally, a case study of a Finnish BG firm in the software industry will be included to interconnect theory and practice in a way that managers looking to establish a Born Global business should also find useful.

1.2 Research problems and limitations

In this thesis the success factors along with risks and challenges of BGs will be studied through the following main research questions and with the help of a few interconnected sub questions:

**Main research questions:**

- What are the risks and challenges that Born Global firms face?
- What are the success factors of BGs needed for survival and growth?

**Sub questions:**

- What are the typical characteristics of BGs, and how do these characteristics contribute to the Born Global way of doing business?
- How do the characteristics, challenges and success factors of BGs correlate and synthesize with each other?
As this thesis is limited in its scope and objectives, some limitations must be recognized in order for it to maintain its focus. This thesis will focus on firms classified as Born Globals, as per the definition earlier, regardless of their industry or country of origin. Born Globals have been studied from various angles, and because of this wideness of scale, this thesis will focus mainly on the risks and challenges of BGs, and on the success factors of BGs. Also, most of the information available and studies done on the BG phenomenon are heavily related to high technology industries. The case company of this thesis also operates in the software industry, and therefore some bias towards the focus on high technology industries may be perceptible. It's also useful to keep in mind, that as a bachelor's thesis, this study is rather limited. The empirical part of the thesis will consist solely of the case study of Vaadin Oy and its analysis, and as such, the results can hardly be generalized.

1.3 Research methodology and literary review

The theoretical part of the thesis will utilize all existing literature on Born Globals and articles published by various academic journals to provide a comprehensive picture of studies done on BGs in different countries. Most of the academic articles have focused on a particular aspect about Born Globals which are not the focus of this thesis, thus only the relevant information for this thesis was assorted, collected and noted.

The final part of this thesis was compiled through the qualitative research method of case-study, showcasing the particular situation of a Finnish BG company, Vaadin Oy. An interview with the CCO of the company was conducted semi-structurally with predetermined questions but room for open discussion on the topic. Beyond the objective information, the aspiration was to tap into the subjective information of the interviewee thus allowing deeper meanings, thoughts and arguments to be brought forth. A general framework of themes was chosen and utilized in the interview. The answers were translated and the questions are presented in the appendix.
1.4 Theoretical framework

The theoretical framework depicts the underlying factors influencing the Born Global literature and the highlighted focuses on specific research subjects. The traditional models of internationalization take the role of comparison objects and as such, affect the literature field. Academic literature has been focusing on the upper side of the bracket, on specific factors affecting for example the speed of internationalization in Born Global firms. This thesis will focus on the characteristics, and the challenges and risks to produce a synthesis leading to the general success factors.

Picture 1. Theoretical framework
1.5 Key concepts and definitions

**Foreign direct investment:** Foreign direct investment (FDI) is essentially an investment made by a company or entity based in one country, into a company or entity based in another country. Foreign direct investments differ substantially from indirect investments such as portfolio flows, wherein overseas institutions invest in equities listed on a nation's stock exchange. Entities making direct investments typically have a significant degree of influence and control over the company into which the investment is made. Open economies with skilled workforces and good growth prospects tend to attract larger amounts of foreign direct investment than closed, highly regulated economies. (Investopedia, 2013)

**International entrepreneurship:** International Entrepreneurship is in essence entrepreneurship in a global setting: "The process of an entrepreneur conducting business activities across national boundaries" (Odorici & Presutti, 2013). As more countries become market oriented and economically developed, the distinction between foreign and domestic markets is becoming less pronounced. As people, global entrepreneurs are professionals who use their global understanding and connections to identify transnational and cross-cultural opportunities and turn them into new value-creating initiatives.

**Resource-based view:** As a basis for the competitive advantage of a firm, the resource-based view (RBV) presents the valuable bundle of tangible and intangible resources at the firm's disposal (Wernerfelt, 1984, p172). To transform a short-run competitive advantage into a sustained competitive advantage requires that these resources are heterogeneous in nature and relatively stationary (Peteraf, 1993, p180). Effectively, this translates into valuable resources that are neither perfectly imitable nor substitutable without great effort (Barney, 1991, p117). If these conditions hold, the bundle of resources allows the firm to remain competitive.
**Traditional firms:** "Traditional firms" are sometimes referenced in this thesis and in some academic articles, referring to the traditional models of internationalization (Johanson & Vahlne, 1977; Cavusgil, 1980; Reid, 1981), versus the Born Global - model of "instant-internationalization". Traditional firms here represent the traditional way of internationalizing.

**Venture capital:** Venture capital (VC) is financial capital provided to early-stage, high risk, startup companies that focus on fast growth. The venture capital companies make their profits owning equity in the companies they invest in, usually involving high technology industries such as biotechnology, IT and software companies. All venture capital is private equity. It's attractive for fresh companies as they are often too small to raise capital in the public markets, or able to secure a bank loan. Also, venture capitalists often get some amount of control over the company's decisions, in addition to the portion of the ownership. (PrivCo, 2012)

**White paper:** Since the early 1990s, the term "white paper" has been associated with documents used in marketing or as sales tools in business. These kinds of white papers are long-form content designed to promote the products or services from a specific company. As a marketing tool, these papers use selected facts and logical arguments to build a case favorable to the company sponsoring the document. Business-to-business (B2B) white papers are often used to generate sales leads, establish thought leadership, make a business case, or inform and persuade prospective customers, investors, channel partners, analysts or journalists. (Kantor, 2009, p. 167)

**1.6 Structure of the thesis**

After this introduction, the thesis will introduce the reader to the Born Global phenomenon. Distinctive characteristics, typical risks and challenges as well as success factors will be closely examined in the second chapter. In this section the thesis presents general findings from different researches while adding additional
analysis to form a meaningful holistic package. After that, a synthesis will be presented linking the characteristics, challenges and success factors together. The final part of the thesis will focus on a case study conducted on a Finnish Born Global company, Vaadin Oy, to link theory and practice. Analysis will be conducted to determine common denominators. Finally, the last chapter includes discussion, future research areas and conclusions to wrap up the findings.
2. BORN GLOBALS

As mentioned in the introduction, the phenomenon of “Born Globals” as we know them today is relatively new, but the studies done on them in the last two decades paint a rather comprehensive picture, with growing significance as a current research topic in this field. In this thesis, a Born Global firm is defined according to the original model of International New Ventures (INVs) pictured by Oviatt & McDougall (1994), and further through Knight and Cavusgil (1996) as "small, technology-oriented companies that operate in international markets from the earliest days of their establishment". Multiple studies also limit their definition of BGs according to the time it takes for a firm to enter foreign markets. The time from a BG’s founding in its home country to initial foreign market entry is often three or fewer years (e.g.; Gleason et al. 2006; Knight, 2004; Li et al. 2012), so this is the acceptable time frame, also adopted in this thesis, for considering a firm a Born Global.

Knight et al. (2004) recognize that the Born Global phenomenon presents an important challenge to traditional internationalization theories. They outline a few unique features in their paper that help the reader recognize how typical BGs conduct their internationalization process. First, internationalization in BG firms occurs very early following the establishment of the firm. Second, initial selling and foreign selling is usually targeted to numerous markets simultaneously. Third, initially targeted markets can be physically and psychically distant from the home country. Fourth, the initial foreign market entry mode may be one of several types, including exporting, joint ventures, licensing and in some cases foreign direct investment (McDougall & Oviatt, 2000). Fifth, BGs are typically highly entrepreneurial in their international activities and not particularly averse to risk taking.

2.1 Distinctive characteristics

Since the expansive growth of the Born Global concept, much of the established literature has tended to overlook some aspects of BGs characteristics, especially outside high technology sectors (Taylor & Jack, 2013). As such, it’s useful to distinguish the most distinctive characteristics of BGs from different perspectives to
fully understand the challenges that these types of firms face, and how they’re typically capable of overcoming these challenges. Some challenges and success factors will be noted here, insofar as they’re relevant to the characteristics. In the following sections, this thesis will examine closely two different perspectives, one of Luostarinen and Gabrielsson (2004) and one of Tanev (2012). These perspectives were chosen as they bring different angles to the discussion. They’ve been named strategic and technological perspectives here, respectively, for the major standpoints that they represent.

2.1.1 Strategic perspective

According to Luostarinen and Gabrielsson (2004), Born Globals have seven discernible characteristics:

Born Globals

(1) start international operations before or simultaneously with domestic ones,

(2) base their visions and missions mainly on global markets and customers from the inception,

(3) plan their products, structures, systems and finances on a global basis,

(4) plan to become global market leaders as part of their vision,

(5) use different product, operational and market strategies than firms have traditionally done,

(6) follow different global marketing strategies,

(7) grow exceptionally fast on global markets.

This strategic perspective above attempts to classify Born Globals by the way they generally plan their business model. The first four points emphasize the global
mindset of Born Globals in general as the only road to success. The fourth point scrapes the surface of the risk-seeking mentality that Born Globals generally need to adopt (McDougall & Oviatt, 2000). This will be taken a closer look further in the success factors.

The entrepreneur or managers have the main role in guiding the BG organization through the early stages of internationalization and communicating the mission and vision to the workers, who, in turn, communicate the message to their global customers. The strategic perspective also takes a more holistic approach on the differences with traditional firms than the technological perspective and notes the differences with traditional internationalization strategies.

The fast growth on global markets noted in this perspective has multiple reasons. Born Globals typically operate in dynamic markets where the windows of opportunity open and close rapidly. Their survival, and to an extent, their success is determined by how quickly, efficiently and holistically they anticipate and then act upon these opportunities (Nordman & Melen, 2008). Freeman et al. (2012) found in their study, that BGs use their technological knowledge and networking capabilities and are more proactive when they enter culturally non-proximate markets. Part of the traditional Uppsala internationalization model is the gradual entering to foreign markets where culturally proximate markets are easier to enter than culturally non-proximate markets (Johanson & Vahlne, 1977). Freeman also mentions that Born Globals must assess a new market for its ability to provide a steady revenue stream soon after entry. If the culturally proximate market does not offer this, they will leverage their intangible resources such as technological knowledge and networks to move rapidly to nearby non-proximate markets much quicker than traditional firms, where they perceive better opportunities for building a customer base.

For Born Globals, the fast pace of internationalization is essential, as presented in the seventh point. If a firm that attempts to go global from inception slows down the process of internationalization either deliberately or by consequence of a number of
challenges, a BG can "run out of gas" before they get their global network in place. The drive, vision, experience and capabilities of the entrepreneur have been considered to be a key driver in the pace of born global firm internationalization (Autio et al., 2000; Knight and Cavusgil, 2004). In particular, the ability to assess, identify and act on opportunities is considered vital (Oviatt and MacDougall, 2005).

2.1.2 Technological perspective

Tanev (2012), on the other hand, identifies eight distinctive characteristics of Born Globals that differ in perspective from Luostarinen and Gabrielsson's point of view. Tanev also notes that these characteristics befall more accurately on the technology sector's Born Global firms, but the theory is applicable in all industries:

(1) High activity in international markets from or near the founding
(2) Limited financial and tangible resources
(3) Present across most industries
(4) Managers’ strong international outlook and international entrepreneurial orientation
(5) Emphasis on differentiation strategy
(6) Emphasis on superior product quality
(7) Leveraging advanced technology, particularly ICT
(8) Using external, independent intermediaries for distribution in foreign markets

High activity in international markets from or near the founding is self-explanatory. Born Global firms begin exporting their products or services mostly within three years after their founding (Knight, 2004). Most BGs utilize stages of internationalization,
such as collaborating with foreign partners, or using foreign direct investment (Tanev, 2012). Limited financial and tangible resources, on the other hand, have been noted by multiple scholars (e.g. Rasmussan et al. 2001; Gleason et al. 2006; Cardwell et al. 1999). Born Global firms tend to be relatively small and have far fewer financial, human, or other tangible resources, compared to large multinational companies that represent the traditional models of internationalization. This aspect will be taken a closer look as we familiarize ourselves with the underlying challenges of Born Global firms.

Most Born Globals are technology-based or straight up high-technology firms. However, some studies suggest that the Born Global phenomenon is spread widely along other sectors (Moen, 2002; Rennie, 1993). For instance, in Denmark, Madsen and Servais (1997) found BG firms in industries such as processed food, furniture, metal fabrication, and consumer products. The managers having a strong international outlook, on the other hand, is pivotal to the successful birth of BG firms. Managers in BG firms do not see foreign markets as mere additions to their domestic markets. They possess a strong entrepreneurial mindset that allows them to seek opportunities beyond physical borders. They proactively and aggressively compete in international markets; they take risks, and innovate (Tanev, 2012).

BG firms also tend to adopt differentiation strategies by developing differentiated designs and highly distinctive products that target niche markets, which may be too small for the tastes of larger firms (Kuivalainen, et al. 2006). The focus is on promoting customer loyalty by meeting unique and very particular needs. The once popular business strategy model “Blue Ocean” illustrates this well. Blue Ocean Strategy suggests that an organization should create new demand in an uncontested market space, rather than compete head-to-head with other actors in an existing industry to maximize growth and profit (Kim & Mauborgne, 2005). The strategic perspective refers to this same concept, and the authors argue that Born Globals are typically found in niche business areas where products are unique, and require high amount of research and development (Luostarinen & Gabrielsson, 2004).
Emphasis on superior product quality and the tendency to leverage advanced information and communications technology (ICT) is interconnected. Born Global firms are often at the leading technological edge of their industry or product category and they generally strive to exploit business opportunities based on the development of new products or services that are better designed and higher quality than competitors’ offerings (Cavusgil & Knight, 2009). ICT, in turn, allows them to process information efficiently and communicate with customers and partners alike worldwide practically at zero cost.

Exporting and leveraging independent intermediaries, on the other hand, enables flexible international operations. The ability to enter or withdraw from foreign markets relatively quickly and easily is especially relevant (Tanev, 2012). More experienced Born Global firms seem to adopt additional strategies, such as joint ventures and foreign direct investment (Cavusgil and Knight, 2009).

2.2 Risks and challenges

Born Globals face very different challenges compared to traditional firms that internationalize the long way. The overwhelmingly most popular notion that researchers have made, is the limited resources -factor that BG firms have to make do with (e.g. Cardwell et al. 1999; Rasmussan et al. 2001; Gleason et al. 2006). This is not particularly surprising. Born Globals lack the time for preparation and growth older firms have had competing in the domestic market. Lack of economies of scale (Freeman et al. 2006) is also closely related; Born Globals tend to be small firms that rely on other virtues to succeed in the global markets.

From the entrepreneurial and management point of view, the founders of Born Globals face the greatest challenge. These types of challenges include but are not limited to the process of globalizing the firm, investing a substantial amount of money in creating global networks, starting global marketing and sales activities and continuous product development during the initial stage when the firm has just been
founded with very limited financial resources all the while being inexperienced in global affairs. In a situation like this, effective prioritizing becomes vital.

Luostarinen and Gabrielsson (2006) note that young founders of Born Globals are often forward going and fearless, relying on their own skills and abilities and therefore selecting other young and educated, "likeminded" people with little business experience in their management teams. The role of advisory board members in guiding these entrepreneurs is extremely important for their long term success. Any external assistance from more experienced parties also expedite the learning process. Gleason et al. (2006), on the other hand, found in their study that Born Global managers and directors have more international experience than purely domestic firms, and that a great deal of the profit-inducing intangible assets come from this experience. This experience, however, does not always come strictly through age, as the age parameter of the managers in both Born Globals and traditional firms in their study did not differ significantly.

Gleason et al. (2006) and Luostarinen & Gabrielsson (2006) also suggest that BG firms rely more heavily on venture capital involvement, than their domestic counterparts. Venture capital (VC) is essentially financial capital provided to early-stage, high-potential, high risk, growth startup companies (Privco, 2012). This can be seen as a challenge, as obtaining venture capital is substantially different than obtaining a loan. Also, the objectives of venture capital companies may differ from those of the founders of Born Globals. The former often seek out short-term profit on their investment, where the entrepreneurs strive for long-term ROI (Luostarinen & Gabrielsson, 2006).

In his earlier study, Gabrielsson (2005) talks about the branding strategies of Born Globals. He takes note of the fact that limited financial and managerial resources combined with a rapid globalization strategy reduce the realistically available branding strategies in many ways: (1) the branding strategy should be cost effective, (2) the branding strategy should allow rapid impact on the global market, and (3) the brand building should be simple and require limited managerial skills. It doesn't take
a branding expert to see that this is very difficult, if not impossible to achieve. For a Born Global, constructing a trustworthy, yet global brand is imperative for long-term survival. Leveraging strategies such as co-branding (Blackett & Boad, 1999) and brand alliances (Bucklin & Sengupta, 1993), along with IT-powered electronic shopping and other applications of the Internet should provide invaluable tools for Born Globals.

According to Zahra (2005), Born Globals experience three types of liabilities that influence their survival: Newness, smallness and foreignness. Firstly, the newness and lack of experience in the market will limit their access to local resources and existing networks. Secondly, the small size of Born Globals further limits their endeavors to internationalize as soon as possible in the first place. Thirdly, the foreignness of Born Globals essentially means that BGs have to spend more effort overcoming entry barriers, building networks to customers and suppliers, but also gaining recognition and acceptance from potential new customers. Foreignness can also be extended to implicate any unfamiliarity with the local culture, lack of information networks and lack of political influence in the host country (Zaheer & Mosakowski, 1997). Regarding this, Mudambi and Zahra (2007) found in their study that Born Globals may face substantial handicaps, but the difference of survival probabilities between traditionally progressing firms and immediately expanding firms did not differ, as long as the latter would somehow overcome their various challenges and liabilities.

The smallness is an interesting attribute that Born Globals tend to suffer from. As Zahra (2005) mentions, it can hinder the ability to overcome the challenges of internationalization. But it's also what keeps most Born Globals afloat through the initial stage of internationalization, so in a sense, it's a paradox. It's essentially a balancing act between being small enough to allow the firm to be flexible and differentiate from big competitors and find that lucrative niche market, but at the same time not being too small so that establishing business operations in a new market and forming local and global networks is still possible.
2.3 Success factors

Compared to conventional firms, Born Global firms’ resources are constrained by their young age and usually by small size (Oviatt & McDougall, 1994). But for some reason, these Born Globals show exceptional skills in the international markets, with success stories found in many countries. What are these success factors then? Kuivalainen (2001) suggests that Born Globals may already possess the required knowledge that traditional theories refer to as learning from their domestic markets; that the key personnel of BGs have gained international experience elsewhere prior to joining the firm, or alternatively have good international connections within their personal network.

Penrose's (1959) resource-based perspective of the firm offers some theoretical ground on why Born Globals can be successful. Resources being defined here as those (tangible and intangible) assets which are tied semi-permanently to the firm (Wernerfelt, 1984, p172). Older firms typically leverage physical resources such as financial, property, equipment or human resources (tangibles) to succeed in foreign environments. Born Globals in turn must leverage intangible resources compiled from know-how, skills and experiences of primarily the BGs’ managers. On this note, it can be said that capitalizing on these intangible resources is vital for a BG’s survival and growth.

Born Globals often possess unique resources and capabilities such as their founders’ entrepreneurial orientation, innovation behind products and technology, along with the networking capabilities and accumulated knowledge of the founders and managers from previous work experience (Laanti, et al., 2007). Additionally, Autio et al. (2000) suggest that younger firms do not have established routines that hinder their learning opportunities in foreign settings, thus turning a challenge into a partial advantage.

Born Globals tend to be innovative and risk-seeking, compared to traditional firms, in order to answer rapidly changing customer needs more adequately (Mort et al. 2008).
In their findings, Mort et al. use the term "customer intimacy-based innovative products", which reflects the case BG firms' product strategy. Risk-seeking mindset is closely related to this: in order to be truly innovative, one must take an innovative approach to risk management in order to stay on the leading technological edge and achieve customer value in niche markets where bigger companies are more reluctant to go.

International entrepreneurship as a concept ties these two ideas together. BGs tend to showcase entrepreneurial orientation, which combines "innovative, proactive, and risk-seeking behavior that crosses national borders and is intended to create value in organizations" (McDougall & Oviatt, 2000). Proactive behavior, on the other hand, allows firms to anticipate the needs of customers who seek new business operations. Although any business management is naturally used to the idea of risk, entrepreneurs vary in their perceptions of risk, and BG firms tend to accept higher levels of risk (Odorici & Presutti, 2013).
3. SYNTHESIS

Having examined the typical risks and challenges of Born Global firms and from the other end of the spectrum, the success factors, a synthesis to find causalities between the two will prove useful. With this in mind, this thesis will also link the aforementioned characteristics in the following manner:

![Diagram](Image)

*Picture 2. The relationship between characteristics, challenges and success factors*

In this chapter, the thesis has examined whether some of the characteristics analyzed before tend to indicate that these firms suffer from certain types of challenges, yet have managed to succeed through specifics means, thus linking the previous chapters together (see Picture 2). The most common causalities have been identified and presented here. Some other aspects not covered in the challenges or success factors earlier that are worth noting will also be brought forth, to provide a more holistic picture.

Taylor and Jack (2013) take note of the characteristics of Born Globals and how they impact the development of Born Global firms. This thesis will utilize their framework and the common factors uncovered in their article to lay groundwork for a meaningful synthesis linking characteristics, challenges and success factors together. A number of common factors relating to the development of Born Global firms were found, and these factors can be classified as:
• the speed or pace of the internationalization process (Aspelund & Moen, 2001);
• the scale of international market selection (Shrader et al., 2000);
• the importance of personal networks and psychic distance (Crick & Jones, 2000); and
• the relationship with entry modes (Burgel & Murray, 2000).

In their study, these concepts are described as the pace, scale and pattern of internationalization, where the importance of personal networks and entry modes form the pattern of internationalization. This thesis will utilize their classification system to establish a foundation for the synthesis.

3.1 The pace and scale of internationalization

The speed of the internationalization process refers to the time taken between the inception of the firm and its initial entry into the international market scene, whereas the scale of internationalization is the extent of a firm's international operations. The pace of internationalization in particular has been at the center of Born Global literature.

The strategic perspective of BG characteristics by Luostarinen and Gabrielsson (2004) refers to the pace of internationalization in their last point whereas the technological perspective takes no direct reference to it, but notes the scale of internationalization in their fourth point. The challenges that come with the fast pace of internationalization and relate to the scale of it are multitude, but the liability of smallness recognized by Zahra (2005), as well as limited resources recognized by many attribute here the most. Another liability, newness, is what influences the scale of internationalization the most.
The factors influencing the degree of success were identified by Knight & Cavusgil (2004) from the entrepreneurial side as the vision, experience and capabilities of the entrepreneur. They also mention that BGs are inherently "entrepreneurial and innovative" firms with a culture that induces the acquisition of knowledge and such capabilities that cultivate early internationalization. Enjoying success despite limited financial resources, in turn, comes down to utilizing their intangible resources better than their competitors. Where older and bigger firms have tools such as economies of scale in their disposal, Born Globals must make do with innovative solutions and abuse flexibility in their operations to offer their customers better value than bigger, streamlined companies would be able to.

The challenge of newness noted by Zahra (2005) is not entirely without merits. By internationalizing early, firms are able to develop knowledge and routines that enable them to enter additional foreign markets earlier and cost efficiently. By entering markets sooner, younger firms have a "learning advantage of newness" that enables them to identify and take advantage of opportunities better than those who internationalize later (Autio et al., 2000), thus overcoming their challenge. In relation to this, Oviatt and McDougall (2005) found in their study that the earlier in its history a firm internationalizes, the faster it seems to grow.

With this in mind and in light of these findings, this thesis suggests that in order to gain optimal results in both the speed and the scope of internationalization, a fresh Born Global firm should "ride the wave" as far as it can, i.e. enter multiple markets sooner rather than later, and maintain growth in the number of international operations, to the extent possible, in order to overcome the challenges presented earlier.

3.2 Pattern of Internationalization

The pattern of internationalization here refers to the choice of international markets and the choice of entry mode. It's a subject that has seen little attention in the BG
literature, but as it's not the main focus of this thesis, it will be referenced only in passing insofar as it is relevant.

Limited resources compel younger Born Globals to favor exporting as their primary entry mode, mostly because of the opportunities and flexibility that it offers. The ability to re-organize systems and the cost-efficient approach to the market is considered crucial especially in rapidly evolving foreign markets (Knight & Cavusgil, 2004). This is neither a challenge nor a success factor, per se, as traditionally internationalizing firms also tend to use exporting extensively in many situations.

As briefly mentioned in the introductory part of the Born Global phenomenon, BGs tend to minimize the relevance of psychic (and physical) distance in strategic decisions related to market entry (Madsen & Servais, 1997). Knight and Cavusgil (1996) also emphasize that rapidly internationalizing firms do not enter new markets based on distance, but instead focus on the size of the market and its strategic relevance to the BG. This may be due to the fact that most BGs exist in knowledge-intensive industries that allow them to prevail over cultural distance (Autio et al., 2000; Knight & Cavusgil, 2004). Within these knowledge intensive industries, managers are able to use their established networks to connect to seemingly harder-to-enter markets. Additionally, this allows smaller BG firms to find the strategically important global customers, partners and suppliers at a low cost. And this, subsequently, explains the importance of one of the key success factors highlighted before, networking and personal connections of the managers.
4. CASE: VAADIN OY

The final part of this thesis will examine the situation of a Finnish Born Global company, Vaadin Oy. The research method of case study was chosen as the best method for this thesis and a semi-structured interview with one of the founders of the company, chief operating officer (COO) Jurka Rahikkala was conducted. The theory outlined earlier will be the baseline in comparing the results from the interview. The interview and data collected from other sources will be the main sources referenced here. A brief chapter of analysis will point out the lessons learned.

Vaadin operates in the software industry, producing a java web framework for developers who create web-based user interfaces. According to their website, Vaadin is a solid web user interface technology that works for a wide variety of applications. It is used everywhere from maritime to space applications, from open-source projects to internal business applications, from single-day prototypes to extremely big projects that have taken several years to build. The framework is open source and in itself is essentially free, and Rahikkala (2013) mentions that Vaadin generates their revenue mainly through consultation services, paid components with licensing and enterprise support packages.

Vaadin Oy was founded in 2000 by a group of five friends who were working in a dot-com company at the time and realized the difficulties of developing web-based user interfaces as everything needed to be built from scratch. Vaadin was founded to develop a framework to address this issue in order for software developers to be able to develop user interfaces cost-efficiently and with less effort. Currently Vaadin employs 69 people and operates internationally with offices in Finland, USA and Germany. Vaadin is used in over 170 countries and over 110,000 developers use their community portal monthly.
4.1 Vaadin's Born Global roots

"It was self-evident from the start," points out Rahikkala (2013) when asked about the potential domestically. "That the market size for this kind of product in Finland would not be sufficient. Developer instruments like this are not country specific, it would've not been enough for us to focus on such a narrow market." Cross-referencing Vaadin's history and operating principles with the strategic perspective of the Born Global characteristics outlined earlier, they certainly hit the mark.

Rahikkala talks about how Vaadin, like many other software firms in general, recognized the importance of specific hotspot markets for the software industry. "We didn't really aim for any specific countries in the beginning. The product was open source so it started to spread out on its own, but just like with any software product, the US are a very important market, along with Germany, so we quickly shifted our focus towards these strategic markets. And to this day, these two are still the most important markets for us."

4.2 Risks and challenges

Rahikkala talks about global marketing and the challenges that come along with it. "Marketing is hard for a company like ours, especially global marketing. The open source development model was the only real option for us in order to get the spread we wanted and to get developers to initially try out Vaadin and then get these developers to adopt the framework in their workplaces." Getting in contact with their potential customers was the hard part; like in many cases, the product is good but it's difficult for the firm to achieve the large scale they're looking for with their global marketing plan.

Earlier this thesis highlighted the founding members' capabilities and the external assistance that the managers of Born Globals may or may not receive in the risks and challenges -chapter. Rahikkala also notes that the founding members didn't have any notable education in international business: "We didn't have that kind of
education. In hindsight, though, a degree in software engineering is significantly more useful for this than anything else. We've had all kinds of 'internationalization gurus' helping us along the way, but these people seemed to have significant trouble understanding how the open source development model works in the internationalization process. Overall, we've had more success with the help of a few skilled and experienced individuals than any public organization."

The smallness factor is really what weighs down these types of companies. When asked about specific challenges, Rahikkala mentions the lack of business know-how in the beginning and limited resources. "The lack of know-how and expertise in this area creates uncertainty, but we did what we had to do. The biggest challenge, however, is without a doubt the limited resources." Vaadin, as a relatively small company, has to participate in all kinds of exhibitions, many developer events and developer forums to make their presence known. "For a small company, extensively taking part in these is expensive. Additionally, we have to write different kinds of white papers and blog texts to keep customers and potential partners interested. Finding the time and people for this is difficult."

He briefly continues about the channels available for Vaadin. "Since we're making a tool for other developers, Internet is the only real channel available for finding the interested parties. Also in some cases, since we're somewhat locked into a niche, the target audience is too small for some products. We can't succeed in our business the way we want to unless we're able to expand the target audience." In this relation he also mentions the importance of personal connections.

Rahikkala also recalls that they've had some reorganizations and transition periods in their history. "We made the decision to fully invest in exports. This year, 85% of our profits come from exports, but before when we did some subcontracting in Finland and then decided to drop that, we had a temporary standstill that made the rest of our operations difficult." He also recaps some dependencies in single clients and the problems that followed when that particular cooperation diminished or ended.
4.3 Success factors

Rahikkala believes that Vaadin's success is mainly due to their technological superiority. "Our core competences have always been in software expertise, in developing a functional framework and in java expertise, along with our workmanship in web user interfaces and mobile user interfaces. The technology is always number one." He also mentions that following and obeying a clear mission and vision in building the world's best java framework brings a sense of continuance. "I have to give the biggest credit to our CEO, he has treasured that vision from the start and motivated the rest of us to stand behind it."

The effects of successful branding are not to be underestimated in small Born Globals. Rahikkala also talks about the impact their brand has had in their success. "Although I'm not a branding expert, it's clear that our brand has been very important to us. We've succeeded in constructing a solid brand with the limited tools and resources that we had and it's definitely been a worthwhile investment."

Multiple studies (e.g. Knight et al. 2004; McDougall & Oviatt, 2000; Tanev, 2012) suggest that BGs are not particularly averse to risk taking, or that in order to succeed they must take relatively bigger risks. Rahikkala notes that Vaadin has been "a traditional conservative risk-aversive firm" in this sense. "However", he continues, "right now we have to take some risks to get to the next level. Our driving philosophy has been that all the profits we make we invest into the future, we take nothing out. We also managed to acquire some venture capital and we've kept a substantial stake in our R&D, so in this sense I think we take moderate risks."
4.4 Analysis and lessons learned

The case of Vaadin shows that many of the risks and challenges outlined earlier applied in this particular case as well. In Vaadin's case, the challenges are not as multiple as they may be for companies operating in other, perhaps more traditional industries, but severe nonetheless. The success factors were also corresponding to many of the attributes discussed before. One of the few contradicting attributes to the mainstream theory was the lack of a risk-seeking mindset, which was interesting to note.

A point to make for future managers looking to establish a BG is not to rely entirely on outside expertise in solving your unique problems, as outsiders rarely have the knowledge of the particular problems in your industry or about your mechanisms of internationalization, and this may hinder problem solving. Applying this to future cases, acquiring a knowledge base within the company that covers all bases is imperative. Managers in this types of firms should possess both experience and educational background in the technical side of things, but also from the business side to attain competitive advantage throughout the internationalization process.

In other issues, the limitedness of resources was the topmost factor according to the interviewee. Many BGs lack the sufficient time, personnel, expertise and financial funding to expand their international operations like they would want to. Correct prioritizing becomes important, so for example executing a vast marketing plan in a strategic order in accordance with a budget will prove useful. Focusing your funds on the most cost effective prospects, like in this case brand creation and maintaining high stakes in R&D to invest fully in the future can often be the most effective way for these types of BGs.

The entrepreneurial aspect in succeeding with a Born Global can't be understated. Kuivalainen (2001) and McDougall & Oviatt (2000) take note of the international entrepreneurial capabilities of many Born Globals, where the entrepreneur, in
addition to being the "way finder" with the vision and a mission, also upholds the motivation to strive for, for instance, technological superiority over competitors, as was the case with Vaadin. When it comes to the founding group of people and managers, personal connections are a cost-effective way of finding partners, customers, suppliers and other interested parties and should be utilized from the beginning.
5. Conclusions

This bachelor's thesis focused on the Born Global phenomenon and more particularly on the challenges and success factors of such firms. The first chapter addressed the technicalities of the thesis. In the second chapter the characteristics of typical Born Globals were laid out and discussed from two different perspectives. Next, risks and challenges, followed by success factors were analyzed to compile the most important elements. The third chapter focused on a synthesis, providing a new perspective and linking the characteristics with challenges and success factors. Finally, a brief case study was included to provide a convergence of sorts to interconnect the theoretical findings with the reality of a Finnish Born Global company.

The underlying goal of this thesis was to create a meaningful assortment of what a typical Born Global company has to withstand and how these problems are generally solved successfully, and which attributes are beneficial for the survival and growth of a BG firm. This chapter will answer the research questions set in the beginning of this thesis. Any additional findings will also be brought forth, along with suggestions for possible future research subjects.

5.1 Findings

Discussion of the characteristics of Born Globals led to some very interesting discoveries. Where the strategic perspective delivers more of a base of information, the technological perspective adds points that have a direct impact on how BGs succeed in the global market, emphasis on superior product quality and high degree of advanced technology acting as the topmost factors. Emphasis on differentiation strategy also relates to the flexibility of finding a profitable niche and providing the customers a product that leverages aspects that are much harder to mimic for bigger companies that have to strive for market presence in a larger field.
Born Globals face challenges very different from those that go through a more traditional internationalization process. For instance, limited resources tend to impact nearly every BG. The entrepreneurial aspect works both ways: the entrepreneur shoulders a great deal of responsibility in not only the operational and managerial skills that he or she brings to the firm, but must also uphold a clear vision in promoting the right values of, for instance, technological superiority, as was learned from the Vaadin case. The concept of international entrepreneurship and the importance of personal connections relate to many Born Globals as well.

Leveraging the wealth of intangible resources is vital for BGs' survival and growth. The know-how and expertise in particular fields enable Born Global managers to steer their companies to maneuver advantageously among bigger firms and allowing for either the invention of a niche, or the discovery of a high-demand, low-supply field of business. This bridges to the next point of innovative approach to risk management: BGs are typically skilled in finding value from fields and sectors where bigger firms are unable, or unwilling, to divert their focus and resources.

The liabilities of newness, smallness and foreignness recognized by Zahra (2005) limit the options that BGs have with their pace and scale, as well as their pattern of internationalization. On the other hand the synthesis found that the small size of Born Globals often gives BGs the edge of flexibility, superior product quality and tailored solutions for particularly demanding customers. Also, the "learning advantage of newness" (Autio et al., 2000) provides BGs with the ability to develop beneficial routines in the process of entering additional foreign markets. With this in mind, it seems that many of the Born Global challenges that were discovered appear to be some form of trade-offs instead where the lack of something forces innovative solutions to balance out the net-gain somewhere else, thus making the success of Born Globals ultimately possible.
5.2 Further research

The Born Global phenomenon is already a widely discussed topic, but a few ideas arise from the making of this thesis. The studies done on the success factors of Born Global companies are plentiful in numbers compared to the ones done on the challenges of such companies. In particular, academic literature has taken a liking to examining individual characteristics and their relationships to the BG's operations. A similar study to this one could be considered with a wider base of case companies that operate in different industries to widen the scale.

Some themes that were noted in passing here could also be examined more profoundly. The challenges could be analyzed from the perspectives of country of origin or by classifying firms according to industries more rigidly. Also, a larger scale investigation that would follow potential Born Globals from their time of inception to record points of interest in detail could provide very different results. Another less utilized approach would be to uncover some BG companies that for one reason or another fell soon after founding, and analyze the reasons behind in greater detail.
LIST OF REFERENCES


Case of Software Firms. In Ibeh., K. and Davies (Eds), S., *Contemporary Challenges to International Business*. Palgrave Macmillan, UK, 106 - 125


Online references:


Appendix

Interview questions (in Finnish)

Vastaaja: Jurka Rahikkala, COO, Vaadin Oy

1. Kerro lyhyesti yrityksestänne sekä omasta toimikuvastanne yrityksessä
   - Toimiala
   - Minkälaisista tarjontaa, päätuotteet? Tyypilliset asiakkaat?
   - Mikä on mielestänne keskeisintä osaamista yrityksessänne?

2. Kerro lyhyesti yrityksenne historiasta ja perustuksesta, sekä miten päädyitte "Born Global"-yritysmalliin (versus tavallinen, hitaampi kansainvälistymismalli)?
   - Olisiko pelkästään Suomen markkinoilla ollut riittävästi mahdollisuuksia?
   - Miten kansainvälistymisprosessi alkoi/eteni? Mihin maihin lähditte ensin?
   - Kansainvälinen osaaminen prosessin alussa, löytikö yrityksen sisältä?

3. Minkälaisia haasteita yrityksenne on kokenut kansainvälisillä markkinoilla (erityisesti pienenä yrityksenä)?
   - Rajalliset resurssit?
   - Riippuvaisuus yhteen nicheen?
   - Brandin luominen?

4. Mitkä asiat ovat mielestänne olleet menestystekijöitä teidän yritykselle?
   - Johtotiimin kokemus?
   - Perustajan merkitys, "visionääri"?