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THE BORN GLOBAL PHENOMENON –

THE PORTUGUESE CASE

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ABSTRACT

The growing significance of companies that conduct international business at or near their funding has been critically challenging previous incremental models of international expansion. This thesis aims to cross-compare, by means of a multiple-case study, eight Portuguese start-ups among themselves and with the theoretical concept of born global firms versus traditional ones. This work project finds that: (1) active entrepreneurs with global vision from inception are essential for the implementation of international strategies; (2) only formal network plays a key role for successful internationalization and (3) inimitable sources of value creation, niche-focused strategies and unique intangible assets are also crucial.

KEYWORDS: Born global firms · Traditional start-ups · Internationalization · Portugal

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1.0 | INTRODUCTION

The widespread of companies that internationalize shortly after being established has been revolutionizing the traditional character of international business. Despite the limited resources that usually describe start-ups[1], born global ones[2] achieve a big proportion of revenues from foreign sales at an early stage of life. Findings about the growing significance of these firms have been critically challenging previous incremental models of international expansion. Behind this increasing phenomenon lays the global reduction of barriers, convergence of preferences, advances in communications and technology, lower cost of transportations, fierce competition and shrinkage of psychic distances.

For small countries like Portugal, born global firms play a key role in the enhancement of small countries' competitiveness in the international arena. Portugal's 2010 total entrepreneurial activity (TEA) rate was 4.5%, the lowest of innovation-driven small countries with similar GDP per capita, such as Greece, Israel, Republic of Korea and Slovenia. According to the 2010 Global Report (GEM), Portugal has the second largest gap between perceived capabilities and perceived opportunities (31.8%), only overcome by Greece (36.3%). Interestingly, when compared to the countries mentioned above, Portugal and Slovenia have the lowest rates of fear of failure (around 28.6%) but also low entrepreneurial intentions (8.8%), which is somehow ambiguous. On the contrary, Israel has 46% of fear of failure but a truly high rate of entrepreneurial intention, 14.1%. In addition, both gender types of Portuguese entrepreneurs are more likely to have formal education than the national population as a whole (GEM, 2010). Accordingly,

[1] It is a company that is in the first stage of its operations and has ambitions to grow quickly over the next (1-5) years. According to Eric Reis "A startup is a human institution designed to deliver a new product or service under conditions of extreme uncertainty."

[2] Refer to page 6 for a detailed definition on born global companies.

the macro differences in small markets, together with the higher propensity of firms from small domestic markets to become born globals (Bell et al, 2003) triggered interest in understanding the internationalization process of current Portuguese start-ups.

Thus, this work project aims to give an answer to questions like: What differentiates born globals from traditional start-ups in Portugal? What are the most prevalent characteristics of Portuguese born globals? And why certain features highlighted in the literature do not apply? We aim to answer these by understanding and comparing, by means of a multiple-case study, eight Portuguese newly established firms based on the conceptual framework of born globals versus incremental stage's companies.

2.0 | LITERATURE REVIEW: INCREMENTAL VERSUS BORN-GLOBAL APPROACH

The increasing importance of international trade has fostered research efforts on the topic of internationalization processes, since the mid-70s. In that decade, international development was conceptualized, by the Uppsala Model, as taking place through incremental steps before starting physical international expansion, due to firm's lack of foreign market knowledge and to uncertainty associated with macro and micro forces in new markets. The Uppsala model postulates that a firm may overcome these contingencies by increasing commitment and resources' allocation in a gradual way, enabling a firm to acquire relevant experience over time (Johanson and Vahlne, 1977).

Nevertheless, some scholars have been arguing that traditional internationalization theories may not fully account for born global firms given that they do not undertake international expansion since their inception (Oviatt and McDougall, 1994). Accordingly, Rennie (1993) introduced the term "born global" to describe companies that internationalize at or near their founding without an established domestic base. Knight and Cavusgil (1996) defined born global firms as "…small, technology-oriented companies that operate in international markets from the earliest day of establishment".

Taking into account the definitions from several scholars (Madsen and Servais, 1997; Oviatt and McDougall, 1995; Rialp et al., 2005) born globals internationalize in multiple markets very early. The literature defines the period between company founding and initial internationalization from 2 to 6 years. For instance, Rennie (1993) found that Australian born global began exporting, on average, two years after founding with an export share of 75%. Whereas, Knight and Cavulgil (1996) use a time span between 3 and 6 years and an export share of 25%. It is noticeable that there is no universal definition for born globals or similar concepts, like *International New Venture*s or *Early Internationalizing Firms*. To be consistent with some seminal studies, in this thesis it will be considered as born globals, firms that generate a foreign sales volume of at least 25% within 3 years of inception and coming from multiple countries.

3.0 | CONCEPTUAL FRAMEWORK

In order to complement the economic definition of born global companies three other theoretical dimensions will be analyzed in the following framework.

3.1 | BEHAVIORAL PERSPECTIVE

In general born global companies are founded by active entrepreneurs, who have a *global vision* from inception and perceive the world as their marketplace. Unlike the traditional approach, international markets are seen as providers of opportunities (Madsen and Servais 1997), instead of uncertainty and risk.

Even though both theories suggest that *prior international experience* of top management is important for international expansion, the born global approach says that it can be acquired before the establishment of the firm reducing, hence, uncertainty. Founders with preexisting international experience bring much knowledge about foreign market opportunities (Evangelista 2005), perhaps because their international experience makes them learn faster about the internationalization process.

Contrarily to the gradualist approach, since the earliest stage of born global firm's life, there is a strong *managerial commitment* and *market orientation* towards internationalization. However, we should regard that, comparing with managers of 1977 (when the gradualist model was first studied), today's entrepreneurs have a higher degree of education (Chetty and Campbell-Hunt, 2004). In addition, while born global firms have *superior international market knowledge*, traditional start-ups tend to grow incrementally, with previous accumulated market knowledge (McDougall et el., 1994).

3.2 | NETWORKING CAPABILITIES

A global vision must be linked with *network* of both, personal and business contacts (Oviatt and McDougall, 1995; Rialp et al. 2005). What differentiates born globals from traditional start-ups is not the use of networks, which is common to both, but the speed and scope of the networks developed by born global firms. In the Uppsala model, networks are used to compensate the lack of knowledge and own subsidiaries (Johanson and Vahlne 1990); as the firm grows, business partners will be replaced by own resources. While for born global, network provides information about new opportunities, market access, foreign distributors and strategic alliance partners, which enables them to minimize uncertainty on international market entry decisions.

3.3 | ORGANIZATION AND STRATEGIES

While traditional start-ups have limited *value creation* capability due to the nature of its less innovative products, born global firms create value by adopting a *differentiation strategy* based on innovative technology and design, quality leadership, technological leadership and/or product differentiation. That is why knowledge development, R&D and innovativeness play a crucial role in the international success of born global companies (Cavusgil and Knight, 2009).

Consistent with the sources of value creation, start-ups tend to lack extensive holdings of physical assets. Accordingly, compared to large MNEs and young conventional firms, the significance of *intangible assets* is relatively more important for born globals. Often, they leverage a collection of unique organizational resources and capabilities that are critical for the successful implementation of activities in international markets, such as superior tactic knowledge about global opportunities, organizational competencies and relationships with crucial channel members (Knight and Cavusgil 2004).

The international strategy of born global companies is typically based on *niche markets*, since large companies do not perceive much interest in those markets. Unique innovative product features, such as patented know-how or exceptional customer service are often used by those companies. On the contrary, conventional start-ups internationalize in order of psychic distance[3].

As a final point, usually born globals have *close relationships* with customers. They can be enhanced by adapting products to suit customer circumstances abroad, or by creating goods upon special request from consumers, or even by using high service level. Simon

[3] The concept of psychic distance relates to differences from the home country in terms of language, culture, political systems, business practice, industrial development and educational systems (Johanson and Vahlne, 1977).

(1996) found that small, international companies have a higher degree of specialization in satisfying the needs of international customers. Whereas, traditional start-ups do not establish a close relationship with foreign customers; instead they make use of intermediaries to deliver the final product.

4.0 | METHODOLOGY

The aim of this research is to analyze eight Portuguese star-ups of both types - born global and traditional companies - with the purpose of determining which features do Portuguese born globals apply among the ones described on the conceptual framework, and what distinguishes those born globals. Therefore, a multiple-case study research was applied to both - test empirically previous theories and build new theoretical explanations from case study evidence - (Eisenhardt, 1989). Theory building from multiple-cases is more likely to yield more robust, empirically valid, generalizable and testable theory than single-case research (Eisenhardt and Graebner, 2007). It enables logic replication when studying pattern-matching properties between cases and theories.

The Portuguese start-ups were not randomly chosen. Instead, they were based on theoretical considerations such as different sizes, degrees of technology-based firms and sectors of activity. Companies in the sample must have been established between 2006 and 2010, so that they can be considered as current start-up firms and data, such as the export share, has availability of at least one year. We used multiple data collection such as observations, company's websites, product or firm brochures, media and semistructured interviews[4] with the nascent entrepreneurs[5]. Also, when possible, different members of the organizations were interviewed.

Firstly, the analyses of within-case data required narrative descriptions of all companies, in order to become familiar with each case as an individual organization. Furthermore, tables with the main characteristics and synthesis of the three perspectives for each of the eight case companies were employed to better cross-compare them. Through a pattern-matching approach, the empirical evidence obtained from the case studies was used to cross-compare firms among themselves (empirical based pattern) and with theory pattern models (theoretical replication). Finally, if a theoretical pattern was not applicable in the pattern-matching approach, a possible explanation was sought.

5.0 | ANALYSIS OF THE EIGHT CASE COMPANIES[6]

FIRM A - BORN GLOBAL COMPANY

The first company studied develops web marketing campaigns without risk to clients, being paid on the basis of the results. Its exporting debut occurred in the same year of inception, 2006, and physical expansion in 2008, firstly to Spain and Brazil and recently to Mexico. The small domestic market and the network of partners living abroad become the main factors guiding the international expansion. As a matter of fact, in the 3rd year of inception, 35% of total sales were exported to more than 30 countries. Usually, foreign potential customers are identified with the help of partners' network and then the same network is used to boost credibility among customers. Thus, given

[4] Is a method of research used in social sciences that allow new questions to be brought up during the interview as a result of what the interviewee says. (Wikipedia)
[5] Individuals who are actively involved in the business start-ups, either in the phase preceding the birth of the firm or the phase spanning 3½ years after the birth of the firm (GEM, 2010).
[6] The eight case companies are not identified due to confidentiality reasons.

the company's high export share, FDI, global vision and early internationalization it is considered as a born global firm.

FIRM B – BORN GLOBAL COMPANY

It produces wireless solutions to acquire electrophysiological signals, since 2007. From then on, Firm B has been having a constant export share of 50%; exportations are done to countries in Europe, Japan and USA, but the main product has been exported to Spain, Italy and soon, also to Netherlands. The export opportunity came from the uniqueness of the product worldwide and the limitations in the Portuguese demand. Firm B's export strategy is based on the identification of experienced local dealers in foreign markets, supplying niche-focused markets, towards which physiological equipment is intended. Those dealers can sell directly to physiotherapy clinics or rent the equipment to clinics. Thanks to its high international sales volume, dispersion of exportations and outsourcing of imported components for the production of its high-tech products, the firm is considered a born global company.

FIRM C – BORN GLOBAL COMPANY

It is a 3D/2D post-production and music composing company that started exporting at the same year of inception (2008), currently Firm C exports 70% of its total sales to other EU countries, North and South America and has FDI in two continents. Interestingly, the first projects that this company developed were to foreign markets. The nature of the projects, limitations of domestic demand, together with the influence of partners' international network have fostered the expansion process. This company's internationalization strategy usually starts with the identification of potential and interesting markets and, subsequently, of potential local customers - typically advertising agencies - which then implement the campaigns in games, web or television. Firm C is considered a born global firm, on account of its high proportion of foreign total sales, global vision from inception and quick pace of geographical expansion.

FIRM D – BORN GLOBAL COMPANY

This company was established in 2008 with the aim to develop, produce and commercialize scientific toys and also to provide scientific events to kids. In 2009 it started exporting to Spain and Brazil and later on to Mozambique, Angola and Finland. The export opportunity came mainly from the small dimension of the Portuguese market and in the 3rd year of inception, exportations represented 25% of total sales. However, initially Firm D's international expansion was done through the identification of niche markets, with short psychic distance. Nonetheless, despite the fact that export share is in the borderline and the international strategy was being based on psychic distance, the firm has overcome it and is considered as a born global firm since it also has a high commitment level to foreign markets and the founders had international vision since the earliest stage.

FIRM E – BORN GLOBAL COMPANY

It processes large volumes of data of other organizations in real time. Firm E started exporting two years after inception, in 2010, with 30% of its total sales being currently exported to Poland, Sweden, UK and USA. On account of the peculiarity of the Portuguese market and international network, the entrepreneurs decided not only to export but also to change the official representation and marketing strategy to London. Although this company had become profitable at the end of the first year of operations, public and private investors came to give credibility to the company. This company showed quick and simultaneous geographical dispersion of exportations soon after inception, an export share higher than 25% and had international vision from inception; that is why it is considered as a born global company.

FIRM F – BORN GLOBAL COMPANY

This firm develops a database for Hispano-Portuguese markets to support customers in decision-making and strategic planning. The product was created to be at least Iberian; therefore also in line with the small dimension of the domestic market, Firm F initiated exportation activity one year after establishment, in 2011. At the end of that year the export share was around 50%, the majority to Spain, though the company has customers spread worldwide. Instead of identifying possible exporting markets, the internationalization strategy of Firm F is rather based on the direct contact with foreign customers, part of them known from business and personal networking. Concluding, different continents are served, export share is half of total sales and global vision was put into practice soon after establishment, which leads it to be a born global company.

FIRM G – TRADITIONAL START-UP COMPANY

The company was established in an entrepreneurial competition. After changing the name of the company, in 2007 and making improvements in the initial product, the firm now provides instant location sharing technology, for mobile phones. In 2009, Firm G started exporting and opened an office in Brazil, though it still has an export share lower than 8%. Firm G exports to local stores of applications spread around the world. The cultural linkage with Brazil, the partners' network and the small dimension of the Portuguese market fostered internationalization. Initially, the founders were paying more attention on the technical component of the products; the international expansion only came upon the requirement of a new partner in the firm. Firm G is categorized as a traditional start-up mostly due to the lack of global vision from inception, insignificant export share and preference for countries psychically close.

FIRM H – TRADITIONAL START-UP COMPANY

Founded in 2008, its purpose is to digitally print all sort of patterns, designs and graphic arrangements in cotton, linen or silk. The internationalization process began in 2010, exporting currently around 10% to 20% of total sales only to Spain. Yet, the internationalization strategy was not in the plans of the founder, but the financial crisis that heated the domestic market and the influence of national networks were the main motivators for international expansion. With the aim of keeping a close connection with customers' needs, the founder agrees personally about what will be produced; afterwards the final product is delivered through distribution companies. Although this Portuguese start-up has internationalized soon after inception, it is a traditional start-up because of its initial focus on the domestic market and the low volume of foreign sales.

6.0 | FINDINGS - PATTERN-MATCHING ANALYSIS

The eight Portuguese start-ups described above show diverse patterns concerning the sector of activity, founder's profiles and patterns of export development. Those contrasts are more evident between born global companies (Firms A, B, C, D, E and F) and traditional start-ups (Firms G and H). In tables I, II, III and IV are summarized the companies' characteristics, profile of entrepreneurs, network as well as pattern of internationalization, respectively. A cross-comparison among firms and literature will be analyzed in the following paragraphs.

TABLE I. PROFILE OF THE EIGHT COMPANIES

	Born-Global Companies						**Traditional Start-Ups**	
	Firm A	**Firm B**	**Firm C**	**Firm D**	**Firm E**	**Firm F**	**Firm G**	**Firm H**
Establishment/ International activity debut	2006/2006	2007/2007	2008/2008	2008/2009	2008/2010	2010/2011	2007/2009	2008/2010
Sector of Activity (CAE[7])	Advertising agency.	Repair and maintenance of electrical equipment.	Information and communication.	Retail sales of new products in specialized establishments.	Information and communication.	Information and communication.	Information and communication.	Stamping.
Number of employees	Initially, the founder was the only person working in the company. However, in 2011, it had 70 collaborators spread across 4 countries.	Firm B's employees increased from the 4 founders, when it was established. to 20 workers currently employed (2011).	The firm only had the 2 founders as employees at inception. Nonetheless, in 2011 the labor force reached 10 full-time workers.	The labor force increased from 1 employee (the CEO) to 22 collaborators, in 2011, where 8 of them work in R&D.	The founders only started hiring in 2009. At the end of 2011 the labor force increased to 22 employees.	Initially, besides the founders there were 3 other employees. Nowadays, there are 11 people working in the company.	The firm initially began with 2 employees (the founders). In 2011, the company's team increased to 7 employees.	It has always been the founder the only employee. However, hiring another employee is being considered.
Export share in the 3rd year of inception	The export share was approximately 35%.	50% of the firm's total sales are exported to foreign markets. This value has been constant since inception.	70% of company's total volume of sales are exportations.	25% of total sales are in foreign markets.	In 2011, the export share volume represented around 30% of total sales.	The export share was approximately 50% in 2011.	The export share is less than 8%. Yet, the launch of a new product is expected to enhance exportations.	At the end of 2011 the export share was between 10% and 20%.
Most important markets	The main foreign markets are in central Europe and Latin America.	Spain has been a very profitable market but Netherlands is expected to overcome Spain.	Scandinavia is the second most important market after Portugal.	Currently Spain is the main foreign market. But Brazil is expected to take this position.	Poland and Sweden have the higher export share.	Spain is the most important market from all.	After Portugal the volume of sales is higher in Brazil.	It only exports to Spain; Portugal is the main market, though.

[7] CAE is the Portuguese classification of economic activities

TABLE II. BEHAVIORAL PERSPECTIVE

	Born-Global Companies						Traditional Start-Ups	
	Firm A	**Firm B**	**Firm C**	**Firm D**	**Firm E**	**Firm F**	**Firm G**	**Firm H**
Age at founding	The founder was 25 years old.	The executive entrepreneur was 31 and the others were 26, 30 and 40.	The founders were 26 and 25 years old.	The executive founder was 22.	The executive entrepreneur was 30 and the other partners were 33 and 34.	The executive entrepreneurs were 29 and 31.	The executive entrepreneurs were 37 and 30 years old.	The entrepreneur was 44.
Background and previous experience as entrepreneur	The entrepreneur completed his undergraduate degree in Computer Engineering. His first experience as entrepreneur was with Firm A, but in meanwhile he founded other two companies.	The executive entrepreneur has a PhD in Electrical and Computer Engineering. The establishment of Firm B was his first experience as entrepreneur.	The founders have a background in Sound and Image areas. One of them also studied 3D Animation, and the other studied Musical Composition. None of the founders had had previous experience has entrepreneurs.	He completed an undergraduate degree in Finance and a master's program in Management. This was his first time as a business entrepreneur.	Informatics was the background of the three founders. Moreover, one of them also has an MBA and the others hold a PhD. Two of the entrepreneurs had a previous experience as co-founders of foreign firms.	The executive entrepreneur has an undergraduate degree in Informatics Engineering and a MBA. The other founder is a lawyer. Similarly to Firm C, none of them had any previous experience as entrepreneurs.	Both founders undergraduate in Informatics and Systems Engineering. The executive entrepreneur had previously established another company, where he still works.	The founder completed his undergraduate studies in Design. He did not have any previous experience as entrepreneur before the establishment of Firm H.
Professional and international experience	Before creating the firm he worked as a project and sales manager. Those jobs are not directly related with the business area of the company, though. The founder did not have any professional international experience either.	Since 2000 the executive entrepreneur has been teaching, at universities the Science of Artificial Intelligence. He has won several awards but the unique sort of international experience was the semester abroad during the PhD.	One of the entrepreneurs worked in Sweden in one of the biggest music composing companies. The other was a University professor in the area of Digital Animation. His unique international experience was the attendance to conferences abroad.	The executive entrepreneur only did an internship in investment banking, during six months. Then he decided to invest in a completely different area. He does not have any professional experience in foreign countries.	Two of the founders worked abroad in the aerospace domain, and two of them also lectured at leading US universities. Contrarily, to the other case firms, the founders did not have any professional experience in Portugal.	Both of the founders worked previously in London. In fact, their professional experience as manager consulting and journalist, respectively, were fundamental to the creation of the business.	The entrepreneur was an employee at a big company that dealt with internet issues. Hence, not related with mobile phone applications. International conferences were the only professional and international experience that the founder had.	The founder had some business experience given that, previously, he worked in an advertising company. Hence he had some knowledge about digital impression but not about textiles. No international experience was hold by the entrepreneur.

TABLE II. (CONTINUED - BEHAVIORAL PERSPECTIVE)

	Born-Global Companies						Traditional Start-Ups	
	Firm A	**Firm B**	**Firm C**	**Firm D**	**Firm E**	**Firm F**	**Firm G**	**Firm H**
Global vision	International expansion has been always a goal of the founder.	A niche strategy in domestic and foreign markets was planned since inception.	Operating only in the domestic market has never been in the mind of the entrepreneurs.	Internationalization was always an ambition of all founders.	The term "born international" was already mentioned in the initial business plan.	Internationalization was a goal since the inception of the firm.	Initially, the founders were focused on the technical component rather than on international expansion.	International expansion was not intended, it happened by mere chance.
Managerial commitment	[The nascent entrepreneurs do not want to reveal this information]	In the future the firm will be divided into areas. The founder intends to remain CEO, but have other people managing the firm.	Selling the company is not in the plans of the entrepreneurs. Moreover, a manager was hired almost at inception.	The executive entrepreneur wants to remain CEO of the company and does not consider the possibility to sell it.	The founders intend to sell the company to a big group within 3 to 4 years.	Selling the company can be an option. But the executive entrepreneur aims to continue as manager in the medium-term.	The possibility to sell the company is under the table. But in the near future the founder wants to remain manager and add value to the company.	The founder aims to remain manager of the company forever.
Market knowledge and commitment	Internationalization has relied on the market knowledge of the company's network. More specifically, it has FDI in countries where there is a partner living, so that credibility of the company can be easily enhanced in foreign markets.	The strategy is to rely on the market knowledge of the national dealers and to let these intermediaries make the agreements within each physiotherapy clinic. Further, no foreign market commitment has been made until now.	The founders had market knowledge about Sweden and England, since they studied and worked there. Also, high level of commitment, (FDI) was made in 3 continents. Though, market research is developed in countries unknown to the founders.	The toys' company has relied on the market knowledge of the international chain stores. In addition, the firm has committed, through FDI, to countries that have a near psychic distance, like Spain and Brazil.	The company has relied on the market knowledge of its network to expand international activities. Interestingly, the firm changed its headquarters to UK, due to strategic reasons.	The firm has two employees working in Latin America countries. This helps the company to develop accurately the products and contact physically customers. But apart from Spain, no high market commitment has been made.	This company relies on the market knowledge of two business angels, living in Brazil and in the US. No significant market knowledge, though, is hold about other countries. However, FDI in Brazil shows foreign market commitment.	Foreign market knowledge was acquired through domestic network. The company's international expansion was necessity-based. Its level commitment is the lowest, when compared to the other companies being studied.

TABLE III. NETWORKING CAPABILITIES

	Born-Global Companies						Traditional Start-Ups	
	Firm A	**Firm B**	**Firm C**	**Firm D**	**Firm E**	**Firm F**	**Firm G**	**Firm H**
International Network of Business Partners	Informal and formal networks have been a key success factor for internationalization. Among business network are partners living abroad, and export promotion offices, namely AICEP.	Formal network, like AICEP, is important to get foreign market knowledge. Informal network does not play an important role for expansion of foreign sales, though.	The firm has based its expansion decisions on foreign market research. But networking with foreign firms also played a key role, mainly at inception.	The business networks established with chain stores in international markets has been crucial. On the contrary, personal network of the company is looser.	Personal and business network have been an essential tool in the internationalization process of the company.	Business and personal networking are important to find new foreign customers mainly through word-of-mouth.	The only source of network useful for spreading out foreign sales, are corporate partners living abroad.	The company's exportations have been the result of business contacts made within the domestic market, mainly Portuguese museums and associations.

TABLE IV. ORGANIZATION AND STRATEGIES

	Born-Global Companies						Traditional Start-Ups	
	Firm A	**Firm B**	**Firm C**	**Firm D**	**Firm E**	**Firm F**	**Firm G**	**Firm H**
Sources of Value Creation	The possibility, for customers to monitor sales in real time is a competitive advantage that no other competing Portuguese firm has. It creates value through products with high quality.	The highly skilled engineers jointly with the hardware, software and functionality of the product make it unique. Thus, the source of value is based on technological leadership.	The company's source of value creation is quality-related. All projects produced must be unique. Besides the time of projects execution is, particularly, admired in South America.	The company has been having the ability to produce cheap toys without mass production. The differentiation comes from the quality and low price of the scientific toys.	Although there are competitors that sell similar products, the firm offers real time information at a lower price. There is a high value creation through innovative technology.	The firm's competitive advantage is based on the reliability and range of data provided by the platform. Creating hence products with high quality and variety of information.	The innovativeness has been to create new applications for mobile phones. However, mobile operators are still not willing to pay a high price for them.	The firm creates value by offering cheaper products that allow customers, who need digital printing, to purchase small quantities of tissue.
Intangible Assets	The sophisticated know-how of the co-workers is the basis of the intangible assets of the company.	The main product is unique worldwide; it is patented. The know-how of the workers is also crucial for their development.	The know-how of the co-workers and innovation in the digital projects are the basis of the intangible assets.	The key knowledge of team working in R&D is the main intangible asset of the scientific toys' company.	The know-how and the registered patent of the core product are the firm's intangible assets.	The sophisticated know-how of the collaborators is pointed out as being the main intangible asset.	The knowledge of the labor force is the main intangible asset. The company usually tries to register the patents of its products.	No sophisticated know-how is hold by the company neither other type of intangible assets.

TABLE IV. (CONTINUED - ORGANIZATION AND STRATEGIES)

	Born-Global Companies						Traditional Start-Ups	
	Firm A	**Firm B**	**Firm C**	**Firm D**	**Firm E**	**Firm F**	**Firm G**	**Firm H**
International Strategy	The International expansion strategy is niche-focused. The markets to where the firm exports and has FDI are geographically spread.	No competing technologies had been produced by other firms in the physiotherapeutic industry. It adopts a strong niche-focused strategy. The main product has been restricted to European countries, but it sells other products in 2 more continents.	The internationalization of the firm has taken a globally spread nature, it already exports and has FDI in 3 continents. The company is specializing in advertising companies' needs, following a niche-focused strategy.	No deliberate niche-focused international strategy has been adopted. Furthermore, the internationalization strategy has been geographically restrained to Portuguese language countries (in two continents) and to other countries in Europe.	The company's product is highly specialized, mainly to be sold to banks and big companies. Thus, it follows a niche-focused market strategy and the global expansion has taken a geographic spread nature.	A niche-focused strategy has been adopted due to the nature of the product. The firm has one office in Spain, and some employees in Latin America. Nonetheless, it exports to other continents.	The firm's international expansion is based on the degree of competitiveness that its products can reach and on the network of the partners in foreign markets. No niche-focused strategy has been adopted.	The textile company has a necessity-based export behavior. For this reason, its internationalization has not taken a worldwide spread nature and no proactive efforts are being made to increase international expansion.
Customer Relationships	A key factor of the company's success has been its strong customer orientation and relationships in order to produce what customers need and require, which means that the company produces customized products.	The electrical equipment company develops its products based on customers' needs. Moreover, there is no direct customer relationship, once the distribution is made by the local dealers, in foreign countries, rather than by the company.	Due to the nature of the products sold, the animation company creates products based on special requests from customers. Thus, similarly to the first company, there is a clear customer orientation and close relationships.	Scientific toys are a specific segment of the global market of toys. They are sold to retailers and only then to the final customers, therefore there is little customer orientation and deliberate customer relation efforts.	Although the company still has direct final customer relationships, it is trying to include an intermediary in the process, given that it is not necessary, in this business, to have strong customer relationship.	There are evident signs of high and direct customer orientation; it is crucial for the firm to identify what is being required. The business model of the company is based on customers' request for information about businesses and markets.	One the one hand, this firm sells mobile phone applications to stores abroad and there is no physical interaction among them. On the other hand, it sells to mobile phone operators which are used as intermediates to reach final customers.	Customer relationships are a key element for the success of this firm, since the products are developed based on customers' requirements. Consequently, focus on customers is a must. However, the final product is delivered to foreign customers by distributors.

A superior *degree of education* and a male *gender* is equally relevant for all entrepreneurs under study. There is also clear evidence that born globals' entrepreneurs are *younger* than entrepreneurs of traditional start-ups (all have less than 34 years old). Additionally it should be highlighted that Portuguese born global companies were formed due to opportunity-based[8] reasons and its number of *employees* increased at a higher rate than workers from traditional start-ups**.**

Although some scholars (Oviatt and McDougall, 1995; Madsen and Servais, 1997) claimed that founder's *prior international experience* is fundamental for the early internationalization of born globals, the entrepreneurs of Firms A, B and D did not work abroad before setting the company. Neither did the founders of traditional start-ups.

Likewise to what is claimed in the literature, that a managerial *global vision* from inception is distinctive of born-globals' founders (Rialp, et al., 2005), all the six companies with an export share equal or higher than 25%, have the perception of the world as a single marketplace. What is more, the term 'Born International' was considered an imperative concept in the first business plan of Firm E. In contrast, in the earliest stage, the managers of traditional start-ups tend to focus merely on the domestic market. For example, Firm G internationalized only when an investor required so, and in the case of Firm H, it was the network that provided the change to expand operations abroad. That is why global vision clearly distinguishes born global firms from traditional start-ups.

Entrepreneurs of traditional start-ups want to remain CEOs of the company in the long run, most probably because of its small dimension; for instance Firm H has only one

[8] Reflects the desire of entrepreneurs to take advantage of a business opportunity, by creating a new firm or new venture focused on a particular market opportunity (GEM, 2010).

employee (the founder), thus hiring a manager is not strategically crucial. Whereas, in born global companies the *managerial commitment* of entrepreneurs is only temporary. From the firms studied, only the founders of Firm E want to sell the company in the near future. The executive entrepreneurs of Firm C have already hired a manager and Firm B will also look for one after the division of the company into different areas, but both founders want to remain CEOs, so committed to Firm C and B, respectively. The entrepreneurs of Firms D and F aim to remain CEOs, too. As a result, the short period of managerial commitment that typically distinguishes founders of born global companies is not completely clear in this analysis.

Also, regarding the *international market knowledge*, only the entrepreneurs of Firms C, E and F had superior international knowledge, mostly thanks to the founder's previous experience abroad. Other case companies such as Firms A, E, F and G, have enjoyed from their business partners' experiential knowledge in several markets. Moreover, many case born global firms show international high level commitment, generally FDI. That is why, even if born globals have a more proactive approach to get foreign market knowledge, through business partners, as Chetty and Campbell-Hunt (2004) have expressed, foreign market knowledge is not a crucial feature of entrepreneurs from born globals; thought international market commitment is more spread among these firms.

Personal and business network is claimed to be a fundamental tool for successful internationalization (Railp et al., 2005) and to counterbalance for start-ups' lack of resources. Although this research is not an exception regarding the key role of formal networking to achieve global reach quickly; personal network is not as important. Only Firms A, E and F rely on both types of network. Business partners living abroad, export promotion offices (like AICEP) and international distributors are the most used sources of formal network. Also consistent with this study, both traditional start-ups (Firms G and H), took longer to exploit their network than born-global companies did.

The literature agrees that conventional start-ups have limited capability of *value creation*, in opposition to the more inimitable sources of born global companies. As mentioned previously, due to the lack of capacity to compete with large rivals, young businesses tend to *differentiate* through goods with superior quality or leading technology products. Moreover, Firms A, C and F have adopted a strategy focused on quality leadership. On the leading technology side, Firm E has been developing products with innovative technology, while Firm B creates technological leadership physiotherapeutic devices and Firm D distinguishes through product differentiation offered at low prices. This result of cost leadership is yet surprising, since it is a weak strategy for born globals (Knight and Cavusgil, 2004). On the other hand, although Firm G has focused on the creation of new applications, most mobile operators are not willing to pay too much for those applications. Similarly, Firm H's source of value creation is limited by the cost-related efficiency of the products offered.

Taken as another feature characterizing the born global behavior, Firms A, B, C, E and F also match the expected niche-focused *international strategy* and geographically spread operations (in at least, two continents). Among the born global companies, only Firm D does not have a niche-focused strategy; however it has international activities in three continents. On the contrary, the two traditional start-ups have a more necessity-based export tendency, mainly to countries geographically close and culturally similar. These results seem to be in line with the literature, that highlights the relevant position of born global firms in specialized niche markets and geographically spread, to overcome competitors and foster internationalization (Knight and Cavusgil, 1996).

The predicted uniqueness of *intangible assets* based on sophisticated knowledge is also present in the born global companies studied. Intangible assets are a result of the knowledge obtained through R&D (Firms B and D); the sophisticated know-how hold by employees of Firms A, B, C, E and F; or even through registered patents of goods produced (Firms B and E), for instance Firm B owns physiotherapeutic equipment unique worldwide, without any close substitute. However, not so expected was the role of the know-how of Firm G's labor force for the business. In opposition, no relevant intangible asset has been embrace by Firm H. Therefore, our results indicate that born-globals have unique intangible resources, as claimed by Knight and Cavusgil (2004), but conventional companies can also have it.

Finally, most case born global companies have close *customer relationships*. On the one hand, apart from Firms B and D, the case born-globals have been developing direct relationships with the final customer. One the other hand Firms B and D, also born-global firms, do not develop close relationships with buyers, possibly because those two companies produce standardized manufactured goods, which does not require a direct contact with the final client. Accordingly, products are delivered by international distributors. In the same way, traditional start-ups do not establish close relationships with foreign final customers. In summary this result is partially in line with the expected close relationships of born-global firms with customers (Simon, 1996).

7.0 | CONCLUSIONS, IMPLICATIONS, LIMITATIONS AND RESEARCH DIRECTIONS

To better understand what distinguishes Portuguese newly established firms in their internationalization processes, eight Portuguese start-ups, with early approach to international markets, were qualitatively analyzed and compared among themselves and with the literature on the topic of incremental versus global approach to foreign markets.

We can conclude that entrepreneurs of born global companies regard the world as one single market. Yet, surprisingly, most of the founders of Portuguese born globals under study did not have any previous international experience. This can be explained by the conservative Portuguese social values that did not have encouraged experiences abroad, until recently. Therefore, this lack of preexisting experience in other countries may be a determinant factor for the possible born globals' flop in the future. Still in line with this thought, international market knowledge is consequently also meager. Furthermore, the long-run managerial commitment of case born global firms does not totally correspond to the temporary decision-making commitment expected.

Not so unpredictable though, was the production of unique intangible assets, as well as, the more inimitable sources of value creation of born globals and their niche-focused international strategy. Yet, the crucial role of network for internationalization, claimed by some scholars was only partially confirmed in this qualitative research. Business network was more significant for the investigated companies rather than the informal one; most probably because a number of countries, to where born globals internationalize, like Brazil and Angola are extremely bureaucratic and require formal network, namely local partners, to establish relationships.

However, there was a tendency to survey firms that have succeeded as first-movers, overlooking those that did not because of their lack of visibility, which can have created a survival bias in this empirical study. Moreover, in order to study current start-ups, the time path of firms' establishment was restricted to five years, constraining the analysis of incremental steps towards internationalization (which is distinctive of traditional start-ups). Additionally, the qualitative nature of this research did not allow us to generalize the results to all Portuguese born global firms, neither to other markets.

It would be fruitful to do future quantitative research on Portuguese newly established born globals to combine both exploratory and confirmatory approaches. What is more, a longitudinal study on these case companies could be carried on in order to identify reasons that lead firms to become successfully established in foreign markets and why some of them will, perhaps, not fulfill their internationalization goals. Therefore, future research could focus on the implication for success of born global companies. Finally, more detailed analysis on each component of the conceptual framework would enrich the literature, namely the Portuguese literature on born global firms.

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[9] The websites are not mentioned to secure confidentiality of the case companies