



Eurofound

Born global: The potential of job creation in new international businesses

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Executive summary

Introduction

Traditional theory about international business suggests that companies first establish a solid home market and go global only in later stages of their life cycle. However, this view is challenged by research that shows that some firms internationalise quickly after start-up – so-called ‘born globals’. These firms are assumed to be strongly innovative and growth-oriented, and hence could well contribute to the economic and labour market recovery Europe is seeking after the global financial crisis.

So far, little is known about the full economic potential of these companies and how best to support them. This study aims to close this knowledge gap by providing a summary of literature and secondary data to characterise born globals and pinpoint their main strengths and weaknesses as well as economic and labour market potential. In addition, it provides a policy analysis in selected EU Member States to investigate the suitability of available public support for this specific group of enterprises.

Policy context

In searching for ways to come out of the global economic and financial crisis, the European Commission explicitly mentions the opportunities global growth offers for Europe’s businesses. Several Member States have found that their resilience or recovery can be attributed to export growth and, hence, place more policy emphasis on increasing the opportunities for enterprises to do business internationally.

It is also widely acknowledged that it is mainly small and young innovative companies that create most jobs, and many countries foster start-ups and self-employment as a means to cope with the high levels of unemployment caused by the recession.

Combining these two promising developments, it is worth considering that at least some of these newly established businesses are born globals and should be supported in the best possible way to exploit fully their economic, labour market and innovative potentials. However, current public and policy discussion largely neglects the existence of this kind of enterprise. This study therefore aims to raise awareness about the existence and special features of born globals and to present elements of beneficial public schemes, in order to assist policymakers in identifying and implementing relevant action.

Key findings

Born globals are enterprises that, soon after inception, achieve high export shares in several foreign countries, strongly driven by the global mindset of their managers and the need to attract more business than they can get in their domestic markets. They can be found in all sectors of the economy, but their product/service portfolio is characterised by a high level of innovation, technology and/or exclusive design. They fill important gaps in global value chains. Consequently, born globals are embedded in international networks, and such well-functioning cross-border relations are an important element for their success.

Due to the lack of a harmonised definition of ‘born global’ and standardised data dealing with this enterprise form, it is possible to provide only an approximation of their extent and contribution to the economy and labour market. According to available estimates, about one-fifth of young enterprises in Europe are born globals but with considerable differences among countries (from less than 10% in, for example, Hungary, to up to 40%–50% in Romania, Belgium or Denmark).

Because of their young age, born globals tend to be mainly micro or small enterprises. Nevertheless, as they are young they are observed to possess high job creation potential. Entrepreneurs and staff in born globals are highly skilled and educated, particularly in their knowledge of technology and languages, and command higher than average wages. Furthermore, due to their relationships with other firms and their way of doing business (for example, through outsourcing production) there is anecdotal evidence that born globals cause positive ‘knock-on effects’ in terms of job creation in other companies.

However, their pioneering character in terms of young age, newness of ideas and lack of established presence on the market also presents significant challenges for their capacity to survive. They not only have to master the development of an innovative product suitable for international markets, but also the business start-up process and the internationalisation process all at the same time, and to do it rapidly. This requires high levels of technical and managerial expertise, familiarity with procedures and markets and a high level of commitment and engagement. Furthermore, a comparatively high level of capital is needed to achieve these multiple tasks – difficult for a company which has limited resources and which faces the reluctance of external investors to finance its untested business idea. Consequently, born globals tend to be vulnerable to economic developments and need government support to realise their full potential.

Policy pointers

In spite of the emphasis on start-ups and internationalisation across Europe, these issues are hardly ever combined in public and policy discussion. This reflects the low level of awareness about the existence and potential of born globals. This is not least due to the lack of common understanding for this type of enterprise. Consequently, this report suggests, as a first step, the establishment of a harmonised definition which could be applied to further research as well as to policies.

As regards public support for born globals, the analysis found some examples of implicitly targeted schemes combining support for start-ups, internationalisation and innovation, mainly by providing technical and business advice, international networking opportunities with peers, suppliers and clients and access to finance in the form of subsidies, favourable loans or contacts with investors. Many available start-up, internationalisation and innovation support programmes are also characterised by elements favourable to born globals. However, there are also some measures restricting born globals’ access to these schemes, through their eligibility criteria, which mainly involve the requirements that firms have a proven track record.

The report suggests how public support can better address the developmental potential of born globals, such as:

- the establishment of internationally oriented business incubators providing a comprehensive set of services, including business networking, training and contacts with investors;
- improving born globals’ access to finance through the venture capital market;
- increasing knowledge about and accessibility of support schemes, as well as improving the coordination among the actors involved;
- fostering a ‘culture of internationalisation’ at national level, while at the same time promoting regional and sectoral ‘centres of expertise’ at international level, to allow born globals to benefit from the reputation and experience of other enterprises;
- supporting the international orientation of (future) entrepreneurs, for example through better promotion of this in secondary and tertiary education as well as through international internships.

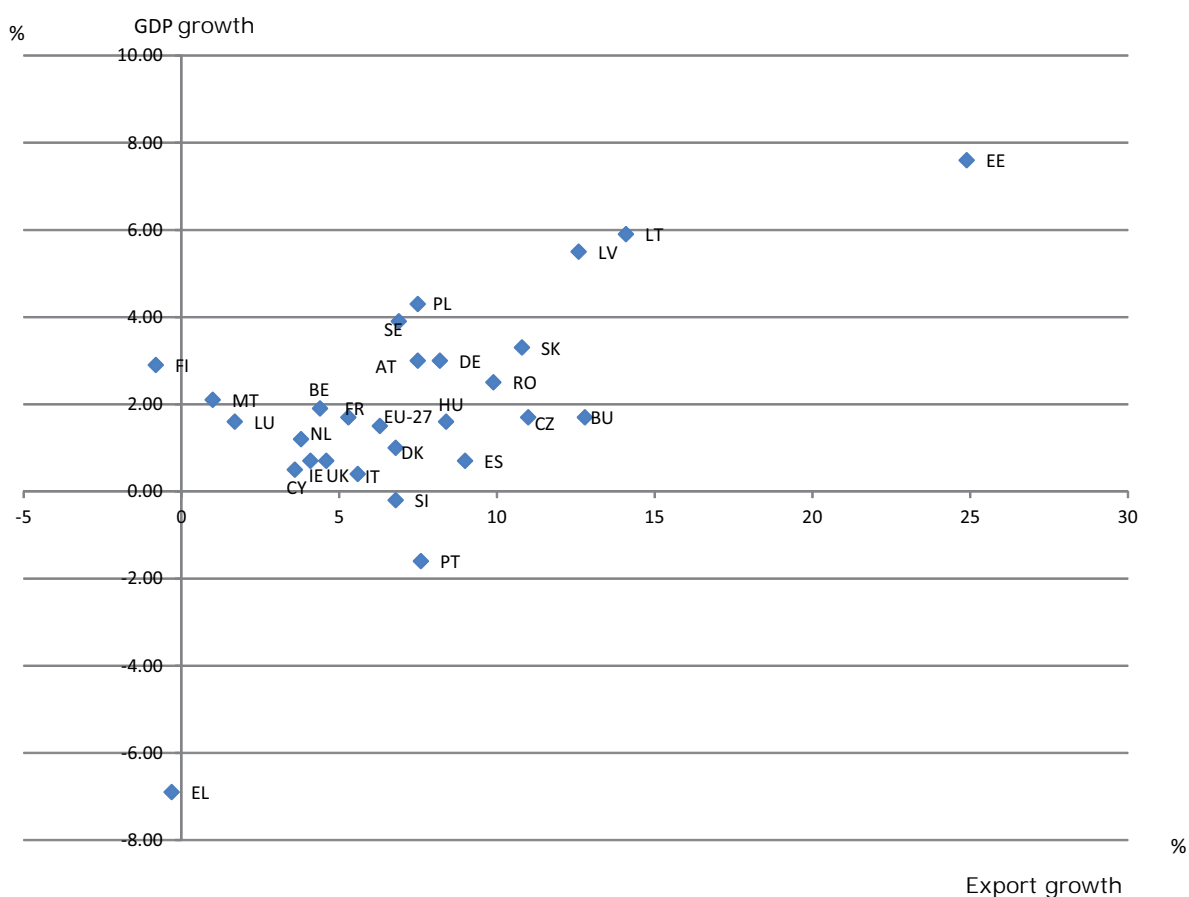
Bearing in mind that born globals' effect on the economy and labour market is not limited to a single country but, due to their international activities and the knock-on effects of these, become apparent at European level, it is not only up to national, but also to EU policymakers to enhance their potential. Almost all of the suggestions above could also be approached at European level, starting with the provision of data/research to raise the information and awareness level about born globals, to the exchange of good practice policies and the design of favourable support frameworks. As mentioned in the report, the first steps here have already been taken but more could be done, not only for the benefit of these companies, but for the European economy as a whole.

Background and objectives of the project

The European Union, having been severely hit by the financial crisis, is now seeking ways to transform itself into a ‘smart, sustainable and inclusive economy delivering high levels of employment, productivity and social cohesion’ (European Commission, 2010). One of the targets to be achieved by 2020 is increasing the employment rate of the population aged between 20 and 64 to at least 75%. This underlines the relevance of fostering economic growth, as well as job retention and creation (Mettler and Williams, 2011).

In this context, the European Commission (2010) explicitly mentions the opportunities global growth offers for Europe’s businesses. Indeed, there is some evidence showing that exports were the initial driver of recovery, and that export-oriented economies tend to grow faster than others in the aftermath of the crisis (see Figure 1). For Austria, Ireland and Latvia, for example, it is estimated that the recovery, or even growth, in 2010 and 2011 is largely due to their steady increase in exports (FIW, 2010; Eurofound, 2013a; EU Commission, 2012). In Spain, recent policy places greater emphasis on increasing the export capacity of Spanish firms as it is believed that companies with a higher export share can better cope with the consequences of the crisis (Multinational Spanish Company Observatory, 2011).

Figure 1: *Real GDP growth and growth in exports 2011 (% change on 2010)*



Source: Eurostat

Even if a ‘global slowing’, or at least moderation of exports and imports is expected (European Commission, 2011) international businesses could still be an important source of job creation.

Traditionally, internationalisation theory suggests that businesses go global only after having established a solid home market. Also, it has been observed that firms export first to a few geographically or culturally closer markets, only later increasing the geographical and cultural distance, as well as the number of markets served (Johanson and Vahlne, 1990).

In spite of most enterprises following this pathway, there are businesses which do have a high level of international activities shortly after start-up. These are referred to as 'born globals', international new ventures (McDougall, 1989), global start-ups (McDougall et al, 1994), infant multinationals (Madsen and Servais, 1997; Aspelund and Moen, 2001), micro multinationals or innate exporters (Mettler and Williams, 2011). For reasons of simplification and readability, the term 'born globals' will be used in this report.

The research available suggests that they are growth-oriented businesses with a strong innovative capacity. As a consequence, they could be considered as helping to stabilise economic development and recovery (Mettler and Williams, 2011).

However, little is known so far about the relevance of these firms for the economy and the labour market and what public support programmes are available to exploiting their potential. Across Europe, there are many public initiatives fostering start-ups, internationalisation or innovation. However, start-up support hardly considers the challenges an innate exporter is confronted with, while both internationalisation and innovation support are targeted at more established businesses. As many Member States support self-employment to cope with the high levels of unemployment caused by the global recession, it might be worth considering that some of these new entrepreneurs could be setting up born globals, and that appropriate support should be given to foster their potential for growth and job creation.

This study therefore aims to examine the main characteristics of born globals, to explore their innovation and job creation capacity and to investigate the potential for improving the public support they could get.

Methodology and structure of the report

This report is based on a European and international literature review on born globals and related concepts, to compare the different definitions and to summarise how authors differentiate these businesses from other entrepreneurial forms. The results are shown in Chapter 1.

Chapter 2 gives some indication of the relevance of born globals for the European economy. For this purpose, the respective fragmented findings of the literature review are combined with secondary data. However, most available structural business statistics or datasets on company internationalisation are rarely linked, or hardly provide for cross-tabulating the firms' age and the level of internationalisation.

Nevertheless, the Global Entrepreneurship Monitor (GEM)¹ offers this possibility. For this report, data stemming from the survey conducted in 2008 in 15 EU Member States², the US and Japan was used. Within this data, we define born globals as entrepreneurs who are trying to start a business (nascent entrepreneurs) or who have done so within the last 3.5 years, and who have indicated that at least 25% of their customers are abroad. This results in a sample size of 830 firms. Even if the data might not be representative in statistical terms and does not fully satisfy an exact description of born globals (rather that of young international firms), it gives some indication about the share of born globals in the economy and their characteristics.

¹ <http://www.gemconsortium.org/>

² BE, DK, FI, FR, DE, EL, HU, IE, LV, IT, NL, RO, SI, ES, UK

Furthermore, the Amadeus database of Bureau van Dijk³, which holds financial information, was filtered for active European companies with an incorporation date on or after 2007 and an export revenue (as a percentage of operating revenue) of at least 25%. This resulted in a set of about 8,000 matching firms, of which, however, the vast majority were based in France. As a consequence, only the French data is used for illustration.

Chapter 3 elaborates on the structural characteristics of born globals (like firm size or sector of activity), and how they do business. Their survival and growth potential are also dealt with. The information also summarises the literature review and available GEM and Amadeus data.

Chapter 4 describes in more detail the reasons for the emergence of born globals and the framework conditions fostering them. Information again stems from the literature review, enriched by some GEM data.

Chapter 5 analyses the policy debate and available public support instruments for start-ups, internationalisation and innovation in six EU Member States (Austria, Ireland, Italy, Slovenia, Spain, and Sweden) regarding their accessibility and suitability for born globals. The information is based on background desk research, as well as half-standardised qualitative interviews. In total, 35 interviews have been conducted between March and August 2012; seven with government representatives; 12 with support organisations; seven with representatives of employers' organisations and nine with academic and industry experts.

All findings have been drawn together and used to derive conclusions and policy pointers summarised in Chapter 6.

³ <http://www.bvdinfo.com/Products/Company-Information/International/Amadeus>

‘Born global’ enterprises 1

Traditional internationalisation theories such as the Uppsala internationalisation model (Johanson and Vahlne, 1990) consider the internationalisation of firms as gradual and evolutionary (the ‘stages theory’). Accordingly, the decision for an enterprise to go global is influenced mainly by age and size, the learning experience of the enterprise or innovative activity (Andersen, 1993). Firms are observed firstly to build a domestic market, before gradually starting to export to neighbouring or culturally close markets, thereby reducing risk and uncertainty. Only later do they consider engaging in markets that are culturally or geographically further away (Leonidou and Samiee, 2012).

However, about 20 years ago, a new type of company was identified by a study (Rennie, 1993) showing that, due to globalisation and technological advances, many firms began to export within a couple of years of their inception (Cavusgil and Knight, 2009). These findings, which contradicted traditional internationalisation theory, sparked further research on this topic.

The available research mainly investigates the specific features of this type of enterprise, the reasons for their emergence and the main challenges they face. Some reports focus on the efficiency of their internationalisation model (Lejko and Bojnec, 2011), and some have compared them with other firms’ internationalisation pathways (Harris and Li, 2007b; Mettler and Williams, 2011; Halldin, 2012a/b/c; Cavusgil and Knight, 2009). Most of the studies follow a qualitative approach (interviews, case studies) or include small sample sizes for standardised questionnaires.

Being a relatively new concept, there is no single, generally accepted definition of born globals in the literature. Nevertheless, most existing definitions describe them as being young enterprises that rapidly achieve a high percentage of exports. There has also been debate about the number and location of the markets served, and on the firms’ ‘vision’ (Gabrielsson and Kirpalani, 2012) in the sense that the management, from the very beginning, perceives the whole world as its marketplace.

Seaflex AB, a Swedish company of 10 employees was founded in 1999. The company sells an environmentally friendly elastic mooring system that secures pontoons and buoys or floating docks without damaging the sensitive ecosystem on the seabed. The company is mainly dependent on foreign sales with a domestic market share of around only 2%. Over eight years, Seaflex has increased its sales by around 30% each year and doubled its staff. CEO Lars Brandt stated in an interview: ‘During those first years, I tried to find international customers because Sweden is so small and I think if you have a product that everyone else can use, it is a missed opportunity to sell it only on the domestic market ... the whole world is our market!’

Source: *Lars Brandt, CEO of Seaflex, taken from the interview conducted by Ullah and Mir, 2012*

Quite naturally, when defining born globals, empirical studies focus on criteria such as export share or foreign direct investment (FDI) at a certain age of the company rather than more intangible criteria, such as a global mindset. Nevertheless, even among these, there can be considerable differences, as illustrated in Table 1.

Table 1: Varying definitions of born globals applied in selected research

Publication	Coverage	Maximum time before starting international activity	Minimum share of foreign sales as a % of total sales	Minimum number of markets exported	Other characteristics
Rennie (1993)	Australia	2 years	75% (at the age of 14 years)	multiple	<ul style="list-style-type: none"> global mindset of management from the outset
Knight and Cavusgil (1996)	n.a.	2 years	25%	n.a.	<ul style="list-style-type: none"> global mindset of management from the outset
Autio and Sapienza (2000)	UK	3 years	n.a.	multiple	<ul style="list-style-type: none"> competitive advantage from the international use of resources or international sales
Madsen et al (2000)	Denmark	3 years	Over 25% (sales or sourcing)	n.a.	n.a.
McDougall et al (2003)	USA	6 years	n.a.	n.a.	<ul style="list-style-type: none"> young enterprises (not older than 6 years at the time of research) independent firms (no holding spin-offs, no purely investment funds)
Chetty and Campbell-Hunt (2004)	New Zealand	2 years	80%	worldwide	n.a.
Luostarinen and Gabrielsson (2006)	n.a.	n.a.	Over 50%	n.a.	<ul style="list-style-type: none"> global vision and/or global growth path
Pla-Barber and Escriba-Esteve (2006)	Spain	10 years	Exports between 41%-61% or export to 11-25 countries	Not defined as 'born globals', but as 'fast internationalisation process'	n.a.
Svetličič, 2006	Slovenia	2 years	65%	n.a.	n.a.
Harris and Li (2007b)	UK	5 years	Export activity	n.a.	n.a.
Loane et al (2007)	n.a.	6 years	25%	n.a.	<ul style="list-style-type: none"> employ less than 250 independent firms internet presence (e.g. website)
Zhou et al (2007)	China	3 years	20%	multiple	n.a.
Sanchez and Rodriguez (2008)	Spain	7 years	25%	n.a.	n.a.
Sundqvist et al (2010)		3 years	25%	3 continents	n.a.
Halldin (2012a/b/c)	Sweden	4 years	25%	n.a.	<ul style="list-style-type: none"> export level needs to be maintained at least 3 consecutive years (stringent definition)
Mascherpa (2012)	Italy	6 years	25%	n.a.	<ul style="list-style-type: none"> export level of 25% needs to be attained within 6 years after the first international activity
Ripollés and Blesa (in press)	Spain	5 years	25%	n.a.	<ul style="list-style-type: none"> belonging to a network independently owned and operated new ventures internationalise at least one activity of its value change different from that of sales

n.a. = not applicable is shown whenever this criterion is not used by the study referred to.

Source: Adapted from Gabrielsson and Kirpalani, 2012, supplemented by additional research used in this report.

If we conflate the various definitions applied to born globals we could say that they are enterprises that, mainly within their first five years, (to a maximum of 10 years) start intensive international activities. This is not only expressed by their exports accounting for at least a 25% share in total sales, but also by activities in more than one foreign country. Moreover, they generally have, from the outset, a plan for engaging in intensive international activities, which implies a good level of strategic thinking and willingness to take risks.

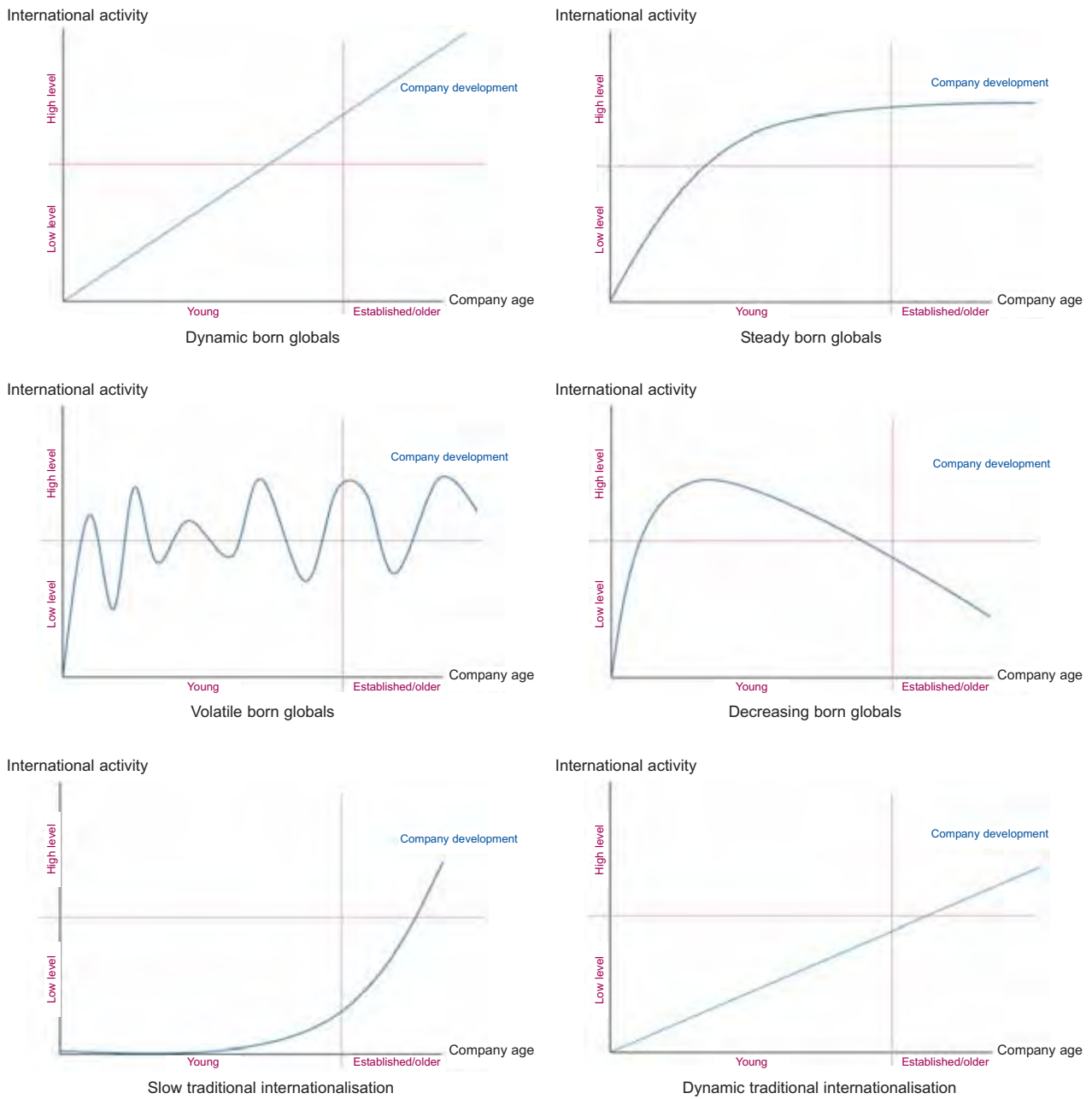
The intensity of the way in which these firms take on international business can differ (see Figure 2).

- Some enterprises quickly reach a high level of international activity which continues ('dynamic born globals').
- Others reaching the same level just as quickly may then slow down and stabilise ('steady born globals').
- Some experience fluctuations in international activities, but have high levels of internationalisation during at least part of their early growth phase ('volatile born globals').
- Some young enterprises with initial high levels of internationalisation activities may voluntarily (or involuntarily) decrease their international business throughout their life course ('decreasing born globals').

The last two groups might be particularly interesting for policymakers as they imply some unused potential regarding the firms' contribution to economic growth and job creation. These companies could, for example, face specific internal or external challenges that prevent them from following the steadier growth pathways of the dynamic or steady born globals. These challenges should be identified and addressed to take full advantage of the opportunities for these dynamic businesses.

For comparison purposes, the fifth and sixth elements of Figure 2 show the typical patterns of traditional internationalisation ('slow' and 'dynamic').

Figure 2: Potential development pathways of born globals versus traditional internationalisation



Source: Eurofound

Born globals in the European economy 2

Born globals among start-ups

Previous research has focused on investigating the extent of born globals in Europe, North and South America, the Middle East and Asia. The levels of born globals among start-ups or young enterprises are described here.

Almost 50% of the start-ups in Finland, Norway, Sweden and Denmark were found to be exporting within two years after their inception (Lehmann and Schlange, 2004). Another publication shows an interesting development concerning the internationalisation activities of Norwegian small and medium-sized enterprises (SMEs): while companies founded in the 1970s took, on average, 27 years to start exporting, firms founded in the 1980s took only two years, with start-ups in the 1990s exporting, on average, after one year. There is also some indication from research covering other countries that the internationalisation process of SMEs is getting shorter, referred to as ‘SME exporter’s squeeze’ and assumed to gain in importance in small well-developed economies (Lehmann and Schlange, 2004).

A survey among about 400 Norwegian and French SMEs showed that around 50% of the Norwegian firms and 11.6% of French firms founded in the 1990s can be considered as born globals (Moen, 2002).

A survey among about 500 Upper Austrian start-ups found that about 20% exported the year they began, to up to three foreign countries, with another 2% exporting to between four and six countries and another 1% to more than six countries. For older companies, there is a positive correlation between companies’ age and the number of foreign markets served (Gruber-Mücke, 2011). A similar pattern is found in a survey (Statistik Austria, 2007) among Austrian start-ups which were founded in 2002, still active in 2005 and managed by the initial founder (sample size about 1,700). This showed that 22% of these firms are active in international markets within the EU and 7% go beyond the EU. Service companies (particularly wholesale trade and transport) are more internationally active than manufacturing and construction.

A Spanish survey (sample size about 270) shows that 16.6% of the firms exported goods in their first year (Pla-Berber and Escriba-Esteve, 2006). Another 26.2% started internationalisation within six years. Lower levels are found when analysing data collected by the Multinational Spanish Company Observatory (OEME), a database of multinational Spanish firms. This shows that about 7% of the exporting companies were created less than seven years ago. A study by Sanchez and Rodriguez (2008) indicates a level of more than 15% of Spanish SMEs, younger than seven years, which have an export share of at least 25%.

According to a 2000 survey from Denmark, among about 270 SMEs, about 17% of the firms had export shares of 25% within three years of inception and quickly expanded their foreign activities (Madsen et al, 2000).

Born globals among all enterprises

When estimating the share of born globals among all enterprises, or among all exporters, previous research presents several findings.

UK Trade and Invest (UKTI - Harris and Li, 2007a/b) used the FAME survey data to estimate the approximate number of born globals in 2007. The information provided is from an unbalanced panel of over 80,000 UK firms with about 327,000 observations during 1996–2004. As a result of their estimates, based on data from 2000–2004, UKTI concluded that 2% of the sample can be classified as born globals. This is because UKTI defines a born global as an enterprise founded a maximum of five years previously, which within its first two years engages in any export activities (in other words, regardless of its export volume).

A recent study using a dataset from Statistics Sweden on new firms estimates that, in a sample of 610 Swedish exporters in manufacturing or knowledge intensive business services, between 10% and 20% of all enterprises can be classified as born globals, depending on the definition adopted. However, born global firms constitute only 1%–2% of all firms founded during the specified period (Halldin, 2012a/b).

A similar level of born globals has been found in a 2009 survey on the internationalisation of European SMEs (EIM Business & Policy Research, 2010), showing that 17% of the SMEs founded for up to four years export goods or services, with 25% of them importing. Furthermore, 2% of these young SMEs invested abroad, 7% had a technological cooperation with a foreign enterprise, and 6% had been a subcontractor to a foreign contractor and had themselves foreign subcontractors.

An Italian survey (Mascherpa, 2012) of manufacturing and exporting SMEs (metal products and machinery equipment; textiles; furniture; chemicals and food) defines born globals as companies that internationalise within their first six years, and with exports accounting for at least 25% of their sales within the six years of beginning to do foreign business. For example, a company founded in 2003, and making its first international sale in 2004, will be classified as a born global if the volume of international sales reach more than 25% by 2010. By this definition, the Mascherpa sample consists of 109 born globals out of 214 (51%). The majority of them are found in the machinery sector (followed by those dealing in electronic equipment).

Share varies greatly

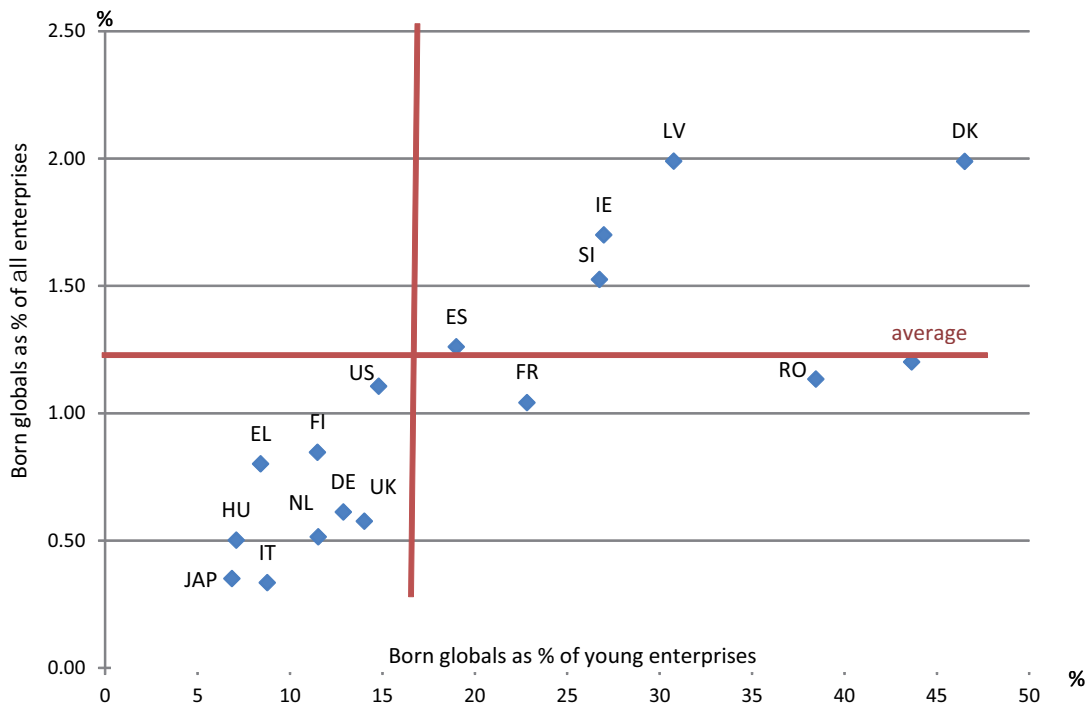
Due to the rather limited scope of the above surveys, there is some criticism regarding their representativeness and the opportunity to draw conclusions about the overall situation. Nevertheless, as existing large-scale data sources give scant information about born globals, they do give some indication about their extent. Other estimates can be derived when analysing data of the Global Entrepreneurship Monitor.

On average, while born globals constitute 18% of young enterprises or 1.06% of the total enterprise population (19% and 1.1%, respectively, in Europe), considerable differences between countries are prevalent. While born globals amount to 40%–50% of young enterprises in Romania, Belgium or Denmark, the share is as low as 7% in Hungary or Japan. The US, UK and Spain take a medium position with about 15%–20% of born globals among young firms.

With a few exceptions, smaller countries have a higher share of born globals among young enterprises than larger countries. Interestingly, most of the new Member States are characterised by high shares of born globals.

Born globals in Belgium and Romania seem to be younger than, for example, their counterparts in Latvia, Ireland or Slovenia as their share among young enterprises ranks high while their share among all enterprises is at a medium level.

Figure 3: Born globals as a share of young and all enterprises, selected EU Member States, US and Japan, 2008



Source: Global Entrepreneurship Monitor, own calculations and presentation

Characteristics of born globals 3

Sector of activity

Although a born global is not necessarily a high-tech industry phenomenon (Knight and Cavusgil, 2004), many of the publications tend to focus solely on high-technology sectors or high-value-added sectors such as biotechnology, high-service or high-design sectors (Taylor and Jack, 2012) or come to the conclusion that born globals are more common among technological companies (Harris and Li, 2007a/b). The main reason for this is that these sectors are arguably more international than others by their very nature. Thus enterprises operating here tend to internationalise quickly from inception. (Cancino et al, 2009). Moreover, high-tech and niche sectors enable the firm to test and improve the product quickly (Pock and Hinterhuber, 2011; Cannone et al, 2012). Limited demand in one regional market may also push firms into rapid international expansion.

The Ljubljana Technology Park in Slovenia (summer 2012) is fostering about 130 start-ups with technical knowledge in the field of high-value-added products. Some 80% of them consider Slovenia as too small, even as a test market, and hence aim at EU markets or the US.

Anecdotal evidence points to university and high-tech company spin-offs often becoming born globals (Oviatt and McDougall, 2005), which again supports the image of born globals as businesses focusing on high technology or IT. There is also some literature classifying born globals into those set up by ‘born industrialists’ (former employees/industrial practitioners quitting their job and starting a business with an innovative product) and those set up by ‘born academicians’ (researchers developing the product) who, in spite of their differences regarding levels of international knowledge, have in common the fact that they are located close to academic centres or in ‘IT regions’, accentuating their technology orientation (Nordman and Melén, 2008).

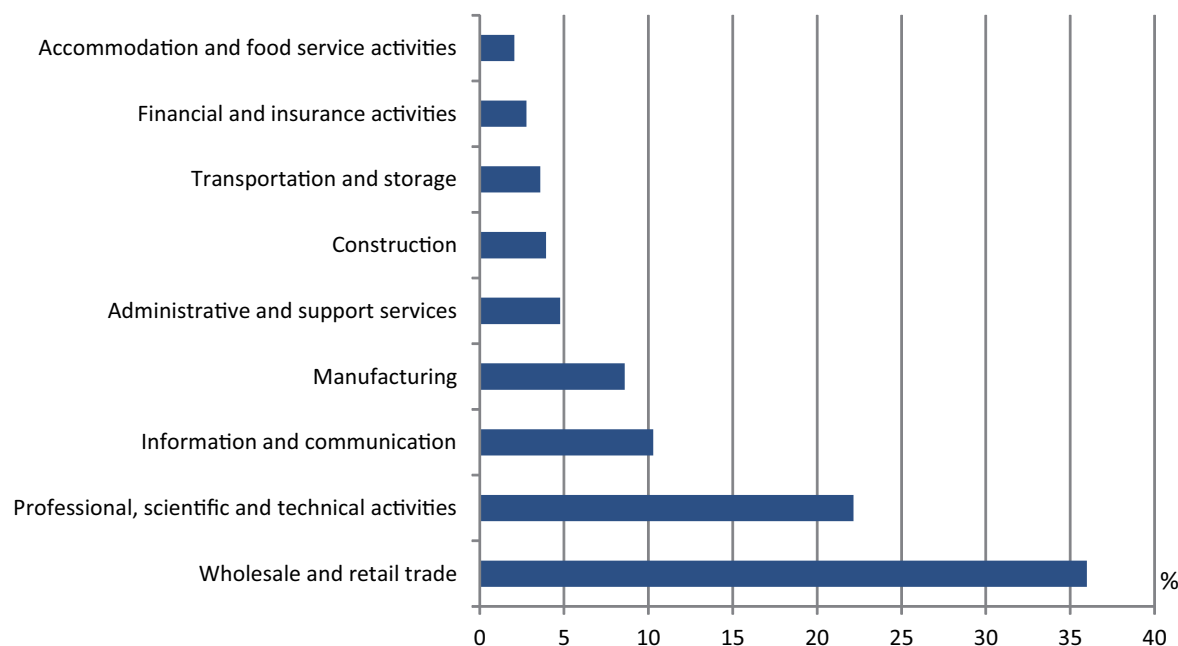
However, this is a rather controversial issue in the literature and there is no adequate evidence that some industries are going to experience accelerated internationalisation simply because of what they do (Zucchella et al, 2007). For example, some recent research shows that not all firms operating in high tech industries are also born globals. This includes studies by Brannbrack et al (2007) for a study of Finnish biotechnology exporters; and Mets and Kelli (2011) focusing on ICT and biotech companies from Estonia. In these studies, some of the enterprises highlighted follow very traditional and gradual internationalisation patterns.

Furthermore, some studies (Spowart and Wickramasekera, 2012; Gabrielsson and Kirpalani, 2012; Taylor and Jack, 2012; Falay et al, 2007; Ripollés and Blesa, in press; Vaquero and Gomez Gras, 2009) show that born globals can also be found in traditional manufacturing and service sectors. In contrast to their counterparts in high-tech sectors, however, born globals in traditional sectors entered foreign markets not only because of strategic opportunities, but more often because of their location; that is, they consider closer markets in the first instance. Moreover, unlike the high-tech born globals that mostly rely on low commitment entry modes like exporting, they tend to choose other entry modes, for example foreign direct investment such as establishing subsidiaries (Taylor and Jack, 2012). Also, in contrast to high-tech industries, the threat of product imitation in the domestic market was found to be a main cause of international expansion for firms in traditional sectors.

Interestingly, Italian researchers observe two types of born globals based on the results of enterprise surveys and qualitative interviews. While the ‘new wave’ of born globals, which emerged during the last two decades, operate in high-tech high-value sectors like e-commerce, design and ICT, more mature born globals (‘multinazionale tascabile’) that emerged in the 1960s and 1970s as family businesses operate within more traditional sectors like textiles and machinery. Those in the latter group are mostly located in an industrial district which significantly helped them to identify the right employees and business contacts to go global quickly.

Even if it cannot be considered to be representative, the distribution of the born global firms for France, shown by the Amadeus database, shows their heterogeneity concerning sectors. The highest shares of born globals in the sample (36%) are active in the trade sector. While this can be assumed to be a rather ‘traditional’ sector – as is manufacturing, which also has a comparatively high share – high numbers are found in more modern sectors such as professional, scientific and technical activities (22%) or information and communication (10%).

Figure 4: *Distribution of born globals (captured in the Amadeus database) by sectors, France*



Source: *Bureau van Dijk Amadeus database, own calculations and presentation*

Technology, innovation and product portfolio

Today, technology makes it possible for companies with limited resources to perform functions that previously needed to be done by hundreds of employees. Born globals are heavy users of internet-based services like Google Apps, Skype and Amazon or FedEx delivery (Mettler and Williams, 2011; Schneur, 2012) in their communication, distribution, marketing and knowledge management. As social capital built up through networks is essential for such companies, the recent rise of social media, networking and online collaboration tools provides new opportunities and is used more readily by them than by large multinational corporations (MNCs) (Renda, 2011).

Meetingsbooker.com is an internet-based Irish company founded in 2009 which offers clients the opportunity to source and book conference and meeting rooms online for 58,965 conference rooms in over 100 countries. Today the company is regarded as one of the fastest growing online meetings portals in Europe. Following the 300% growth in turnover in 2011, management decided to hire three additional staff for the Dublin headquarters and set up a base in San Francisco to exploit the potential of the US market fully in 2012.

Source: meetingsbooker.com

While the role of virtual functions in levelling business for born globals is generally accepted (Turner, 2012), the results from research on the contribution of internet usage to born globals' export performance are rather inconsistent. It is obvious that high internet usage can increase the number of countries born globals can operate in without needing to be there in person (Arenius et al, 2005). Pezderka et al (2012), however, found that based on their sample of SMEs from the UK the internet can contribute to superior export performance only when its use is aligned with proper strategy and experience.

Irrespective of their type of activity, born globals are found to possess high innovation capacity and/or ability to serve customers in an innovative way (Leonidou and Samiee, 2012). The classic innovation literature acknowledges new entry into international markets as an innovative act per se (Schumpeter, 1934). Moreover, there is evidence in the literature on the link between the propensity to innovate and early adoption of internationalisation (Aspelund and Madsen, 2009). One reason for this is that innovation is an important contributor to the competitive advantage in foreign markets (Acs et al, 2008). However, it is unclear whether the higher level of innovation is due to internationalisation or if the firms were innovative before taking on international business.

Given this, there is little, although consistent, academic literature showing that born globals are likely to be considered as global innovators, defined as companies marketing a new or a significantly improved product, or companies following an innovative way of doing business at a global level from the very early stages of their business activity (Oviatt and McDougall, 2005; McDougall et al, 1994; Knight and Cavusgil, 1996, 2004).

Knight and Cavusgil (2004), for example, test the link between (among other things) unique product development and quality focus and performance in international markets. They find that the relationship is significant, based on a sample of 82 small exporting firms in the US.

In a study for UK Trade and Investment (UKTI) the authors use data from the UK Community Innovation Survey (CIS-4) to see the level of innovation taking place in born globals compared to other exporting enterprises and non-exporters (Harris and Li, 2007a/b). They define born globals as companies aged five years or less, which exported at some time during 2002–2004. Accordingly, born globals are found to be significantly more innovative than non-exporters and spend significantly more on research and development per employee compared to other exporters and non-exporters. The study also finds that born globals were more likely to state that their innovation activities increased their ability to enter new markets. Nearly 31% of their turnover in 2004 was through the sale of products or services that were either new or significantly improved, which is a much higher proportion than for other exporters and non-exporters (for example, around 75% higher when compared to other exporters) which is interpreted as born globals being much more dependent on sales from innovative products.

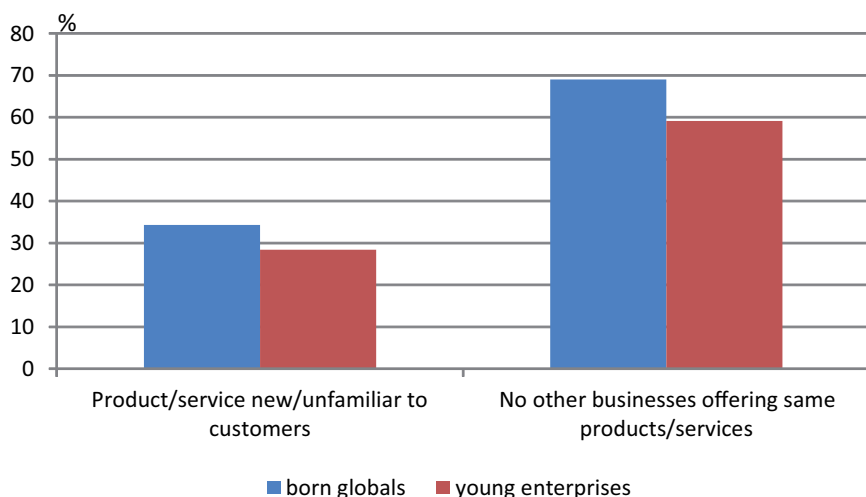
In another study (Reinstaller et al, 2010), the link between export intensity and innovation is tested by using cross-country micro data for 21 EU Member States using data from the Community Innovation Survey (CIS-3), where the authors define young high-growth companies as firms which achieve more than 50% of their turnover by exporting only two years after they have been established (sample size: 424). The analysis finds that very high export intensities of such companies are linked to high innovative output, having already received EU funding and having existing research cooperation with non-EU partners. Overall, the authors conclude that they face fewer barriers to internationalisation than other firms and thus have more potential to achieve higher sustainable growth.

In a recent study (Berthou and Hugot, 2012), the effect of innovation on the internationalisation patterns of firms has been investigated using EFIGE survey data from seven EU Member States (France, Germany, Austria, Hungary, Italy, Spain and the UK). Accordingly, regardless of the country, the share of enterprises that carried out product or process innovation during 2007–2009 is much higher in the case of internationalised firms. Likewise, firms doing international business are more likely to carry out research and development than those that are purely domestic. The authors also

performed an econometrical analysis on this sample in order to test the relationship between innovation and internationalisation. The results show that firms which carried out product innovation during 2007–2009 are more likely to export (by about 15%) than counterparts that did not engage in innovation. The same relationship holds for those that engaged in process innovation, though by a lower percentage (5%). This link between export performance and innovation is valid after introducing other control variables like usage of external financing, received public financial incentives or tax incentives. These results are interpreted in the way that product innovation allows firms to access additional customers located abroad.

The innovative activity of born globals is also supported by the available GEM data. According to this, 34% of born globals indicate that all or some of their potential customers consider their products or services as new and unfamiliar. For young enterprises in general, this share amounts to 28%. Similarly, a larger share of born globals than young enterprises assume that there are no other businesses offering the same products or services to their potential customers (69% compared with 59%).

Figure 5: *Share of born global and young enterprises indicating innovation, selected EU Member States, US and Japan, 2008*



Source: *Global Entrepreneurship Monitor, own calculations and presentation*

Born globals tend to show high product differentiation or production processes using cutting edge technology or exclusive design, even in very traditional industries (Rialp-Criado et al, 2002). With their specialised products, they can fill important gaps in the value chain of other firms and exploit economies of scope.

The Spanish company **UAV Navigation**, founded in 2004, designs and manufactures flight control systems for unmanned aerial vehicle applications and general aviation. UAV Navigation has built up a reputation as one of the key players in the fields of fixed wing aircraft, helicopter and payload control. Soon after inception the company started to sell its products abroad and now has more than 40 clients in more than 10 countries in Europe, the Middle East, Oceania and America and employs about 50 employees.

The products the company develops are designed in a way that customisation is readily achievable. The range of products covers the needs of end users who want to be in full control of an aircraft, monitoring its state and position, and to control payloads such as cameras, flares and pyrotechnics.

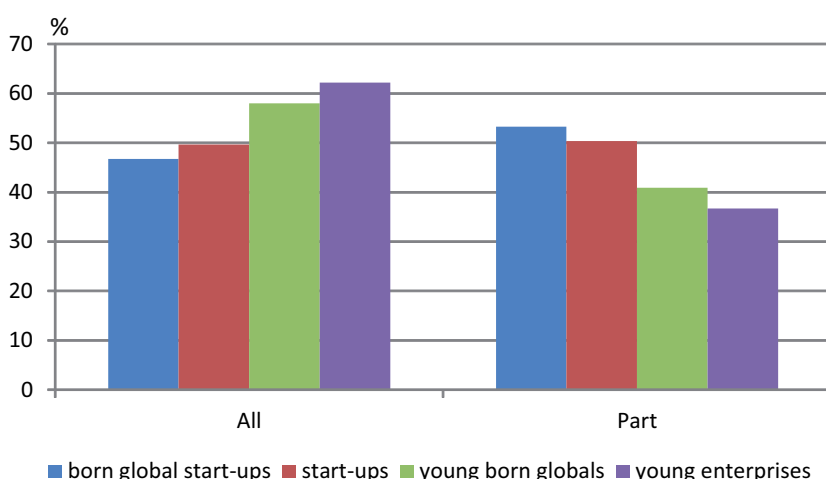
Source: <http://www.uavnavigation.com/>

Anecdotal evidence confirms that born globals tend to be repetitively innovative in order to retain their competitiveness in several markets and that they put more emphasis on having their innovations legally protected and on good marketing.

Ownership structure

From the data available from GEM it can be concluded that ownership and management of born globals is shared among teams to a slightly higher extent than in other young enterprises. While 47% of the born global start-up entrepreneurs indicate that they own/manage the whole business, this share amounts to 50% among all new enterprises. When considering young enterprises aged up to 3.5 years, the difference is slightly larger (58% of born globals compared with 62% of all young enterprises).

Figure 6: Share of born global and young entrepreneurs that own/manage all compared with parts of their business, selected EU Member States, US and Japan, 2008

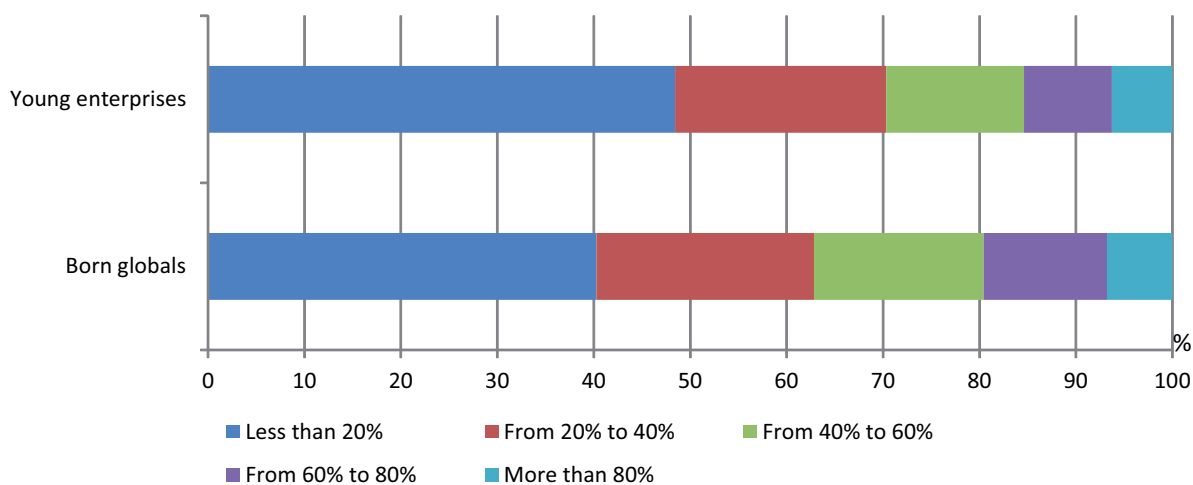


Source: *Global Entrepreneurship Monitor, own calculations and presentation*

One reason for this shared ownership is the higher capital requirement inherent to born globals. Unlike those firms traditionally doing business abroad or start-ups focused on the domestic market, born globals have higher development costs at inception in order to cover both start-up and related product development costs and internationalisation costs more or less simultaneously. Given that, they start as a team to draw on available financial resources from different people. Moreover, anecdotal evidence shows that many venture capitalists and providers of seed funds prefer to support a solid team rather than ‘lone wolves’.

Cavusgil and Knight (2009) underline that, in the inception phase, most born globals rely on capital from the entrepreneur and informal networks, that is, ‘sweat capital’, or ‘FFF capital’ (family, friends and fools). This is also confirmed by Spanish research (Sanchez and Rodriguez, 2008) showing that born globals have a higher share of their own funds than other businesses (35% compared with 27%), particularly when acting in technological sectors (50% compared with 29%). Similar results can also be shown when analysing the Amadeus data for French born globals. While 40% of these born globals have less than 20% equity, this share is as high as 48% for all young enterprises. In addition, 20% of French born globals have 60% or more equity, compared to 15% of all young enterprises. Equity is important to finance investment, cover potential risks or act as collateral. The higher the share of equity/solvency ratio, the higher is the credit worthiness of a company, and hence its competitiveness. From a business administration point of view, the solvency ratio should not be lower than 20%. Higher values improve the sustainability of a firm.

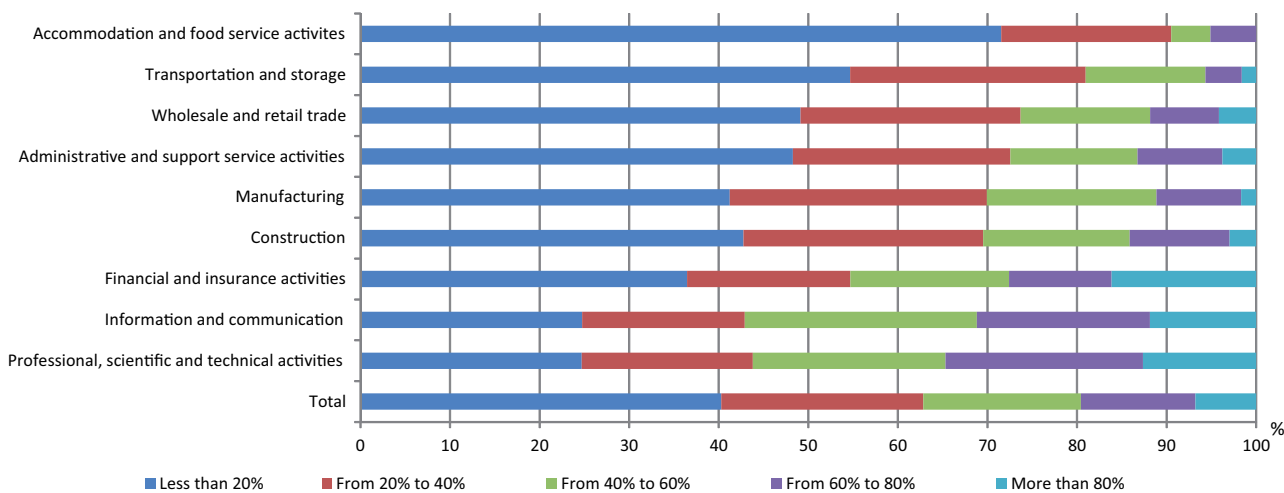
Figure 7: Solvency ratio of born globals and young enterprises, France



Source: Bureau van Dijk Amadeus database, own calculations and presentation

The share of equity in French born global enterprises is particularly high in sectors which can be assumed to be least investment intensive, such as professional, scientific and technical activities, information and communication, or financial activities. The higher share of external capital in the more investment-intensive sectors such as manufacturing, together with their lower profitability (see Figure 15), indicates that there is some potential for external financiers to ‘exploit’ born globals by demanding return for their investment, which might, in the end, hamper their growth potential. Accordingly, innovative financing instruments acknowledging the specific characteristics of born globals, by providing them with sufficient funds without limiting their future growth, seem to be needed.

Figure 8: Solvency ratio of born globals by sectors, France



Source: Bureau van Dijk Amadeus database, own calculations and presentation

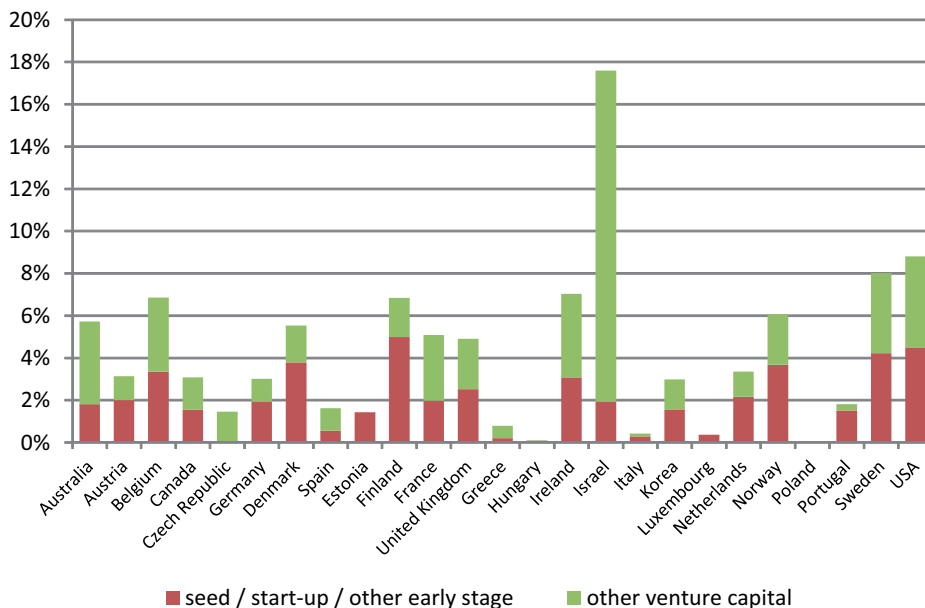
The role of public offerings (IPOs), business angels and domestic venture capital is also acknowledged among important external financial resources for born globals. Since such enterprises tend to invest in riskier assets than their ‘traditional’ counterparts, due to their more innovative and hence ‘less tested’ characteristics, they are more likely to face difficulties in obtaining other types of external financing.

Paperlit is a born global company founded in 2009 by an entrepreneur who previously worked in research and development for Microsoft in Silicon Valley. He, too, located his company in Silicon Valley but also chose to set up operations in Cagliari, Sardinia because of the digital economy cluster created there around 15 years ago. This cluster provides a good-sized pool of highly talented mobile software developers that can be called on when needed. Choosing Cagliari was also influenced by the opportunity to raise venture capital and receive managerial support from an incubator. The company employs 15 full-time employees and sells services to Italy, the US, South America and Australia.

Source: www.paperlit.com; www.thenetvalue.com/

Gabrielsson et al (2004) study the financing strategies of over 30 born global firms in Finland and conclude that the majority of the firms used public money available at the inception and internationalisation phase. Some firms mentioned that they took part in an IPO procedure to be able to go global. Most said they had difficulties in identifying international and global financial resources. Given the fact that Finland can be considered as one of the more progressive countries in the EU when it comes to availability of venture capital (as seen in Figure 9), these findings pinpoint the need for introducing public policy measures tailored to increase venture capital funds for such enterprises.

Figure 9: *Venture capital as percentage of GDP, 2009*



Source: *OECD, 2011*

Fernhaber and McDougall-Covin (2009) advise, based on their empirical work, that entrepreneurs wanting to go international rapidly should try to identify those venture capitalists that are reputable and have in-depth international knowledge.

Firm size

Although being small is not necessary for being a born global, the majority of the reviewed literature assumes that such companies are micro, small or medium-sized firms that are young and just starting up. For instance in a study by Loane et al (2007), among a sample of 218 firms that they classified as born global, the majority employed fewer than 50 employees (66.6% for Australia, 61.3% for Canada, 51.3% for Ireland and 76.6% for New Zealand). For this reason, such firms are also referred to as micro multinationals in some publications (Varian, 2005; Varian, 2011; Mettler and Williams, 2011).

The Austrian company **USP Indicators** was founded in 2003 and ‘had to’ be globally active from the outset, as it is so specialised. The company produces test strips (which, for example, determine facial skin type) for the cosmetics industry. Its export share is almost 100% of its total sales and the main target markets are Europe, the US, Latin America and Asia. Its main clients are the market leaders of the cosmetic industry, such as Beiersdorf, L’Oréal and Unilever. In spite of having only about 15 employees, the company has a global market share of about 70%.

Source: *USP Indicators will jetzt auch Japan erobern, Wirtschaftsblatt, 26 February 2009*

There is some research examining the influence of a firm’s size on its decision to go global quickly at inception. However, Wolff and Pett (2000) investigated the impact of the size of 157 US firms which had an active export market, and concluded that size has a weak influence on export intensity.

Likewise, Cancino et al (2009) explored the link between the size of an SME and its likeliness of becoming a born global. They used a sample of 125 SME exporters in and around Madrid and, by means of a logistic regression model, tested whether the larger the size of an exporting SME, the greater the probability that it was a born global. The study concluded that the size is not a significant variable, which – at least for the Spanish case – confirms that this type of company possesses features that are contradictory to the traditional resource-based approach.

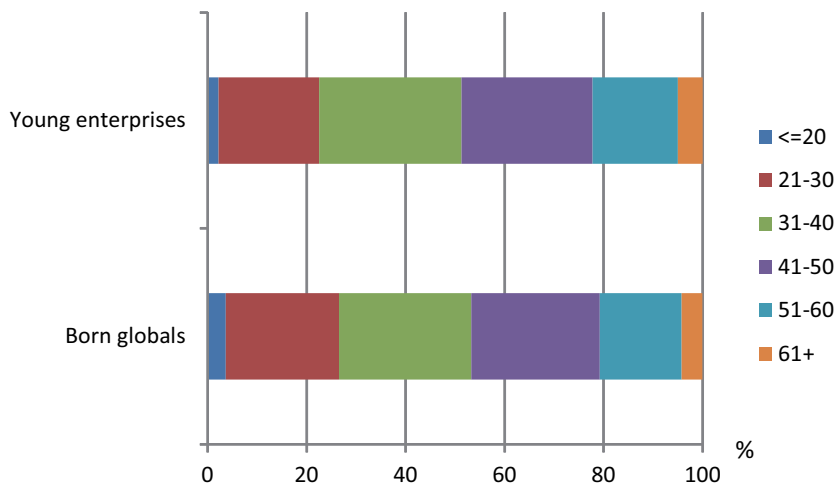
In contrast to this, Sanchez and Rodriguez (2008), analysing data from the Spanish Survey on Companies’ Strategies, find a positive correlation between being a born global and size. Among small firms, 12% are born globals, while the share is as high as 50% among large companies. Also in Spain, Ripollés and Blesa (2013) studied about 1,000 young companies (less than five years old) with international activities contributing more than 25% to their income. Among them, 61.5% of enterprises employ 3–15 employees, 25% employ 16–55 while 13.5% employ 58–208.

Human capital

The available GEM data show that born global entrepreneurs are slightly more male dominated than other young enterprises. While almost two-thirds of the interviewed born global entrepreneurs were male, this was only the case for 59% of all young enterprises in general. This is also supported by data for Austria, indicating that about 23% of male founders and 19% of female founders are active on international markets within the EU (while the share is about 7% for both men and women as regards markets beyond the EU) (Statistik Austria, 2007).

Born global entrepreneurs tend to be younger than their counterparts who are more focused on the domestic markets. While 27% of the born global entrepreneurs are aged 30 or less, this share amounts to 23% for the owners/managers of all young enterprises. However, differences in age group distribution between born globals and all young enterprises are not very strong.

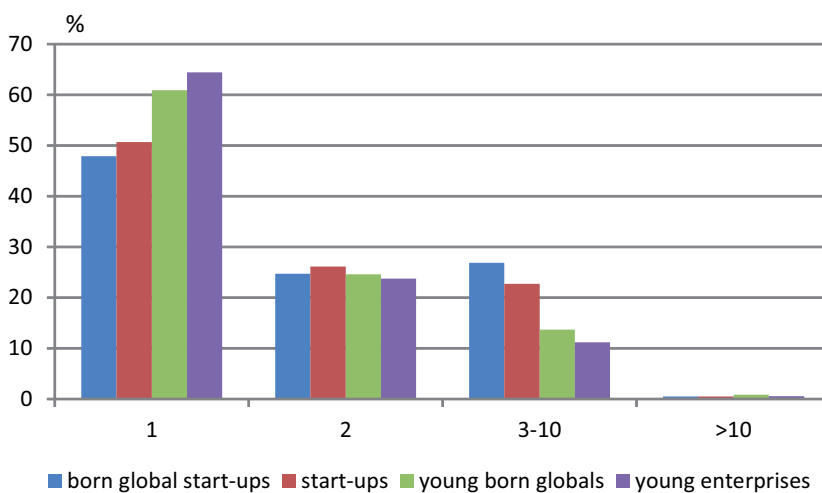
Figure 10: Share of born global and young entrepreneurs by age group, selected EU Member States, US and Japan, 2008



Source: Global Entrepreneurship Monitor, own calculations and presentation

In line with the shared ownership structure (see above), the management of born globals seems to be arranged to a larger extent in teams than by single managers. This holds particularly true as regards larger management teams. While, for example, 27% of the born global founders interviewed in the GEM survey are part of a management team of 3 to 10 people, this is stated by only 23% of founders in general. Similarly, 14% of the young born globals compared with 11% of young enterprises in general have 3 to 10 managers.

Figure 11: Share of born global and young enterprises by number of people owning and managing the business, selected EU Member States, US and Japan, 2008



Source: Global Entrepreneurship Monitor, own calculations and presentation

One of the most commonly accepted features of born global firms is that they are founded and managed by highly proactive, risk-taker entrepreneurs who are eager to discover and exploit opportunities abroad in order to pursue competitive advantage (Rialp-Criado et al, 2002; Pock and Hinterhuber, 2011; Harveston et al, 2000; Gonzales et al, 2008). As enterprises, these born global businesses are quite inexperienced in foreign markets (being start-ups). For more traditional firms, this is regarded under the stages model as a disadvantage that cannot easily be overcome. However, for

born global businesses this deficiency is compensated for by the global vision and commitment of the entrepreneur at inception (Moen, 2002; Pock and Hinterhuber, 2011).

Moreover, the capacity and preference of the founder/manager for cross-cultural collaboration (Lehmann and Schlange, 2004) is deemed to be an important success factor for rapid internalisation of the firm (Karra et al, 2008). Schwens and Kabst (2009), Lehmann and Schlange (2004), Gonzales et al (2008), Harveston et al (2000) and Pock and Hinterhuber (2011) pinpoint prior international experience of the management team as one of the determinants of early internationalisation and superior foreign market performance. As an illustration, data from born globals operating in knowledge-intensive business sectors in Sweden show that they have a much higher share of foreign-born employees than their counterparts (Halldin, 2012c). This is in line with findings from research on entrepreneurship of people with migration background. Migrant or ethnic entrepreneurs tend to have more strategic cooperation with companies in another country (Hart et al, 2009) and a higher export share than 'national' businesses, and, furthermore, first generation migrant entrepreneurs have a higher export aspiration than second or third generation migrant entrepreneurs (Schmid et al, 2006). A reason for this is that entrepreneurs with migration background often have better knowledge of the (business) culture, politics and institutional settings in their country of origin and frequently use contact networks which are beneficial for trade (Hatzigeorgiou, 2010). They possess expertise that is hard to copy by domestic/national entrepreneurs (Eurofound, 2011). However, one should bear in mind that the majority of the first generation migrant entrepreneurs in Europe perform in low-value-added sectors such as food or retail (Eurofound, 2011).

Profitero was founded by a team of one Ukrainian and two Belarussian entrepreneurs in late 2010 in south County Dublin. All three entrepreneurs gained international business experience at top-tier technology companies like IBM, Microsoft and Google before setting up their own business. Profitero has developed a prototype solution to trawl retail websites and get real-time pricing information to help retailers create competitive pricing. During the inception phase, the company raised €750,000 in venture capital from Delta Partners, which manages the Bank of Ireland Start-up and Emerging Sectors Equity fund; Enterprise Ireland, the Irish government agency for the development and growth of Irish enterprises in world markets; and Seedcamp, an angel investor. After two years, the company has 15 full-time employees in Dublin and in the development centre in Belarus. It monitors 27.5 million products across 2,500 European retail websites, and it plans to grow this to 100 million products by the end of 2012.

Source: www.profitero.com

Another distinguishing characteristic of born global entrepreneurs is the knowledge of foreign languages that facilitates building up global networks and engaging in international operations, though the evidence here is not consistent. Zucchella et al (2007), for instance, in their empirical work on 144 Italian manufacturing SMEs observe that one of the important determinants of accelerated internationalisation is the foreign language skills of the entrepreneur. In contrast to this, Eriksson et al (1997) find that for small international service sector firms from Sweden, managers did not perceive lack of knowledge of foreign language of the target markets as a major problem. However, this can be partially explained by Eurostat data (2010) showing that the average number of foreign languages learnt by Swedish pupils in the third level of secondary education is around 1.7. This figure is much lower in Italy, which means being able to handle business transactions at least in one foreign language is more common in Sweden and hence less a specific determinant for engaging in international business.

McDougall et al (2003) empirically test the differences between domestic and international new ventures from the US based on a sample of 214 new ventures. They find that, compared with domestic new ventures, not only the entrepreneur but the whole team of international new ventures has, on average, more prior international work and study experience.

Research from Slovenia pinpoints that entrepreneurs from international companies have higher levels of education, explained by the necessity of special competencies due to more complex international operations compared to domestic business. It is argued that more highly educated entrepreneurs are especially interested in international business activities. This seems to be particularly true for those entrepreneurs who have studied abroad (Eurofound, 2013b). Also, Spanish evidence shows that younger managers and those with a high educational level, good language proficiency, international experience, high risk tolerance and innovativeness seem to be more export-oriented than their counterparts (Eurofound, 2013c). Similarly, the findings of a survey among about 500 Upper Austrian start-ups show that:

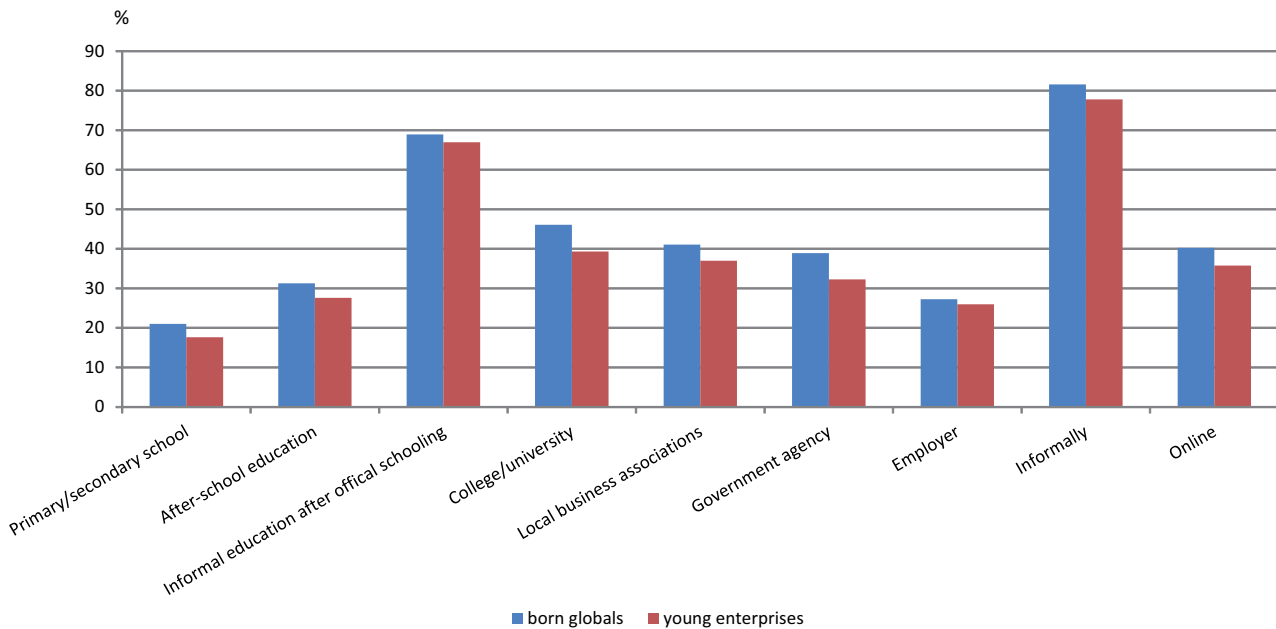
- about 70% of born global entrepreneurs have either a school leaving certificate (about 30%) or a university degree (about 40%), compared with 17% of the entrepreneurs without international activities;
- about 25% have an apprenticeship or master craftsman degree (compared with 47% of the entrepreneurs without international activities);
- 5% have attended only compulsory school (Gruber-Mücke, 2011).

Halldin (2012c), based on new enterprise data from Statistics Sweden, shows that born globals in the manufacturing sector have higher education levels than other new and exporting enterprises. Similarly, Spanish data (Sanchez and Rodriguez, 2008) show higher skills levels in born globals compared to other firms. While 23% of employees in young international firms have third-level education, the share is about 9% in other firms.

Higher educational attainments of born global entrepreneurs compared to owners/managers of young enterprises in general can also be shown by the GEM data (again, with the differences not being very large). While 37% of born global entrepreneurs have a university degree, this is the case for 33% of their domestically orientated counterparts; also 42% of the born global entrepreneurs have achieved a secondary school diploma at most, compared with 44% of domestic entrepreneurs.

A higher share of born global entrepreneurs took part in training on starting a business compared to owners/managers of other young businesses. This holds true for all types of entrepreneurship training providers covered in the GEM survey whereby the largest differences are observed with regard to training provided by a college or university not being part of formal education (46% compared with 39%). This is in line with the higher university affiliation of born globals shown above. Interestingly also, born globals seem to be more open to training provided by government agencies (39% compared with 32%). The most important source for learning about starting a business are informal sources, such as books, observing other people in business, or working in someone else's business (82% for born globals, 77% for young entrepreneurs in general). This pinpoints the necessity of good quality (practical) literature being available on start-up, entrepreneurship and internationalisation, as well as networking and exchange of experience.

Figure 12: Share of born global and young entrepreneurs by source of training in starting a business, selected EU Member States, US and Japan, 2008



Source: *Global Entrepreneurship Monitor, own calculations and presentation*

Finally, the available GEM data suggest that born global entrepreneurs are slightly more likely to have previous entrepreneurial experience than owners/managers of other young enterprises. Some 31% of the nascent and 22% of the young born global entrepreneurs (up to 3.5 years) indicate that they have managed and owned a business before the current one. These shares amount to 29% for nascent and 18% for young enterprises (up to 3.5 years) in general.

The higher share of previous business ownership/management experience of born globals is also found in Austrian research. While 70% of the analysed Upper Austrian born globals had previous management experience, this was indicated by only 51% of the non-international start-ups (Gruber-Mücke, 2011). Furthermore, this study shows a generally longer professional experience of born global entrepreneurs compared with other start-ups: only 3% of born global founders have no previous professional experience, while this is the case for 7% of domestically orientated founders. Similarly, one-third of the born global entrepreneurs have more than 15 years of experience, compared with 28% of other founders.

The Austrian company **Gugler Walter Turbines GmbH** is active in engineering, and the supply and installation of water turbines. It has an export quota of almost 100%, and in 2010 extended its markets to Iran, Peru and Sri Lanka. In 2010, it employed 25 staff and achieved sales of €15 million, twice the level of 2009. Before becoming self-employed in 2005, founder and CEO Alois Gugler was employed at the Austrian hydraulic energy specialist VA Tech where he developed the knowledge and skills applied in his own firm.

Source: *Ruhm and Wilhelm, 2010*

Networks as social capital

A generally accepted characteristic of born globals is that the founder and management team have international networks which play a crucial role in the design and implementation of the business model and create social capital⁴ for the enterprise (McDougall et al, 2003; Autio, 2005; Lehmann and Schlange, 2004; Pock and Hinterhuber, 2011; Ripollés et al, 2002). Consequently, it is not about the number of networks or contacts, but about their quality in terms of good relationships (mutual trust) with clients, suppliers, facilitators or partners (Gruber-Mücke, 2011).

A born global company located in Castellon (Spain) is going to develop a specific product without producing it itself. The company will import the raw materials from China and has established agreements with several factories from different local industries to combine the raw materials with other products and conduct several production processes. The final product will be exported. All phases of production are outsourced, while the born global will only focus on the design and service provision as well as on managing the cooperation along the value chain, including the international distribution. The firm has two employees. One of them will deal with the design and control the production process, while the other will be responsible for international sales.

The positive association between international network contacts and early internationalisation has been empirically proven (Schwens and Kalbs, 2009). The social capital through networks not only triggers rapid internationalisation but also enables continuation and further development of international activity (Chetty and Agndal, 2007; Ferreira et al, 2010; Oviatt and McDougall, 2005). As born global enterprises lack abundant tangible capital compared to large MNCs, they may compensate for this via intangible capital through their existing networks (Chetty and Campbell-Hunt, 2003). Social capital can feed into the new product development of the enterprise as innovation and collaboration are accepted as being closely related (Google Future Foundation, 2010; Boari et al, 2005). The networks can be used to acquire the necessary knowledge about the target markets, be more active in them, realise higher sales (Boari et al, 2005) and in some cases are seen as a source of financial capital, especially in the initiation phase (Coviello and Cox, 2007).

However, born globals do not necessarily have to build up their own networks. Rather, they can also benefit from existing global networks and clusters formed by either large MNCs or as a result of public private partnership initiatives in foreign markets (Cavusgil and Knight, 2009). Welch and Luostarinen (1993) underline that such links help born globals to inform themselves about international opportunities and to familiarise themselves with international business methods. Moreover, these links facilitate distribution, marketing and customer relations for born globals once they internationalise (Coviello and Cox, 2007).

Born globals not only rely on (their) existing networks, but also try to expand them. Consequently, networking competences play an important role (Gruber-Mücke, 2012).

⁴ While there does not exist a single, commonly accepted definition of 'social capital', it is generally understood as formal or informal networking among individuals, including shared norms and trust and facilitating interaction, participation and cooperation. Social capital is assumed to result in mutual benefits for the involved actors. (Eurofound, 2007)

Market penetration strategy

Leonidou and Samiee (2012) emphasise that the initial market entry mode of a born global can be any of four stages of 'traditional internationalisation': not-regular exports, exports via independent representatives, sales subsidiaries and FDI. In the end the concern of such enterprises is to establish, as quickly as possible, a foothold in multiple markets. Still, given their resource constraints, born globals are assumed to use less resource-intensive entry modes (Cavusgil and Knight, 2009; Pock and Hinterhuber, 2011). Crick and Jones (2000), for instance, found that most of them used direct exports through international agents.

Likewise, it is more plausible for them to engage in alternative collaborative governance structures such as subcontracting, licensing, franchising or even volunteering to help them to keep their costs, and thus keep risk of entry and exit low (Leonidou and Samiee, 2012). Piggyback marketing⁵ is also thought to be a common strategy among these firms (Leonidou and Samiee, 2012). Born globals, instead of investing transnationally themselves, can opt for making their special knowledge available to a partner who can deliver necessary resources to access international markets (Gassmann and Keupp, 2007), which minimises their own risk of dependence on specific markets.

InterNations GmbH is a born global headquartered in Munich, Germany. The company was founded in 2007 by three entrepreneurs in their 30s, all of whom have studied and worked in various foreign countries. Building upon work experience in international management consultancies and media companies, they set up InterNations to make living abroad easier. The company provides a platform for people living and working abroad to enable business and leisure networking. As of 2012, the platform has over 300,000 registered members. InterNations employs a team of over 25 employees at its headquarters, while around 400 'ambassadors' are active on a voluntary basis in over 300 cities around the world. These honorary ambassadors represent the company and execute marketing activities in their local community, facilitate networking by organising events, collecting the money raised from these events and liaising with headquarters.

Source: www.internations.org

Contradictory results can be found in the literature concerning how born globals select their target markets. While in some studies selection of markets is found to be based not on geographic or cultural proximity, but purely on market potential considerations, access to networks and previous international experience of the entrepreneur/management team (Lehmann and Schlange, 2004; Pock and Hinterhuber, 2011), others find that born globals at first instance favour same-language markets (Fan and Phan, 2007).

The Austrian company **Treventus Mechatronics GmbH** was founded in 2006 as a spin-off from Vienna University of Technology. The firm develops, produces and sells solutions for mass digitalisation and holds, for example, a patent for a book scanner meant for libraries. Market demand was analysed by conducting a questionnaire survey. The results were the basis for choosing the markets to serve. The internationalisation started with the German-speaking countries Germany and Switzerland. Afterwards, country priorities were set based on demand, resulting in a focus on France and the UK. After establishing a service and distribution network, Europe-wide distribution is planned. Treventus opted for exporting as its market entry strategy. A repair and maintenance service for the scanner is planned to be covered by

⁵ An arrangement in which one firm distributes a second firm's product or service together with its own without incurring additional costs.

establishing an international partner network. Contract negotiations with international partners are expected to be time-consuming and to require much planning, preparation and stamina, but are deemed an important precondition for a successful internationalisation.

Source: *Apfelthaler and Vuong, 2008*

Born globals are customer-oriented enterprises that determine the breadth of their product offering and standardisation of their marketing strategy across several foreign markets by taking into account the dynamics of their target market (Gabrielsson et al, 2012). This study finds that born globals have less breadth in product offering and a more standardised international marketing strategy compared with traditional internationalisers, based on a sample of over 200 Finnish and Swedish ICT companies. These results can be attributed to resource scarcity and the effects of globalisation. Other authors, however, pinpoint that born globals' products are, from the beginning, developed for the international market and therefore adjusted to the requirements of the different countries (Lehmann and Schlange, 2004). This is supported by an Austrian assessment that, particularly for young companies from small and high wage countries, it makes sense to focus on core competences, establish themselves as specialists and orientate themselves to the requirements of their (global) clients, thereby following from the beginning a very strong customer-orientated approach (WKO, 2011).

This strong customer orientation also suggests a focus on business clients as their number (compared to individual customers) is comparatively limited and hence they are easier to identify and serve (Pock and Hinterhuber, 2011). As clients, born globals seem to prefer high-technology industries with high growth potential, but they also serve more traditional markets. Born globals position themselves in industries that are highly competitive, but due to their innovative products they avoid direct competition with large multinational firms.

Fluidmesh Networks develops wireless transmitters that can be used in applications from video surveillance to data transfer. The company was founded in 2005 in Boston by a team of Italian researchers and engineers. Research and development activities are carried out by an Italian subsidiary. This subsidiary acts also as the main European headquarters of the company, to support sales in the UK and France. The marketing and sales team is spread among the firm's main markets (Europe, the US and Latin America) to ensure proximity to its customers.

Source: *Cannone et al, 2012*

Given their limited resources and rapid internationalisation strategy, born globals need brand-building strategies that have a rapid impact on global markets, require limited managerial skills and are cost effective (Gabrielsson, 2005).

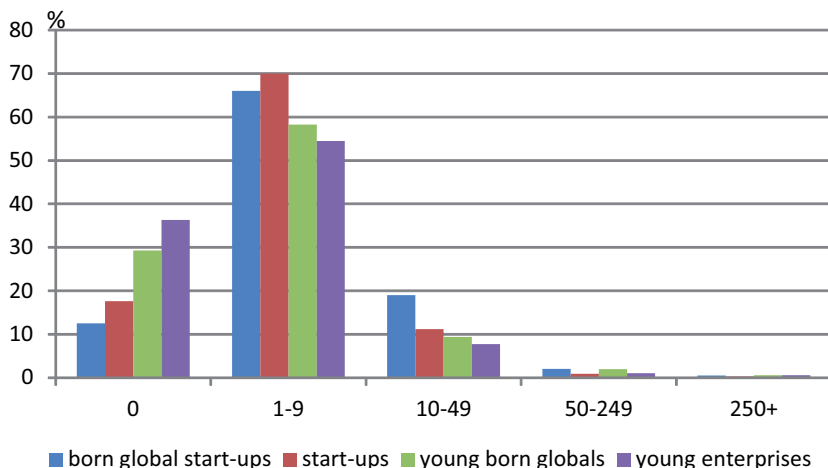
Contribution to the national economy

There is very little research on the economic benefits from born global activities. In the UKTI study (Harris and Li, 2007b), for example, it is estimated that based on data from 2002–2004, born globals accounted for around 6.8% of employment in the UK and 8.1% of gross output. The same study finds that born globals have better levels of total factor productivity than other enterprises.

The data available from the Global Entrepreneurship Monitor provide evidence that born globals tend to have stronger employment effects than other young enterprises. While, for example, among the nascent entrepreneurs generally about 12% employ 10 or more workers, this share is almost twice as high among born globals. Similarly, among the born global

firms that have been founded within the last 3.5 years about 29% are one-person enterprises, while the share is 36% among all young firms. On average,⁶ born globals employ one worker more than other young firms.

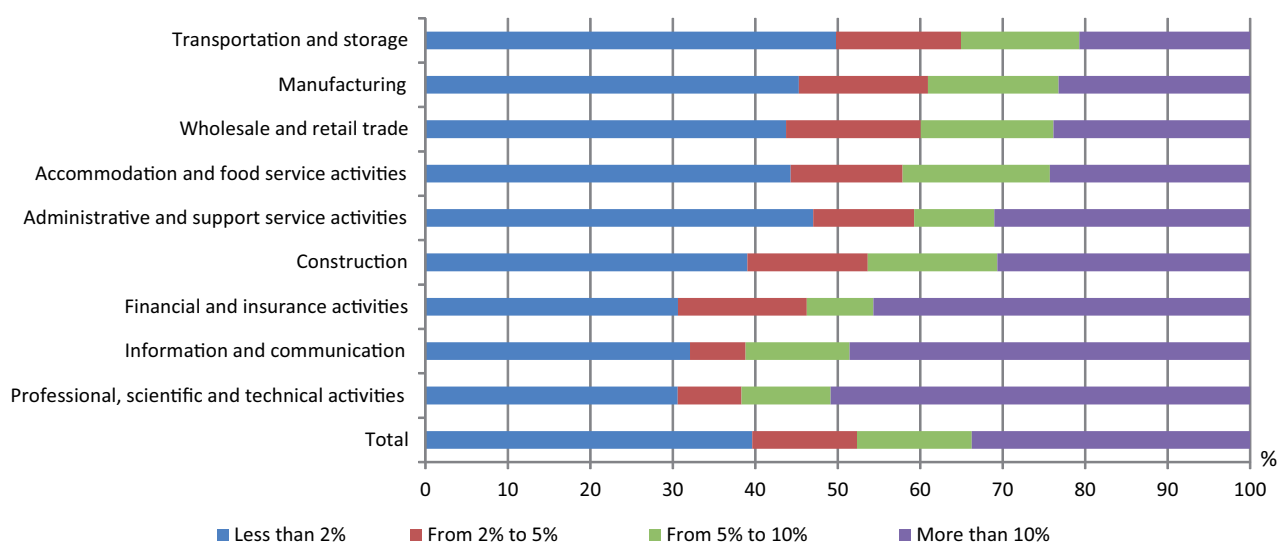
Figure 13: Number of employees in born global and young firms, selected EU Member States, US and Japan, 2008



Source: Global Entrepreneurship Monitor, own calculations and presentation

The financial data available for French born globals also show that, on average, they are more profitable than other young firms. This is arguably due to their ‘pioneer’ character in terms of being superior to their colleagues in offering their specific product or service. Quite naturally, the profitability at firm level is also beneficial at macro level as it creates tax revenues and value chain effects, never mind the benefits linked to the company’s sustainability. Some 48% of the French born globals achieve a profit margin of at least 5%, while this share amounts to 44% for the young enterprises in general. Nevertheless, there are still 40% of born globals (compared to 43% of young enterprises) that realise a profit margin of less than 2%, which can be assessed as unsatisfactory.

Figure 14: Profit margin of born globals and young enterprises, France

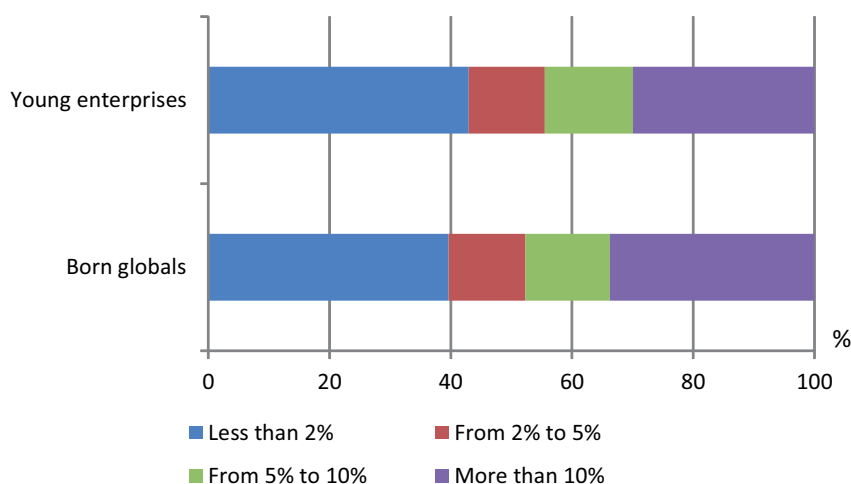


Source: Bureau van Dijk Amadeus database, own calculations and presentation

⁶ Median used.

French born globals, particularly those in ‘modern’ industries such as professional, scientific and technical activities or information and communication seem profitable, while in the sectors of transportation and storage and manufacturing, the profitability of born globals, and young enterprises in general, is below average. Nevertheless, in some traditional sectors, for example construction or hotels and food service activities, born globals outperform average young enterprises on profitability.

Figure 15: Profit margin of born globals by sector, France



Source: Bureau van Dijk Amadeus database, own calculations and presentation

From a more qualitative perspective, successful born globals can create valuable knock-on effects on other businesses as regards job creation, innovation and competitiveness. Cross-border enterprises provide benefits for national economies (Porter, 1998; Reich, 1993; Liesch et al, 2007; Rennie, 1993; Cavusgil and Knight, 2009) by:

- participating in global networks of enterprises and by enabling knowledge transfer;
- forming clusters of high-value-added activities and new global industries within the national economy;
- creating stocks of skills and knowledge;
- building up the reputation of the country as an attractive location for trade and investment.

As born globals place more emphasis on innovative products and services rather than on low costs to remain competitive, the products or services offered are of high quality, resulting in the creation of added value. Being involved in international activities and networks, in turn, fosters the companies’ opportunities for exchange and to learn from others, which again can be transformed into innovation. Data from Spain, for example, show that more born globals than other enterprises invest in research and development (32% compared with 19%) and that their research and development expenditure is higher (0.76% of sales compared with 0.46%) (Sanchez and Rodriguez, 2008). This results in more innovative outputs: born globals introduce more than three product innovations yearly, while for other companies the average is 1.6.

Furthermore, born globals provide benchmark orientations and strategies for large, established firms (Vapola et al, 2008). Vapola (2012) introduces the idea of a global innovation constellation; a set of MNCs and start-ups in a loose, non-equity, innovation alliance in a particular competitive domain, which eventually leads to enhanced innovation performance for the whole economy. Large MNCs can learn from born globals about new technological and market opportunities, while the born global can benefit from access to international markets.

Sustainability, growth potential and challenges

Born globals are assumed to have a high potential for employment growth and innovation (Rennie, 1993; Knight and Cavusgil, 1996). Indeed, in the previously mentioned McKinsey study, born globals are regarded as being responsible for 20% of high-value-added exports and a source of dynamic growth and job creation for their economies (Rennie, 1993).

However, there are few studies investigating the survival capacity of born globals. Mudambi and Zahra (2007) empirically examine the survival of international new ventures by comparing them with other modes of internationalisation. Based on data from 274 British firms, they show that these new ventures are less likely to survive in the domestic market than the other modes. However, the authors conclude that this might be due to their adoption of different and more ambitious performance indicators compared to their counterparts. Also Harris and Li (2007b) find that born globals experience lower rates of return and a greater likelihood of making a financial loss in their early years.

Sui (2009) empirically tests born globals' survival capacity based on a larger sample of newly established Canadian SMEs. The study finds that the effect of being born global on the survival capacity of operations is significant compared with gradual global enterprises; however, when controlled for firm's choice of internationalisation mode, the difference disappears. According to Sui, this is due to the fact that if these firms had not been born globals, they would have had less chance of survival in the export markets.

A similar result is also found for Spanish born globals, showing that quicker access to foreign markets increases competitiveness of the firms due to a growing familiarity with their foreign market and the establishment of routines (Blesa et al, 2008). This, in turn, also results in an enhanced willingness to act internationally, taking advantage of any opportunities, which is especially important for companies acting in dynamic sectors where they need to adapt continuously to changing customer needs.

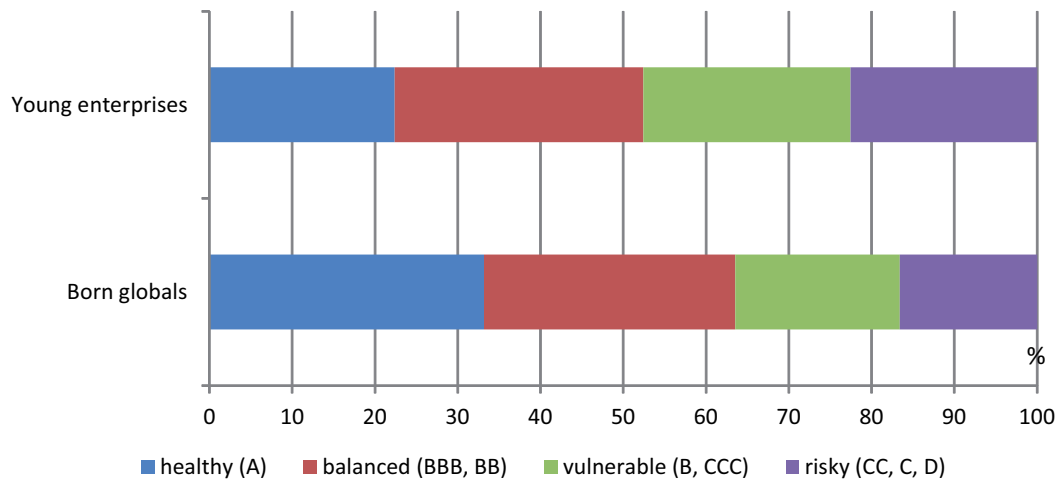
Halldin (2012c) investigates survival of the born globals using data from Statistics Sweden. Data show that when compared to all new firms, born globals have a superior survival rate, at least in the manufacturing sector.

In general, due to their limited size, born globals can be assumed to face the same challenge as all small enterprises in terms of high dependency on market developments and higher vulnerability caused by individual events. Anecdotal evidence shows that the survival of born globals depends on how quickly they manage to make a profit and whether they are part of a high quality network (born globals that are university spin-offs seem to be particularly good at achieving this). In other words, they could be considered 'risky' because they have comparatively little time and resources to make profits while at the same time needing to get investment in untested products or processes.

An indication of born globals' financial sustainability can be given by using Amadeus data. The MORE rating⁷ shows that almost two-thirds of the French born globals can be considered to be financially healthy, while this is true for 52% of all young enterprises. Similarly, the share of risky born globals is 5–6 percentage points lower than that for young enterprises in general. However, this just gives an indication about the firms' financial health (and their ability therefore to cushion sudden shocks), but does not provide any information about the companies' actual strategy or behaviour.

⁷ 'MORE' is an acronym of Multi Objective Rating Evaluation and refers to a credit risk assessment methodology comprehensively analysing a firm's profitability, liquidity, solvency, efficiency, product quality, payment behaviour and so on (<http://www.modefinance.com/home/MOREphilosophy.html>).

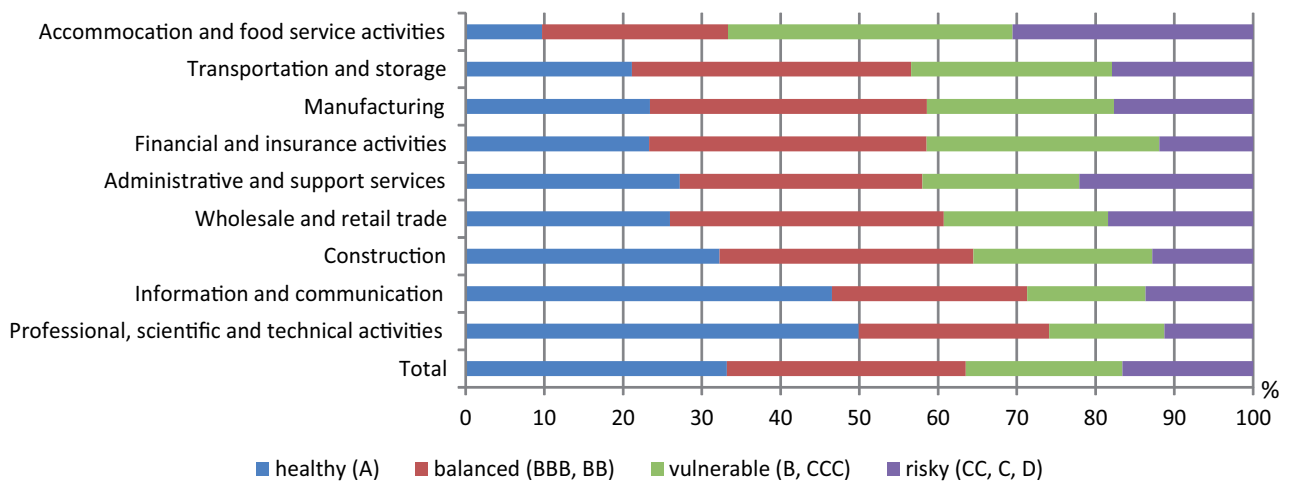
Figure 16: MORE rating of born globals and young enterprises, France



Source: Bureau van Dijk Amadeus database, own calculations and presentation

Differentiated by sectors, French born globals in professional, scientific and technical activities and in information and communication are particularly financially sound (almost 50% achieve an A rating according to the MORE classification). By comparison, the worst rating is for French born globals in the accommodation and food service sector, with about one-third in each area classified as vulnerable and risky.

Figure 17: MORE rating of born globals, by sector, France



Source: Bureau van Dijk Amadeus database, own calculations and presentation

The ability of born globals to survive economic shocks is also under-researched. What research exists is contradictory. Considering that most economic shocks result in deterioration of financial markets and shrinking of financial resources, international new ventures that are highly dependent on external capital are expected to be hit harder. As a consequence, some anecdotal evidence hints towards fewer new born globals in the aftermath of the current crisis.

However, their flexibility and dynamic capabilities regarding product development and expansion make them potentially able to navigate tough times better than larger, well-established firms (Piva et al, 2012). Also, some experts observe that, in the current crisis, those companies considered as born globals do not seem to withdraw from their international activities. Moreover, one can argue that the typical clientele of high-value exclusive design products such as those offered by born globals might be more immune to economic downturns, with demand therefore less affected than that for other goods. Consequently, the experts interviewed for this project assume that those born globals which have already somewhat settled in their international markets and embedded themselves in established value-chain networks are less affected by the crisis than purely domestically oriented firms. However, compared to previous years the current economic environment is more challenging for born global start-ups or for those acting in greater isolation.

The Austrian company **Ratec** was founded in the 1980s and is active in engineering, producing conveyor and suction technology for handling bulk cargo. It employs about 20 staff and achieved sales of €2 million in 2008. As it works in niche markets it is forced to operate on a global level and considers itself as a born global. In 2008, its export ratio amounted to 62%. Its main target countries are Germany, Switzerland, Belgium, the Netherlands and Luxembourg. The company was hit by the global recession, with sales dropping by 30% between 2008 and 2009 as its markets in Russia and in Arab countries deteriorated. Nevertheless, the company hopes to weather the difficulties through fostering more export business.

Source: *Kärntens Exportmeister Ratec macht sich in Nischen breit, Wirtschaftsblatt, 20 May 2009*

Piva et al (2012) use a sample of 114 Italian high-tech entrepreneurial ventures where most of the firms are 6–15 years old, have less than €2 million in sales and fewer than 10 employees to test the hypothesis whether, in the crisis, high-tech firms' innovation capability (and expansion in international markets) leads to superior growth performance. According to the survey results, 71.9% of the firms invested in new product development and 54.4% engaged in expansion in international markets in 2009 in response to the crisis. In all models, the capability of high-tech ventures to engage in innovation has a positive impact on firm growth (measured by the increase in number of employees and sales). However, the study does not find evidence for same relationship between international expansion and firm growth.

The Italian company **Saet Group**, founded in the late 1960s, is a worldwide leader in design and manufacturing of induction heating production solutions. Based in Turin, the company has branches in Germany, China, India, Thailand, Mexico, Brazil and the US and employs a total of 350 workers. The company has focused on exports since its inception and exports 70% of its product. In 2009, the economic crisis led to Saet Group experiencing declining sales and shrinking financial resources. However, by 2011 sales figures were back on a par with those of 2007, equal to a growth in turnover of 10% achieved in just one year. The enterprise expects a sharp jump in sales in 2012. The CEO says this is because of their continuous investment in new technology and innovation plus being active in emerging markets. He notes that taking their business to China is responsible for more than 20% of post-crisis growth. He estimates that if they had focused solely on their domestic market, they would at best have achieved 2% growth in 2011.

Source: *Automazione industrial, 'La multinazionale tascabile – Interview with Davide Canavesio', 13 January 2012*

There are few, although consistent, studies showing that born globals possess higher growth potential compared to their domestically orientated counterparts under normal circumstances. This can be explained by the fact that born globals envisage internationalisation into multiple markets from their very start and that their overall business model or plan is orientated towards this. As a firm wants to be active in several markets at the same time, it needs more staff. Consequently, growth in born globals is done in a planned and controlled manner. Anecdotal evidence from the Ljubljana

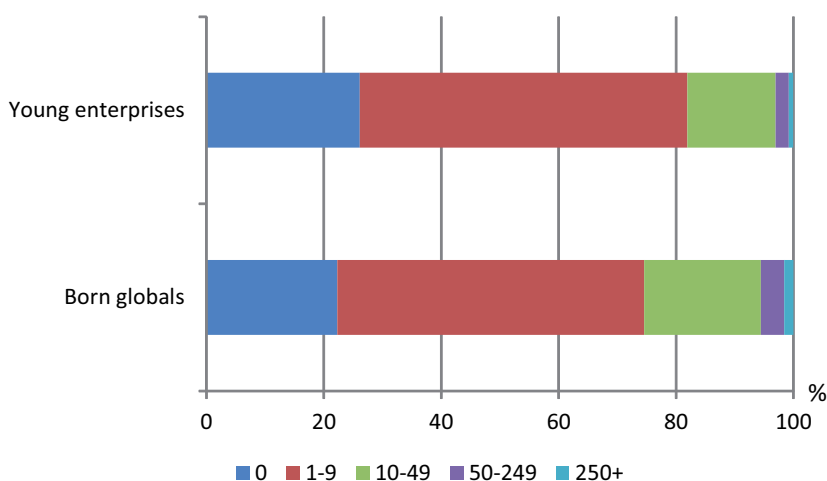
Technology Park (Slovenia), for example, highlights the importance of (foreign) investors for the growth potential of born globals: start-up companies on the verge of becoming born globals are enthusiastically exploring the potential of foreign markets that can lead to stabilising the company and creating jobs. For such companies, external finance plays a crucial role, particularly if the investor also acts as a team member and provides business relations and contacts.

Halldin (2012a, 2012b) tests the performance of born globals in terms of size, sales growth, labour productivity and profitability for Swedish manufacturing and knowledge-intensive business services firms. Accordingly, being a born global positively impacts size and sales growth, while the relationship is weak and negative when it comes to labour productivity and profits. The author interprets this difference as being caused by the high costs of innovation and product development associated with born globals.

In addition, the survey among Upper Austrian start-ups (Gruber-Mücke, 2011) found that young companies with international activities have a higher employment growth than young companies without international activities. Furthermore, a statistically significant positive correlation was observed between the share of exports in total sales and employment growth. Similarly, Navaretti et al (2011) found that the Italian enterprises that they call ‘dynamic/upsizers’ based on their contribution to added value and job creation were younger firms that exported more than the average to more markets than the average. Also Mascherpa (2012) confirmed that born globals outperform significantly (that is, have around 20% more sales) than their traditional exporter counterparts, which is mostly determined by their strong international entrepreneurial orientation.

The available GEM data also indicate the job creation potential of born globals. Asked to estimate their number of employees in five years, born globals give higher numbers than young enterprises in general. For example, although 22% of born globals plan to have only one employee, compared with 26% of all young enterprises, 25% of the born globals and only 18% of the young enterprises in general plan to employ 10 or more workers.

Figure 18: Share of born global and young enterprises by planned number of employees in five years, selected EU Member States, US and Japan, 2008



Source: *Global Entrepreneurship Monitor; own calculations and presentation*

One reason for this job creation potential of born globals is their innovative character, making them compete through producing added value rather than on price or by reducing costs. Hence, they are dependent on skilled labour, which is preferably insourced and retained to maintain their competitive advantage. As a consequence, employment created by born globals may be more stable. Furthermore, there is some indication that jobs in born globals are characterised by

higher autonomy, flexibility and income levels (which in turn creates higher tax income and purchasing power for the economy). Anecdotal evidence, for example from Austria or Spain, shows that the jobs created (either in the born global itself or indirectly as, for example, internationalisation consultants are hired) are quite specialised. Experience from Spanish internationalisation support programmes implies that companies with about 10–25 employees have the highest internationalisation and job creation potential, particularly as regards young people.

Another aspect not to be neglected refers to ‘knock-on’ employment effects of born globals. Due to their small size and specialisation they tend to focus on specific elements in the production process (such as product development and establishing sales networks) while others (such as production) are outsourced. This, in turn, creates jobs in these linked companies.

At the same time, it must be mentioned that born globals, due to their limited number and size, cannot solve all labour market challenges through extensive job creation, particularly not in the short term (Mettler and Williams, 2011). In the long run, however, they are an important source of job creation as in the aftermath of the global crisis large businesses and the public sector are not expected to create lots of new jobs, so self-employment can be a solution for the huge numbers of unemployed (Mettler and Williams, 2011). Among these newly established businesses, born globals have good growth (and hence job creation) potential due to their inherent features. To start with, the SME survey from the European Commission (2009) showed that international SMEs reported 10%–16% higher employment growth and much higher turnover growth compared to their counterparts. Data for Hungary, for example, show that exporting firms created 6.1% more jobs in 2008 than non-exporters, and that there is a strong correlation between exporting and growth. Hence exporting is seen as one of the driving forces behind growth. During the crisis, however, this trend was reversed as Hungary, a very open economy with a high share of exports and imports in GDP, is vulnerable to changes in other countries (Eurofound, 2013d).

Slovenian exporters also show better performance results (number of employees, sales and value added per employee) than non-exporters – interestingly, with lower ‘exporter premiums’ the larger the firm is. In the first four years of exporting, productivity is increased by 30%, 11 new jobs are created and €540,000 additional total sales are generated. Furthermore, the deepening of the economic crisis has caused more difficulty for those companies less focused on exporting (Eurofound, 2013b).

Evidence shows that SMEs using technology extensively in their business operations create more jobs, grow faster, have more international connections and have a far superior track record on innovation (Manyika and Roxburgh, 2011).

Similarly, companies financed by venture capital are much better at creating jobs than others: between 1997 and 2004 the employment growth in such companies was around 30% higher than the average employment growth in the EU (EVCA, 2005). Similar figures can be seen in data from the Irish Venture Capital Association (IVCA), which show that in 2008 companies backed by venture capital (of which 25% were start-up and early-stage companies) increased employment by 18.1% compared to an overall increase in employment within the economy of 4.1%. IVCA (2009) estimates that these companies, for every direct job they provide, also support up to three additional downstream jobs within the Irish economy.

Finally, innovation is also accepted as being one of the main determinants of sustainable growth.

Even if it can be assumed that – as born globals by definition do not know national borders – many of the newly created jobs will be in foreign countries (Mettler and Williams, 2011), data show that this has knock-on effects for job creation in the country of origin (Legrain, 2010).

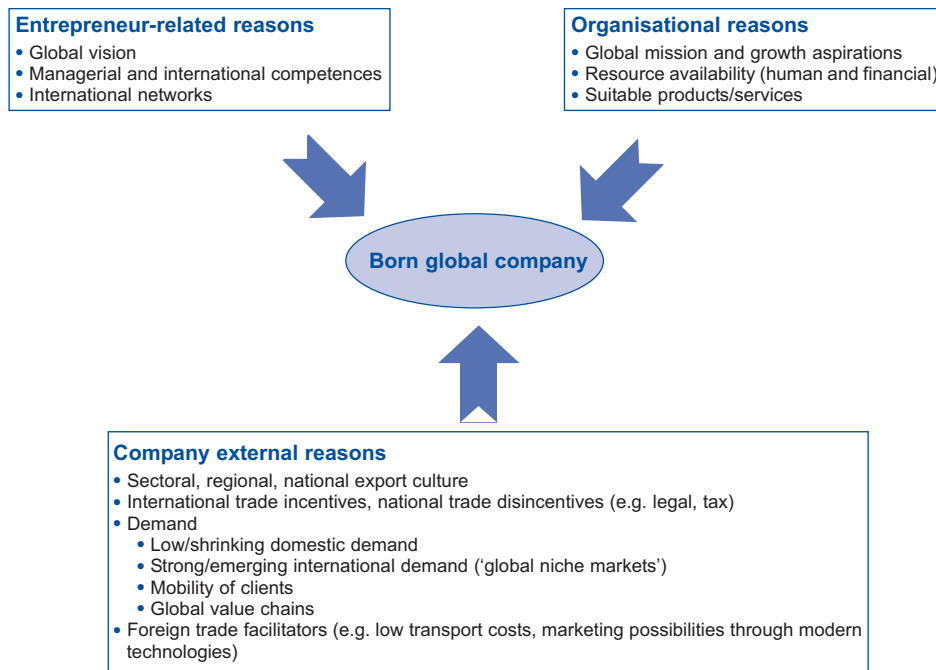
Nevertheless, born globals face some specific challenges that hamper their potential. Some of these were identified by various studies (Lehmann and Schlange, 2004; Berbegal et al, 2011), whose findings are summarised below.

- Finance: start-up and internationalisation is more difficult and expensive than for traditional companies due to the many activities that need to be conducted in a short time and the higher market risk caused by a lower level of information about international markets and the innovative character of the products. Access to external finance is also more limited due to lack of proven market performance.
- Management capacity: start-up and internationalisation have to be realised at the same time; this implies the need for an entrepreneur or skilled management with substantial knowledge about foreign markets and the marketing of an innovative product not backed by the reputation of a well-established company.
- Product development: design of innovative products that are suitable for specialised global markets requires highly skilled technical staff to deal with expensive and complicated Intellectual Property Rights (IPR) procedures.

Factors explaining the emergence of 4 born globals

The available literature pinpoints a combination of external and internal factors as well as factors related to the entrepreneur (such as characteristics and intentions) (Lehmann and Schlange, 2004) determining whether a company will become a born global.

Figure 19: *Factors influencing the propensity to become a born global company*



Source: Eurofound, based on Zahra and George, 2002

There are several strong external factors affecting whether a company becomes a born global. It might, for example, be located in a region with a strong export tradition in a certain sector. This creates an 'internationalisation culture' among entrepreneurs and enhances international activities due to interfirm relationships (for example, subcontracting or joint product development).

Proximity to universities, technical schools, research and development centres and incubation parks can also be a factor, by helping to create a culture of 'open innovation' and providing a supply of highly qualified labour.

Born globals are more likely to emerge from small and open economies (Freeman et al, 2006; Gabrielsson and Kirpalani, 2012) as these pose a higher level of risk and limited potential for starting up a domestic business. This therefore acts as a push factor for young innovative enterprises to go international (Lejko and Bojnec, 2011). This argument can be backed by data showing a generally higher level of 'openness' (measured by the sum of exports and imports of goods as a share of GDP) in many smaller European countries (such as Belgium, the Netherlands, Ireland and Austria) compared with larger Member States (such as Spain, the UK, France and Italy) (WIFO, 2011).

Increased mobility of clients (inducing suppliers to follow), reduced transport costs and a well-functioning digital economy and modern IPR system (Mettler and Williams, 2011) are also strong factors.

External factors also include significant advances in communication and information technologies, with increased opportunities through the internet for international marketing and cheap coordination of international distribution.

There is also an increasing international demand for specialised high quality products and advances in process technologies, which make it possible for firms to produce superior and complex products that have international appeal, albeit on a small scale. At the same time, the shrinking of (national) market segments and shortening of product life cycles require a quicker amortisation of product development costs, which can be best achieved through quick internationalisation.

Other external factors include the emergence of global value chains and global networks, and the growth of knowledge and enterprise clusters where open innovation and public–private research and development cooperation are supported.

It must also be said that the regulatory framework of a firm's home market may trigger global activities from inception (for example, favourable conditions supporting research and development spin-offs, which might increase the number of high growth potential start-ups that have the necessary skills to go global rapidly) or beneficial framework conditions in foreign markets acting as an incentive to enter them (such as tax regimes and investment incentives).

Organisational reasons can include:

- the company's mission to become internationally active;
- its financial and social capital;
- number of staff;
- employees' skills and commitment to do business internationally.

Also, the increasing fixed costs for product development in knowledge-intensive industries make it impossible for companies, particularly in small countries, to thrive purely in their domestic market. These companies can also have a unique technological or innovation-related competitive advantage, and a growth model through partnership and alliances.

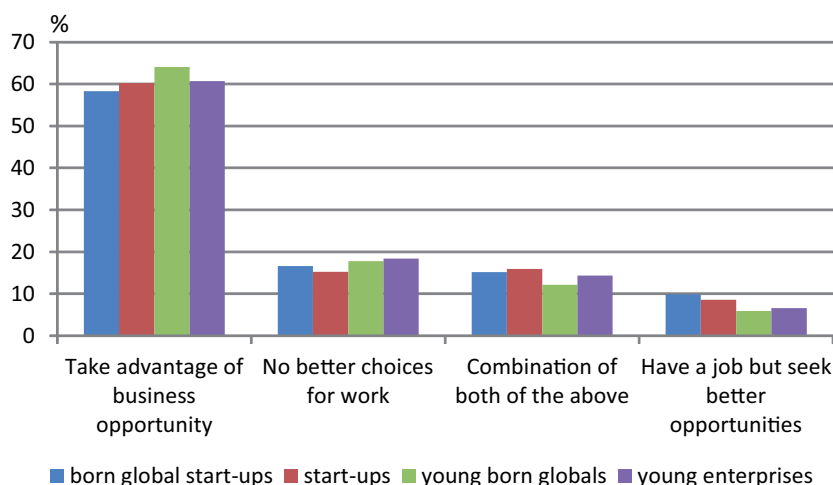
Entrepreneur-related reasons can include a desire to be involved in international business; the ability to recognise potential in foreign markets and managerial competences to realise them; and a personal, international network of contacts.

Interestingly, GEM data show that there are no strong differences between entrepreneurial motivations in born globals compared with young enterprises in general. Born globals are slightly more driven by the intention to take advantage of business opportunities. This holds true for companies established for up to 3.5 years (64% for born globals compared with 61% for all young firms) but not for nascent firms (58% for born globals compared with 60% for all young enterprises). However, among born global start-ups, the share of those entrepreneurs indicating that they already have a job but seek better opportunities is slightly higher compared to all start-ups (10% compared with 8%), while for young firms this share amounts to about 6% for both enterprise groups. Some 17% of born global start-ups are necessity-driven (compared with 15% of all start-ups) as are 18% of both young born globals and young enterprises in general.

While among the opportunity-driven born global start-ups the increase of personal income is the most important motive (52%), the other entrepreneurial groups indicate that greater independence and freedom in their working life is their main driver (47% of young born globals, 51% of all start-ups and 49% of all young enterprises). The least important reason

for all groups is income retention, indicating that the entrepreneurs strive for improvement in their personal situation when deciding to start a business.

Figure 20: Start-up motivation of born globals and all young entrepreneurs, selected EU Member States, US and Japan, 2008



Source: Global Entrepreneurship Monitor, own calculations and presentation

Recapitulation – SWOTs of born globals

Born globals are a specific type of enterprise having particular characteristics unlike their counterparts following the traditional internationalisation pattern in stages. There is some evidence showing that they have good potential to grow and contribute to the European economy in terms of job creation, innovation and productivity. On the other hand, they face specific challenges and thus are in need of tailored support in order to exploit their potential fully. These strengths, weaknesses, opportunities and threats (SWOTs) are summarised in Table 2.

Table 2: SWOT analysis for born globals

Strengths	Weaknesses
<ul style="list-style-type: none"> • Flexible and more adaptive to changing rules of international competition, buyers' taste, high customer orientation • Proactive and first mover • High-tech usage • Innovative • Unique products • Sophisticated technical knowledge base • Experience, skills/qualification and global orientation • Abundant social capital and networks • Economies of scope 	<ul style="list-style-type: none"> • Scarcity of tangible capital (human and financial) • Lack of economies of scale • High costs related to economies of scope • Insufficient experience concerning internationalisation as a business model • Product price determined by customer not by cost • Sunk costs due to high product development costs and thus shrinking short-run productivity • Liability of newness • Liability of foreignness

Opportunities	Threats
<ul style="list-style-type: none"> • Multinational firms as conduits for expansion via global supply chains • Niche markets overlooked by or not attractive for larger firms • Small but open country of origin • (Un)favourable framework conditions in the country of origin • Reduced trade barriers • Advanced transportation systems • Relationships and direct contacts • Network-oriented operating models • Advancing technologies • Internationalisation of higher education and life courses 	<ul style="list-style-type: none"> • Barriers to entry to new markets • Weak cooperation between private firms, academia and public bodies supporting technological cooperation • Poor and/or complicated and costly IPR • Limited access to financial capital, heavily dependent on FFF finance (family, friends and fools) and government support if available • Existing support programmes not tailored for their needs • The product preparation phase might be too long for certain sectors (3–5 years in biotechnology)
<p>Source: <i>Own compilations based on Cavusgil and Knight, 2009.</i></p>	

Public and policy support for born globals 5

Public and policy debate on born globals

In the countries covered by the field research of this project (Austria, Ireland, Italy, Slovenia, Spain and Sweden) public and policy discussion, either continuously or at least sporadically, has at least some focus on start-ups or internationalisation, but the two issues are hardly ever combined. There is little focus on young businesses that engage in international activities shortly after inception, and hence little consideration of their specific needs and how best to support them to take full advantage of their potential. For example, although the latest employment package of the European Commission (2012b) mentions promoting and supporting self-employment and business start-ups as a policy option for job creation, there is no reference to born global enterprises. In Spain, no mention of this type of company was made, either in the last elections (November 2011) or in spring 2012 government discussions for the adoption of a framework law on entrepreneurship. In Slovenia, although there has been recent emphasis on promoting internationalisation of companies (Ministry of the Economy, 2010b), resulting in the first action plan to support Slovenian companies in foreign markets (Ministry of the Economy, 2010a), the concept of born globals is not considered.

One reason for this might be that the concept, as such, is not in widespread use and that due to the different interpretations it may be difficult to communicate. Furthermore, the connotations currently applied in research are in English and in most cases difficult, if not impossible, to translate concisely. This might be one of the reasons why born globals have been dealt with more in Irish policy discussions than in the other investigated countries. Here, the born global concept has been discussed for the last decade, as it was recognised that due to Ireland's small domestic market a focus on international business is needed from inception, particularly in the technology-based sectors.

The low level of policy attention seems to be particularly true after the global crisis. On the one hand, limited public budgets force decision-makers to prioritise issues and allocation of money, and born globals, due to their assumed low number and hidden potentials, are low on the list. On the other hand, the challenging economic situation results in more cautious business decisions, so that new or young firms might be more reluctant to engage in international business. Consequently, the lower number of new born globals does not trigger policymakers to focus on this enterprise type.

Nevertheless, there is some evidence that this enterprise type is attracting public and policy attention.

In Austria, a brochure for the internationalisation support programme 'go-international', funded by the government and implemented by the employers' organisation WKO, refers to born globals in the very first sentence (Apfelthaler and Vuong, 2008). Also, a media article on a 2010 prize for successful start-ups mentions that they all have in common the fact of being a born global (Ruhm and Wilhelm, 2010). At a 2011 conference for IT consultants, the chairman of their trade association said many Austrian SMEs are global market leaders and are, in fact, born globals, as they have taken on international business within two years of their inception (WKO, 2011).

In Ireland, the latest action plan for jobs by the Department of Jobs, Enterprise and Innovation (2012) acknowledges that indigenous companies with highly innovative products and business development strategies continue to succeed in export markets as real job creation is only possible via international expansion. The plan proposes better support measures for indigenous companies, including establishing a new potential exporters' division in the development agency Enterprise Ireland. 'Born global' as a concept is not used in the policy documents although the phrase 'high-potential start-ups' is, and it refers to enterprises with similar characteristics.

In Italy, the government established a new taskforce called ‘Start-up Italia’ in April 2012, which submitted a report (September 2012) to the Ministry of Economic Development that includes suggestions on policy measures that would support dynamic, innovative young enterprises (up to four years of economic activity) with a global focus, such as:

- cutting red tape for setting up a company;
- tax relief for newly established businesses during their initial phase;
- creating an alternative capital market for start-ups that would incorporate crowdfunding and social lending possibilities, as well as private public capital funds, business angel capital, seed funds and venture capital funds.

In Spain, the Ministry of Industry, Energy and Tourism is familiar with the concept of born globals, resulting, for example, in the publication of academic articles about them in the ministry’s journal and the idea of organising joint activities for their support service providers, employers’ organisations and enterprises (which has not yet been followed up). However, the Spanish internationalisation support provider ICEX has concentrated on born globals. It has published several studies on this type of enterprise, and cooperated with a business school in developing an observatory/database on internationalisation.

A satisfactory level of awareness among policymakers and support service providers about the existence of born globals and their specific support needs are an important precondition for taking full advantage of their economic and labour market potential. Bearing in mind that (depending on the country) born globals constitute between 10% and 50% of a nation’s young enterprises and, on average, employ a higher number of workers than domestically orientated young firms, their job creation potential should not be neglected in the current economic situation. Hence, the question arises whether available support is aligned with their needs.

Generally, across Europe there is a wide range of publicly funded support for start-ups, internationalisation and innovation, the three areas particularly relevant for born globals. For example, Eurofound’s ERM database on restructuring support instruments⁸ compiles more than 20 illustrative examples to support companies’ internationalisation in the EU27 and Norway as well as about 40 measures fostering innovation. The Small Business Act (SBA) Database⁹ of the European Commission has collected more than 90 good practices related to internationalisation and a similar number of instruments classified as ‘support and advice during the life cycle of a business’, the majority of which help start-ups. As both databases do not claim to be comprehensive, it can be assumed that there is an even wider variety of available instruments. Analysing a comprehensive set of all available public support measures that could be used by born globals across Europe would go much beyond the scope of this project. Consequently, the following section provides a very brief general view about the available start-up, internationalisation and innovation support, followed by pinpointing elements of measures that could be particularly relevant for born globals.

Illustrative examples of start-up support

Start-up support mainly deals with:

- technical advice (how to register a business, legal, tax, social security, financial requirements);
- entrepreneurship advice (how to establish a business plan, do marketing);
- financial support (loans, guarantees, subsidies, venture capital).

⁸ <http://www.eurofound.europa.eu/emcc/erm/supportinstruments/>

⁹ <http://ec.europa.eu/enterprise/policies/sme/best-practices/database/SBA/index.cfm?fuseaction=practice.list>

Enterprise Ireland, for example, has a special focus on born globals (or ‘high-potential start-ups’) and, among other supports, provides them with venture capital, as start-ups often lack the assets demanded by banks and other potential investors. In addition, the agency provides advice for high-potential start-ups to validate their products’ innovativeness, the feasibility of their business ideas and their international business potential.

Furthermore, it is an advantage for born globals to have business-related advice going beyond the immediate start-up phase, in the form of coaching or mentoring by an experienced adviser or entrepreneur or an exchange platform between peers. This is not only because born globals are very reliant on networks, but also because of the high importance of informal entrepreneurial learning (see Figure 12).

Flying Start is an open web community in the UK, organised by the National Council for Graduate Entrepreneurship.¹⁰ It is targeted at students and recent graduates, providing them with access to mentors, experts and specialists to found their company, as well as practical training. Online mentoring is available for a year, along with quarterly follow-up sessions.

For born globals, start-up instruments offering networking opportunities with potential suppliers, clients, business partners and investors (ideally at international level) are also very beneficial. In this context, business incubators do not only offer a networking, exchange and learning environment, but also low-rent premises, shared back office costs and joint training possibilities. In Slovenia, although there is a lack of specific born global support instruments, technology parks and business incubators are the closest ‘target group oriented’ support available, and many participating companies have the characteristics of born globals.

The Austrian **AplusB** programme¹¹ supports academic spin-offs by providing offices and infrastructure, advice, mentoring, coaching and training in about 10 centres across the country. Furthermore, it enables exchange with researchers and access to loans. The beneficiaries of the programme generally have access to the incubator for 18 months. An evaluation (Tangemann and Vössner, 2010) shows that, on average, seven projects per incubator are supported for 17 months. From 2002 to 2009, 334 start-up plans have been supported, of which 268 founded a company, with a total of 1,319 jobs (full-time equivalents). Some 55% of the start-ups have used contacts with scientific organisations in inception, and 96% plan to do so after leaving the incubator. Some 66% of the companies create additional jobs; 29% have stable employment numbers; and 5% are decreasing. From participating in the programme, the start-ups mainly expect support concerning the establishment of contacts and advice regarding business administration and law. One-third of the start-ups would not have happened without the programme, and about 50% would have been formed with a more limited scope.

¹⁰ <http://www.flyingstartonline.com/public/home>

¹¹ <http://www.ffg.at/aplusb-academia-plus-business>

Illustrative examples of internationalisation support

Internationalisation support is even more heterogeneous than start-up support. It ranges from promoting the country as reliable and a good quality product or service provider (so that the label 'Made in' carries weight) to stimulating practical support for internationalisation, such as providing:

- qualifications and skills for doing business internationally;
- foreign market information (including legal and tax issues);
- networking or financial support (such as subsidies, loans and export guarantees).

Sometimes, these are combined in a comprehensive support infrastructure.

Since 2003, the **Internationalisierungsoffensive** (Internationalisation Initiative)¹² of the Austrian Federal Ministry of Economy, Family and Youth includes, for example, information provision and advice, networking and study visits, training and financial support. For 2011/2012, €39 million is earmarked for these activities which focus on overseas markets, technology networking and support for research and development and innovation. Having realised that the image of a country considerably influences exports, inward investment, tourism and skilled migration, the project 'Brand Austria' was started in May 2011 to foster Austria's image abroad. This will involve defining Brand Austria and developing and implementing a marketing concept, including the improvement of the presentation of Austria on the internet.

Regarding the stimulation of foreign trade, fostering the nation's or region's reputation for its products as well as creation of an 'international spirit' within the region or the sector has been deemed beneficial for born globals by the interviewed experts. The first counteracts young firms' competitive disadvantage of not yet having a good reputation themselves, while the latter creates a good basis for immediate global activities after start-up as networks and experiences of other entrepreneurs can be exploited in terms of piggybacking. Consequently, initiatives aiming at building the international relationships of sectoral clusters are beneficial for born globals as they foster the global mindset of their immediate business environment as well as the regional or sectoral content-oriented expertise so that cluster members can market themselves as part of a high quality centre of expertise at international level.

The Austrian **Clusterförderung – Internationalisierung**¹³ (Cluster Support – Internationalisation) supports the international networking activities of Austrian clusters. Financial support of up to €25,000 (to a maximum of 75% of the project costs) is provided. This can be used to pay for drafting multilingual cluster information (translation, print and layout), travel costs, workshops and study visits to international clusters, costs for joint international activities such as the organisation of innovation forums, technology presentations, and internal and external HR costs up to 25% of total costs of the project. Project activities can last for one year.

¹² <http://www.bmwfj.gv.at/AUSSENWIRTSCHAFT/INTERNATIONALISIERUNGSOFFENSIVE/Seiten/default.aspx>

¹³ <http://www.awsg.at/Content.Node/46819.php>

The German **IHK-Firmenpools**¹⁴ (company pools of the German Chambers of Commerce and Industry) coaches company groups (normally up to 15 SMEs) that intend to enter a foreign market. The companies benefit from a joint representative office in the destination country which is managed by an experienced business expert and provides translations, information and market research. The business experts also initiate contacts with potential business partners and prepare the SMEs for participation in trade fairs. Assistance in developing a market entry strategy and the organisation of regular meetings among the participating SMEs to exchange information are also offered. The costs of this can amount to €5,000–€15,000 per year, depending on the destination country and services used, and can be cofinanced by national support programmes (EIM Business & Policy Research, 2010).

Related to this, internationalisation support focusing on developing global networks is also relevant for born globals (Wright et al, 2007). For example, as cooperation between born globals and large multinational companies creates synergy effects for innovation and helps born globals to overcome their tangible capital deficiencies, any measure that motivates enterprises to form international innovation clusters, public–private partnerships or facilitate access to joint ventures with foreign firms are beneficial for born globals (Vapola, 2012; Bell et al, 2003; Mascherpa, 2012).

Erasmus for Young Entrepreneurs¹⁵ is a cross-border exchange programme lasting from one to six months, funded by the European Commission and targeted at new or aspiring entrepreneurs to give them the chance to learn from experienced entrepreneurs running small businesses in another country. The programme not only results in mutual learning on how to run a business, but also in familiarisation with the business environment in other countries and the establishment of business contacts that can be used for future collaboration (for example joint ventures or subcontracting).

In Spain, several large companies participate in the **Consejo de Orientacion Estrategica** (Strategic Orientation Council) of the Instituto de Comercio Exterior (Foreign Trade Institute, ICEX) to help SMEs wishing to enter foreign markets. The SMEs will benefit from the knowledge and networks the large companies have in foreign markets, while the large companies will benefit by having the SMEs as business partners and clients.

Firms preparing to go global require substantial information about the potential demand, institutions and laws in their target countries. Consequently, an extensive, worldwide network of local experts is helpful as they have a lot of first-hand expertise and experience about the business and the administrative environment in their particular countries. Ideally, such support is not only provided before the actual start-up/internationalisation process, but also during the growth phase to overcome challenges.

In Austria, the service **Markt.Chancen.Check**¹⁶ (Market.Chances.Checking), run by the governmental economic promotion agency, gives companies the opportunity to have their product portfolios assessed by experts for their export potential. This is done in monthly adviser days. Furthermore, within ‘tecnnet – Markt und Technologierecherche’¹⁷

¹⁴ <http://www.exportmarketingpool.de/>

¹⁵ <http://www.erasmus-entrepreneurs.eu/>

¹⁶ <http://www.awsg.at/Content.Node/foerderungen/gruendung/48325.php&backid=2785473>

¹⁷ <http://www.awsg.at/Content.Node/foerderungen/gruendung/483031.php&backid=2785473>

(tecnet – Market and Technology Investigation) the agency offers companies help with searching for international market, technology and company information that could be used for drafting a business plan, making entrepreneurial decisions or as background information for negotiations. To do this the agency collates data from international databases, employers' organisations, statistics providers and studies, charging the companies €180–€2,500 for using their global network of partners.

The Danish **BornGlobal**¹⁸ measure enables high-tech SMEs to benefit from the expert knowledge and experience in launching export activities of advisers of the trade council. In individual, tailor-made programmes consisting of three or four meetings, consultants assess the enterprise's readiness for internationalisation, and its choice of markets. They also provide export preparation with an action plan for implementing the international operations. Later on, local contact points in the export markets can assist with information on local market conditions, participation in trade fairs, the identification of potential clients and partners or contacting lawyers, accountants and consultants. This assistance is available for firms with fewer than 50 employees and a turnover of less than about €6.5 million.

Finally, to create a global mindset among future entrepreneurs, educational initiatives that familiarise young people with the importance of foreign trade for the national economy, doing international business and coping in a multicultural environment are helpful. These target young people long before they start thinking about becoming entrepreneurs, and establish a positive attitude towards going international in their later career as well as telling them about first contacts and networks beneficial for future business. These could include international business education programmes for technicians, traineeships or exchange programmes.

Halmstadt University in Sweden offers a graduate study programme for engineers on Management of Innovation and Business Development for Technical Projects.¹⁹ The programme aims to improve engineers' product development skills, together with relevant management skills such as project development, company set up and growth strategies, including international business. From the second semester onwards, the participants are encouraged to establish networks within the industry and in the second year they develop a technical project, in most cases with a partner from the industry.

In Ireland, the latest action plan for jobs introduces an accelerated growth programme to help potential entrepreneurs develop necessary skills to speed internationalisation. The **Graduates 4 International Growth**²⁰ initiative brings together a graduate and a company that are both focused on entering overseas markets. Graduates will be matched with an ambitious company and will be provided with a structured means of acquiring new skills in international business. They will also deliver a project that clearly links with their company's growth plans. In return, they will acquire an MBA degree. The programme lasts 18 months, with participants based for a minimum of 12 months in an overseas market. These include the UK, Europe, Asia, Australia, New Zealand, the Americas (including Brazil), Russia and the Gulf. The participating companies receive support for salary costs of young graduates (50% for large companies and 70% for SMEs) from Enterprise Ireland.

¹⁸ <http://usa.um.dk/en/the-trade-council/the-trade-council-offers1/get-off-to-a-good-start/export-preparation/bornglobal/>

¹⁹ http://www.hh.se/english/education/internationalstudent/programmesinenglish.3026.html?url=752680950%2Fse_proxy%2Futb_program_en.asp%3FPtKod%3DSAIAM12h&sv.url=12.70cf2e49129168da015800078928

²⁰ <http://www.enterprise-ireland.com/en/Management/develop-export-selling-capability/Graduates-4-International-Growth-G4IG-shortcut.html>

Educational schemes preparing young entrepreneurs for their internationalisation can also be pinpointed.

The **Go:Global Slovenia**²¹ programme includes a five-week business programme consisting of systematic education meetings paired with practical work under the supervision of experienced business experts. The programme provides participants with relevant knowledge for international growth and the opportunity to exploit opportunities within the International Association of Science Parks. It helps with finding contacts, additional information, premises at a subsidised price and quality local services. For the first wave of the programme, 12 companies applied to take part, 9 of which finished successfully.

Illustrative examples for innovation support

Innovation support comprises, for example, financial support for market research and product development (such as loans, subsidies and tax incentives for research and development) (Lueghammer et al, 2005). This is beneficial for born globals, particularly if there is cooperation between the support of internationalisation and technological innovation as this better enables firms to develop cohesive international products and market development strategies (Bell and McNaughton, 2000).

Several countries, such as Ireland, France and Denmark, also have a specific focus on supporting young innovative companies, while others, such as the UK, focus on small and medium-sized companies. Thereby, regulations that allow for the full tax bonus for research and development expenses even if only low or no profits are realised are advantageous for born globals.

In Austria, 10% of a company's internal and contracted research and development expenses can be claimed as a tax bonus.²² Company internal research and development needs to be conducted in a systematic way and by using scientific methods with the aim to increase knowledge and develop new applications of this knowledge. For contracted research and development, the supplier needs to be located in the EU/EEA. Expenses of up to €100,000 per year are eligible. The bonus will be credited to the tax account of the company and will be considered when charging profit tax. This means that if the company does not make a profit, the bonus is not lost but kept until the firm makes a profit against which the bonus can be offset.

Furthermore, networking between companies and research to combine business and scientific competences into a marketable product or service is offered. Such refers to matching services or financial support for the development of products jointly conducted by research and enterprises.

²¹ <http://www.goglobal.si/>

²² <http://www.ris.bka.gv.at>; http://portal.wko.at/wk/format_detail.wk?angid=1&stid=596583&dstid=8869;
http://portal.wko.at/wk/format_detail.wk?angid=1&stid=457340&dstid=725

The **Lithuanian Innovation Centre**²³ was established in 1996 and since then it has facilitated the establishment of technological partnerships between enterprises and scientific laboratories as well as the import and export of technologies. It cooperates with regional consortium partners, thereby creating a coherent support structure for local companies. The support includes providing information on EU legislation, the internal market, innovation support, assistance in searching for foreign partners through visits, brokerage events and compilation of collaboration contracts. In 2008, 200 companies participated in company visits or brokerage events, 60 partner search profiles were created and included in international technology exchange databases, and 11 firms established agreements for international technology transfer (EIM Business & Policy Research, 2010).

This may also be achieved by matching individuals with specific competences (such as researchers, business administration experts or internationalisation managers) with a firm. In general, SMEs are often seen to be less attractive for specialist staff than larger companies due to lower career prospects and assumed lower wages. For born globals, attracting highly skilled staff might be even more difficult due to their newness on the market and their limited resources for paying high wages. As a consequence, wage subsidies or reduced ancillary wage costs for hiring research and development staff, business administration experts or internationalisation managers are relevant.

In Finland, key foreign research and development personnel with a certain minimum wage and working in universities or non-profit organisations can be exempted from income and municipal tax. Instead, a 35% ‘retention tax’ on the income has to be paid.²⁴

A similar Danish regulation might be even more interesting for born globals. Here, foreign research and development experts have to pay only 25% of income tax in the first three years of working in Denmark. This is not only valid for those working in research organisations, but also for researchers hired by companies.

Also in Denmark, Videnpilot (knowledge pilot) subsidises SMEs with 2–100 employees when hiring a graduate to work on business development projects. Subsidies can be around €1,500 per month for 6–12 months, but cannot be more than half of the wage. Projects can be, for example, about product development, implementing new technologies, developing marketing strategies for new markets, strategy development and optimising processes (Eurofound, 2013e).

Free advice, or at least advice at favourable rates, is particularly beneficial for born globals, especially when dealing with IPR or the marketing of innovations abroad, as hiring specialists can prove too costly for many young companies, especially when they do not need a full-time adviser.

²³ <http://www.lic.lt/index.php?1288504095>

²⁴ http://www.worldwide-tax.com/finland/finland_tax.asp

The Central European Trade Mark Observation Service²⁵ is run by the Austrian and Hungarian patent offices and involves the patent offices of Bulgaria, Poland, Romania, Slovenia, Slovakia, the Czech Republic and Croatia. It offers, from a single query, a survey of all trademarks in force or pending in the participating countries within four to six weeks.

In Spain, the **Internacionaliza**²⁶ (Internationalise) programme provides loans to innovative SMEs that intend to sell their technology abroad. Costs that are eligible for these loans include those related to preparing and submitting applications for IPR protection, renewing them, translations required in validating, and so on or being granted the rights in other jurisdictions, and to defending the validity of the rights while the application is being processed. Furthermore, support and advisory services are fundable, for example, on the use of standards, management and technology transfer. Fundable internationalisation plans should last between six months and two years. The minimum fundable budget is €150,000, with a loan ranging up to 60% of the budget approved with a non-reimbursable part of 5%.

Cross-cutting issue: Access to finance

Due to their very nature, born globals have high capital needs as they have to finance product development, start-up costs and internationalisation at the same time, while not yet being able to invest any profits. The terms and conditions of traditional loans, such as high interest rates or an investor's right to withdraw a loan at short notice, might hamper the firm's development, and might not be accessible if the business cannot satisfy the requirements for collateral.

Hence, alternative forms of investment are important for born globals. Business angel platforms are developing across Europe, and they not only contribute financially to born globals, but also provide expert advice and expertise.

In Spain, the number of business angels has been increasing rapidly since 2002, with 65% of the existing 40 networks established after 2005. They now exist in almost all regions, with 52% covering only one region. While about three-quarters of the networks do not specialise in a specific sector, the three most financed industries are ICT, software and renewable energy. The Spanish Ministry of Industry, Energy and Tourism is implementing a programme subsidising entities establishing initial contacts between SMEs and investors (IPYME).²⁷ The new strategy aims to professionalise the brokerage services, which in turn is supposed to improve the opportunities for SMEs to access finance. Eligible are activities related to the provision of information, dissemination, brokerage and project analysis services. The maximum amount of each subsidy is €30,000 per year (in 2011, a total budget of about €740,000 was available).

The Austrian **i2 – Börse für Business Angels**²⁸ (i2 – Bourse for Business Angels) targets innovative companies with good product ideas, high market and growth potential and a skilled management team. It matches innovative firms with experienced investors and checks the candidate companies for the potential business angels as regards their personal, technical, economic performance and IPR-related issues. Interested companies have to pay €390 for six months of matching services as well as a fee of 1%–2% of the transaction volume once the matching has been successful.

²⁵ <http://www.cetmos.eu>

²⁶ <http://www.cdti.es/index.asp?MP=15&MS=61>

²⁷ <http://www.ipyme.org/en-us/SubvencionesAyudas/RedesBusinessAngels/Paginas/ImpulsoRedesBusinessAngels.aspx>

²⁸ <http://www.awsg.at/Content.Node/foerderungen/unternehmen/46841.php&backid=2785231>

The lack of a proper venture capital market in many European countries is seen as a huge disadvantage for born globals by the interviewed experts. English-speaking countries (the US, Australia, Ireland and the UK) and Nordic countries (such as Finland and Sweden) have a better developed venture capital market than continental Europe (see Figure 9), and therefore can provide a better environment for born globals. However, across Europe, some tendency to emphasise equity-providing instruments can be observed.

In Spain, the **NEOTEC Capital Riesgo**²⁹ (NEOTEC Venture Capital) programme funds technological companies in their early stages of life with venture capital provided by a public-private partnership. It is a joint initiative of the Centre for Industrial Technological Development (CDTI) and the European Investment Fund (EIF), thereby combining expertise in innovative technologies and funding of technological projects with experience in the venture capital industry.

Innovation Fund Ireland³⁰ is open to venture capitalists from abroad, with the aim of not only attracting finance but also ‘smart risk capital’ for early stage and high growth companies that bring international expertise to the country. For 2012, the fund has up to €250 million available. The government via Enterprise Ireland participates with 10%–15% in the fund, which mainly aims at supporting start-ups. Venture capitalists are supposed not only to provide investment, but also to advise the founders on entrepreneurship, international networking, developing the business plan and so on. Eligible fund managers therefore are required to have an established global profile and network and proven capacity to access high-potential investment opportunities with an investment team capable of attracting world-class entrepreneurs.

The Slovenian **FDI Cofinancing Grant Scheme**,³¹ which was launched in 2001, is managed by the Entrepreneurship and Foreign Investments Public Agency and aims to attract FDI projects which will create new jobs in particular in industries with higher added value, transfer knowledge and technology, and promote cooperation with Slovenian research institutions and innovative enterprises, contribute to more balanced regional development and increase synergy effects created by linking foreign investors with Slovenian companies. Firms eligible for the grant are those incorporated in Slovenia with at least 10% foreign equity share and with investment projects in manufacturing that will create at least 25 new jobs, or in internationally traded services sectors that will create at least 10 new jobs, or in research and development activity that will create at least 5 new jobs in three years following the completion of investment. Costs eligible include tangible and intangible investments. In the case of SMEs, costs of feasibility studies and consultancy services are also eligible. During 2000–2010, 85 FDI projects that had a value of €412.1 million in total were funded. The value of grants was €36.9 million. These projects created altogether 6,630 new jobs, of which many were export-oriented.

Interestingly, in the framework of the interviews conducted in this project, the relevance of business incubators for born globals’ access to finance was also stressed. The involvement of a firm in such an environment at a very young age, even before start-up, provides a good basis for qualifying for public financial support, as the development of the business idea and business plan are assisted by experienced experts and practitioners evaluating the feasibility and future sustainability of the enterprise. In support award procedures this is often assessed as a positive asset, which is reinforced if the

²⁹ <http://www.cdti.es/index.asp?MP=15&MS=583&MN=3>

³⁰ <http://www.enterprise-ireland.com/en/Invest-in-Emerging-Companies/Investors/Innovation-Fund-Ireland/#Overview>

³¹ <http://www.investslovenia.org/business-environment/incentives/financial-incentives/>

company has got a public grant and hence has been deemed to have good growth potential. Even if no subsequent grant is awarded immediately, the application (and rejection) is favourable for the firm as it can use the feedback to learn and improve either its business model or its self-marketing strategy. To be beneficial in this way, however, the services offered by the incubator must go beyond the provision of cheap office space, infrastructure and joint back-office activities and also cover advice, training and other support.

Innovationsbron³² (IB), a Swedish public agency that is jointly owned by the state and the publicly financed Industry Fund, evaluates and benchmarks incubators' performance. The evaluation is based on a number of quantifiable common indicators measured biannually. Within the incubation programme BIG (Incubation for Growth Sweden), IB works directly with incubators that develop start-ups, with a focus on growth and exports. The incubation programme has three main strands of activity: development of business and technical competence, result-based financing of specific incubators and financing of development projects in the incubator. The eligible incubators should assist entrepreneurs with active and tailor-made management support and financial, technological and commercial networks as well as with office services. In 2011, IB provided SEK 60 million (around €7.5 million) in funding to 46 incubators.

In addition, IB provides seed capital for start-up projects that are mostly, but not exclusively, with the incubators. The focus is on high-tech activities (mainly life sciences), with roughly half of the projects originating from universities. IB funding is usually through an equity purchase agreement (10%–49% of total equity). It adopts an active ownership role with representation on the company's board. They also, through their networks, search for further investment capital, not least with the aim to withdraw from their financial involvement.

Accessibility of available public support to born globals

Although the available support instruments do not explicitly target born globals, the instruments can be used by these enterprises. A good share of the measures combine two of the three relevant support areas analysed above.

In Spain, the **Young Entrepreneur** programme of the National Company for Innovation (ENISA) targets SMEs managed by young entrepreneurs who include innovation features in their business plan. The **Emprendemos Juntos**³³ (Entrepreneurs Together) programme, among others, involves an entrepreneur recognition workshop promoting the creation of enterprises and their internationalisation to improve their competitiveness and use of new technologies. In the framework of the programme also a prize award has been established as a public-private partnership, recognising young companies (up to two or up to six years old) with high growth, innovation and internationalisation potential.

Within the comprehensive Austrian **Fitnesspaket für innovative Unternehmen**³⁴ (Fitness Package for Innovative Firms), funded by the Federal Ministry of Economy, Family and Youth, several measures to foster innovation either target start-ups or export-oriented SMEs.

³² <http://innovationsbron.se/>

³³ <http://www.emprendemosjuntos.es/es-ES/Paginas/EmprendemosJuntos.aspx>

³⁴ <http://www.bmwfj.gv.at/Wirtschaftspolitik/Seiten/FitnesspaketfürinnovativeUnternehmen.aspx>

However, the multitude of available supports results in a problem of transparency or visibility. There are so many support instruments available that it is difficult for an individual company to get an overview and decide which one to approach on the basis that it would offer the most suitable services or highest probability of being supported. This holds even more true for a born global, which at the same time has to start up and go international, leaving very limited time resources to become familiar with public support, particularly if it is offered in different pathways (start-up, internationalisation or innovation) or administrative levels (national, regional, local governments, social partners or NGOs). Such an overview is, however, important as otherwise the (sometimes burdensome) effort of applying for support may be undertaken to no avail.

Recent years have brought about a trend towards one-stop shops providing a wide range of advice and information about support programmes. These also cover starting up, innovation and internationalisation. Having just one contact person who deals with all enquiries from an individual firm in the first instance and then links the entrepreneur with specialised advisers if needed facilitates the enterprise, and particularly born globals confronted with a wide variety of different challenges at the same time.

The Spanish **Ventanilla Única Empresarial**³⁵ (One-stop Corporate Shops) provide online assessment of start-ups and offer support by generalising information provided by regional Chambers of Commerce.

The Slovenian **Izvozno okno**³⁶ (Export Window) offered by the Public Agency of the Republic of Slovenia for Entrepreneurship and Foreign Investment (JAPTI) gathers and provides foreign trade information and consultancy to existing and potential exporters. The web portal offers basic and up to date information for first time exporters, advice and support in organising participation in international trade fairs, training on international business and matching with foreign companies in similar industries. Target markets are in 51 countries.

Get Export Ready³⁷ by Enterprise Ireland is an online platform that serves enterprises that want to start exporting. It summarises all available public support and all the steps that have to be taken before going international as well as providing a good overview of potential useful contacts at Enterprise Ireland and other related public agencies. Moreover, the portal provides the option to have the feasibility of an export plan assessed free of charge, as well as providing a helpdesk service.

However, providing a single platform offering all information a born global might be interested in is a very difficult task, particularly when responsibilities are dispersed at various administrative levels (national, regional and local) or by the individual policy areas (start-up, internationalisation and innovation). In such cases, effective coordination between the various actors is required. The interviews in Slovenia, for example, brought out the need for coordination between start-up support and more general business support (such as dealing with internationalisation or innovation) to facilitate companies' transition between life cycle phases. This has already been recognised in relation to internationalisation support, and the most recent policy documents dealing with the development of internationalisation of the Slovenian economy set the foundation for a coordinated approach by all institutions supporting internationalisation in Slovenia (Ministry of Economic Development and Technology, 2012).

³⁵ <http://www.ventanillaempresarial.org/>

³⁶ <http://www.izvoznookno.si/>

³⁷ <http://www.enterprise-ireland.com/en/Export-Assistance/Get-Export-Ready/>

In Austria, start-ups enquiring with the start-up support services provided by the federal economic chamber (**Wirtschaftskammer Österreich**, the employers' organisation) are brought into contact with the organisations' foreign trade consultants, offering considerable expertise, practical information and a global network of local access points. Furthermore, in the border region of Upper Austria and Lower Bavaria the regional offices of the employers' organisations provide information material for start-ups not only from their country but also from the neighbouring country. In that way, people interested in founding a business in the region have the possibility of learning about the characteristics and environment of both regions and can decide where best to start up. The organisations thereby take into account that their own country may lose a start-up to the other country. This is accepted as it has been recognised that there still will be benefits for the regional business area, and also positive effects for their country, if the start-up can be established under the best conditions for the individual business.

In Spain, the internationalisation support service provider **ICEX**, the innovation support service provider **CDTI** and the **General Directorate of Technological Transfer** plan to strengthen their cooperation. While the latter two focus on the product development stage, ICEX deals with fostering the internationalisation of marketed products. When jointly evaluating a company's or product's potential, at an earlier stage the opportunities of the company or product in different markets can be assessed. Consequently, not only the internationalisation potential, but also the innovation potential is considered at the same time, and the beneficiaries can be brought into contact with relevant partners and funding possibilities.

Among the public support to foster start-ups, internationalisation or innovation, there are also some measures that include eligibility criteria hindering born globals' access to the instrument. This might, for example, refer to the requirement to have an established home market or a well-tested product or service before qualifying for financial support for internationalisation (Moen, 2002) or the implicit necessity to have sufficient financial resources to cover costs as reimbursement will only be conducted later on. The focus on technology-oriented firms may disqualify those born globals in traditional industries from being early internationalisers of innovative products. Furthermore, the administrative requirements related to applying for public support and lengthy processes for selecting beneficiaries and providing them with the support are even more disadvantageous for born globals than for other firms due to their rapid pace of activities and lack of human and financial resources.

PIPE,³⁸ the main Spanish public support programme for internationalisation, runs until 2013/2014 and is to be replaced by the ICEX NEXT programme (which started in 2012). The services provided include assessing a firm's competitiveness and potential to do business internationally, and drafting and implementing a business plan. This entails systematic support for about two years. Some 70% of the company's expenses in doing business abroad are covered by the programme, with a ceiling of €32,200 per firm. After participating in the programme, the enterprises have the opportunity to join a monitoring programme for another two years, which also offers financial support, aimed at consolidating the firm's international position. An evaluation of the PIPE programme shows a dynamic increase in exports of participating firms (about +240% compared with +90% between 1998 and 2008), and increased export levels and higher employment growth (+50% compared with stable levels between 2002 and 2007) compared to non-participating firms. While the programme would be useful for born globals, one of the criteria is that the company needs to be established on the domestic market and to have financial resources as its internationalisation expenses are not paid up front, but reimbursed later. Consequently, companies participating in the PIPE programme are generally between 10 and 15 years old. These criteria also apply in the ICEX NEXT programme, but it is planned for them to be more flexible in future.

³⁸ http://www.portalpipe.com/icex/applications/PIPE2000/cda/controller/pagePIPE/0,,5112418_5113044_5114606_0,0.html

The Austrian **KMU-Innovationsförderung Unternehmensdynamik**³⁹ (SME Innovation Support Enterprise Dynamism) offers subsidies and guarantees for credits used to create innovative products and establish cooperation, clusters, and networks for innovation. One of the selection criteria in the award process is that the investment should have positive effects on the regional economy, which might be difficult for a born global to prove.

Similarly, the literature shows that available support measures are not suitable for born globals as they target standardised export markets rather than specialised product markets (Bell et al, 2003; Bell and McNaughton, 2000).

In contrast to these, the investigations conducted in this project also found some support instruments explicitly considering the young age, international ambitions and innovative character of the targeted enterprises, even if not referring to 'born globals' as their target group.

The **Econet**⁴⁰ platform is an Interreg IIIA project in Austria, the Czech Republic and Slovakia aiming at fostering innovation and competitiveness through business cooperation across borders. The support provided is in the form of business clubs in the three countries, an internet cooperation platform, seminars on the business environment and practices in the border regions, consultancy, networking and the possibility to present the company on the website. The target group is SMEs in Vienna, Lower Austria, South Moravia, Brno, Bratislava and Trnava, with a specific focus on innovative SMEs and start-ups in the area of production, industrial services and research in new technologies, female managers, exporters and importers.

1, 2, 3 GO⁴¹ is a network of experts and entrepreneurs helping to develop business plans for innovative companies in the border regions of Germany, France, Belgium and Luxembourg. The finalised plans are assessed by the network experts and could qualify for free coaching for three years, a 100% loan guarantee and a subsidy for parts of the interest charged for bank loans. In 12 years, the scheme contributed to drafting over 1,000 business plans, resulting in the creation of 240 start-ups and nearly 1,000 jobs. The inter-regional nature of the measure is seen as a key strength as it helps founders to develop cross-border contacts quickly and expand business beyond their home region.

The Austrian measure **go-international**⁴² implemented by the federal economic chamber and funded by the national government, offers a wide range of support instruments for born globals. For example, to create the global mindset of future entrepreneurs, presentations are given in schools on the importance of international business to the Austrian economy. Furthermore, wage subsidies are provided if a company offers young Austrians a traineeship in a foreign subsidiary, or if foreign trainees are taken on at a firm's Austrian headquarters. Also market entry costs of young Austrian service providers in foreign markets ('new to export/new to market') are cofinanced. Interestingly, in March 2011 the Slovenian Chamber of Commerce and Industry also presented a Go International Slovenia⁴³ measure which follows the concept of the Austrian programme (GZS, 2012). The programme, which coordinates and optimises various existing internationalisation support measures, is (summer 2012) in the policy legitimisation phase, awaiting political support.

³⁹ <http://www.awsg.at/Content.Node/foerderungen/gruendung/46931.php&backid=2785458>

⁴⁰ www.econet-platform.at

⁴¹ www.123go-networking.org

⁴² www.Go-International.at

⁴³ <http://www.gzs.si/datoteke/gb/start.html>

Within the Austrian programme, the measure **Go Silicon Valley**⁴⁴ has been offered since January 2010 (there was a selection process and a project design period that started in mid-2009). This programme targets technology start-ups, with its 'ideal candidate' described as an Austrian SME or spin-off of a large enterprise having at least two employees, with an extraordinary business idea in the IT industry.⁴⁵ This idea must have already been tested on the market (small test markets are sufficient) or have a prototype available. The initiative offers the selected firms the opportunity to enter the US market and access to risk capital. Recruitment is conducted by the Austrian Foreign Trade Promotion Agency, with the final selection done by a US jury comprised of two venture capitalists, a person from the business accelerator and one from the US representation of the Austrian Foreign Trade Promotion Agency. The supported companies participate in a three-month programme aiming at establishing initial business contacts while being accommodated in a business incubator. The beneficiaries can use offices, learn how to do business in the US, are supported in networking activities with investors and potential business partners, and get the chance of discussing their business idea with top business people and financial institutions in California's Silicon Valley. It is assumed that by exposing these firms to this highly competitive environment, they will learn how to adapt their business plans to fit the competitor landscape, enabling them to become a scalable business. The continuous exchange with peers and the establishment of a contact network therefore plays a crucial role. One or two representatives from a company can participate. They must have the power to make decisions and a good knowledge of English. To reduce the culture shock and optimise the stay, the selected companies participate in a one-day workshop in Vienna to learn about the Silicon Valley business culture before leaving for the programme. Their visit begins with a four-day course on drafting business plans, how to make presentations for investors, partners and clients (covering time management, content and methods) as well as market expectations, behaviour of potential investors and cooperation partners, and learning about business development. The main period of their stay is devoted to networking inside and outside of the incubator. At the end, the company is given the opportunity of presenting their business idea to a group of 70 potential investors. The Austrian federal economic chamber pays for the company's rent in the incubator for three months, workshops, participation in networking events and for individual support in the incubator. The companies have to pay a participation fee of €400 as well as travel and accommodation costs. Up to 20 companies are supported in this way every year. Virtually all of them have found strategic or network partners or succeeded in initiating sales contacts. They say that the participation was educational and helped give their business a new direction. They also welcomed the opportunity to network with peers, cooperation partners and corporate venture capitalists. More than 10% have so far set up subsidiaries in the US within one year of their participation in this programme. Participating firms attract media attention, are invited as best practice examples to panels and receive awards. The programme has aroused interest from other countries, some of which have copied the measure.

The **High Potential Start-Up**⁴⁶ (HPSU) programme in Ireland provides a one-stop shop for innovation-led high-potential start-ups with a strong export focus. It is financed by the state through Enterprise Ireland with cofinance from the private sector (venture capitalists, business angels or business promoters). One pillar of the programme is providing advice free of charge to the target group throughout various stages of their life cycles about validating the innovativeness of their product or assessing the feasibility of their business idea. A development adviser is appointed to work with each company. The most dominant pillar, however, concentrates on supporting start-up and development costs through the Innovative HPSU Fund, which allows Enterprise Ireland to offer equity investment to HPSU clients, on a cofunded basis. This investment is done at a very early stage and goes towards the achievement of an overall

⁴⁴ http://portal.wko.at/wk/format_detail.wk?angid=1&stid=653905&dstid=0&cbtyp=1&titel=Technologieinitiative%2cGo%2cSilicon%2cValley; http://portal.wko.at/wk/format_detail.wk?angid=1&stid=656329

⁴⁵ In a pilot project, other industries have proven not to be suitable.

⁴⁶ <http://www.enterprise-ireland.com/en/Start-a-Business-in-Ireland/Supports-for-High-Potential-Start-Ups/>

business plan, rather than funding towards discrete elements of a business plan, such as research and development or employment creation. Complementary pillars embedded in the programme facilitate networking for the target group, for example mentor networks, or minimise the costs of product development through grants. The programme defines 'high-potential start-up' as a venture based and controlled in Ireland which is less than six years old, introduces a new or innovative product or service to international markets and is capable of creating 10 jobs in Ireland and realising exports of €1 million within three to four years after starting up. In the 2012 action plan for jobs, the HPSU programme is said to have supported 95 new high-potential start-ups chosen from among around 2,500 applicants. This includes an increase of 50% in the number of overseas entrepreneurs supported, using the International Start-Ups fund as a key tool. The companies supported by the programme in 2011 are expected to employ more than 1,600 new staff by the end of 2013 and to generate over €200 million in annual sales within three years.

Innovationsbro in Sweden launched a dedicated Born Global Programme in September 2012. It focuses exclusively on the ICT sector and will give the firms the capacity to construct a verifiable business model. Much emphasis is placed on sales and marketing in international environments. The programme draws on the expertise of serial entrepreneurs and coaches with considerable international expertise. It includes a one-week visit to Silicon Valley under the guidance of representatives from academia and local venture capitalists. The programme concludes with a presentation of the business plan to venture capitalists. The measure will last for one year and costs the applicant €8,000. Applications are judged by Innovationsbro (which covers the other financial costs) and the Centre for Business Innovation, a research centre in the field of management of innovation.

Concluding remarks and policy pointers 6

Taking into account the lack of appropriate structural business statistics, the current research indicates that born globals are a business model worthy of attention as they contribute to current and future economic and labour market development in Europe. According to GEM data, almost one-fifth of young European enterprises can be considered to be born globals, and these firms are characterised by, on average, higher employment numbers (which is expected to continue) than domestically oriented firms. Moreover, the jobs they create are, in general, high quality, well paid ones and are assumed to be comparatively stable and sustainable. Some fragmented evidence points towards a higher profitability of born globals compared to other young companies, implying their positive influence on macroeconomic development, for example through tax revenues or value chain effects, not at least caused by their rather innovative character resulting in the creation of value-added and also fostering innovation and hence competitiveness of (partner) firms.

This generally positive picture of born globals, together with the fact that self-employment and business start-ups are publicly fostered in many European countries as a means to combat the massive unemployment caused by the global crisis, and the findings that export oriented countries develop better in the aftermath of crisis, quite naturally leads to the assumption that born globals could contribute to recovery. However, at the same time it must be made clear that born globals alone cannot be the ‘silver bullet’ solving all economic and labour market problems challenging Europe.

Furthermore, not every start-up should be pushed to internationalisation as the success of born globals is strongly influenced by the suitability of the product or service for the international market as well as the personal characteristics of the entrepreneur (taking into account their global mindset as well as their technical and management skills and networks) and the enterprise (such as its general business strategy and access to finance).

However, those young enterprises that fulfil these preconditions should be supported in achieving their ambitions. The available data indicate that about one-third of born globals are not profitable or financially sustainable. Hence, these firms do not succeed in achieving the full potential inherent to this business type. Such born globals (see ‘volatile’ or ‘decreasing’ born globals in Figure 2) obviously experience some difficulties that hamper them from developing dynamically or steadily. These difficulties need to be identified and addressed, which up to now has not really been done, either in academic research or in public and policy discussion.

With the aim of contributing to this discussion, the following pages summarise the main specific challenges⁴⁷ of born globals and conclude potential fields for policy action. An overview is given in Table 3. More detailed examples for measures that could be initiated to support born globals can be found in Chapter 6.

⁴⁷ In the following pages, only those challenges that are specific to born globals are dealt with. This means that more general aspects similarly hampering all start-ups (for example, legal or tax issues) or international businesses (like trade barriers or transport costs) are not considered as this has been covered in other publications and would go beyond the scope of this project.

Table 3: *Specific characteristics of and challenges for born globals and potential fields for policy action*

Characteristics and challenges	Potential fields for policy action
Little awareness about their existence and potential as well as specific needs among national policymakers	Establishment of a clear definition of 'born globals' to make the concept more comprehensible, measurable (research) and applicable in public support (eligibility criteria)
Global mindset, but little internationalisation track record of the company due to its young age	<p>Foster national, regional and sectoral culture of internationalisation through information, presentation of good practices (for example by opening up the market for foreign born globals), providing a platform of exchange</p> <p>Fostering 'national branding' (reputation of national companies as reliable and high quality providers and partners) so that young exporters can benefit from 'spill-overs' as they do not yet have good (inter)national reputations themselves</p> <p>Foster pre-start-up international experience, for example, through international study and internship programmes</p> <p>Provide skill-development opportunities related to international business (such as languages and intercultural competences) in entrepreneurship training</p>
Lack of information about public support and partial inaccessibility of provided instruments	<p>Increase awareness of available support instruments (public and private ones, such as venture capitalists or business angels), for example through one-stop shop information platforms for start-ups, internationalisation and innovation</p> <p>Coordination of the various actors at national, regional and local level engaged in start-up, internationalisation and innovation support to avoid duplication and ensure forwarding of enquiries</p> <p>Avoidance of demanding, as a criterion for support, an established or tested product or service or a domestic market</p>
Planned and strategic approach towards doing business and going international	<p>Pre-start-up skill development regarding entrepreneurship, also with an emphasis on international business; in a rather informal way, for example, exchange platforms, internships, taster sessions of being manager or entrepreneur in international contexts</p> <p>Provision of in-depth technical, economic, institutional, legal, tax and other business-related information for foreign countries or regions, to act as basis for entrepreneurial decisions</p>
Specialised in innovative products, resulting in the need to be active in a large number of countries and engaging with many clients, suppliers and partners	<p>Establishment and support of international business incubators, providing born globals with the opportunity to test their ideas, to familiarise them with foreign business frameworks and to help them to contact potential partners, clients and investors</p> <p>Provision of international networking platform allowing new firms to establish contacts particular to their field of activity</p> <p>Provision of information about property rights, financial support to get protection and assistance for innovative products in foreign countries</p>
Success does not happen immediately, but takes some time	Continual advice (not only in the start-up phase) throughout the critical years, such as coaching, and encouragement
Low level of capital (and collateral) available, but high requirements	<p>Creating awareness and providing information about 'non-traditional' financing options (other than banks) such as venture capital or business angels</p> <p>Financial support of start-up, internationalisation and innovation, through tax breaks</p> <p>Providing incentives for investors (for example tax breaks and investment guarantees) to lend to born globals without charging high interest or fees or requesting repayment in the short term or at short notice</p> <p>Providing support to born globals to attract investors, for example through drafting professional business plans or organising matching platforms</p>
Need for high-skilled staff, but difficulties in attracting them	Providing employment incentives such as wage subsidies or reduced ancillary labour costs, enabling born globals to pay higher wages or use labour sharing pools

Source: *Eurofound*

One reason for born globals hardly featuring in policy discussion is the lack of a standardised definition of this enterprise which would allow the provision of structural data and harmonised research leading to a common understanding. Naturally, the development of such a definition is not easy and requires the engagement of various stakeholders in open and constructive discussions. However, the final establishment of the definitions for ‘SMEs’⁴⁸ or ‘family businesses’⁴⁹ at European level has shown that such efforts are possible and effective.

Based on the research conducted for this project, the authors suggest the following first approach towards a European definition that could be elaborated further.⁵⁰

A ‘born global’ is an enterprise satisfying all of the following criteria.

- It is an independent, individual company (in line with the respective criteria in the SME definition).
- It has been started, is a spin-off, or has been a business transfer (ownership and management) within the last five years.
- It has an active, strategic intention to internationalise (for example, mentioned in the business plan).
- It has an export share of at least 25% of total sales during at least two of these first five years.
- It is active in at least two foreign countries, with ‘close markets’ (as regards geographic and cultural distance or language) also being considered as different markets. All served countries can be within Europe.
- It is active in any economic sector, but offers an innovative product or service with good market potential or uses new technology or design.
- Company size and market share is irrelevant.

Such a definition allows for more systematic research to close the knowledge gap, and could also be used as an orientation for policymakers when designing eligibility criteria for target-group-specific support.

From a more operational perspective, fostering a national, regional or sectoral ‘culture of internationalisation’ through awareness-raising, information or the establishment of a platform of exchange is beneficial for young companies to quickly engage in foreign trade. Being located in an environment that is open towards international activities and which consists of other firms already experienced in foreign markets helps them to benefit from their experience and contacts. Certain initiatives have been identified as good policy examples in this regard in this project. They include supporting international business links of sectoral or regional clusters or other forms of company networks, coaching or mentoring models linking start-ups to established companies with internationalisation experience, or the familiarising of young people with the importance of foreign trade for the national economy. Furthermore, born globals cannot take advantage of a good reputation that they have obviously not yet achieved. However, born globals can benefit from their home

⁴⁸ http://ec.europa.eu/enterprise/policies/sme/facts-figures-analysis/sme-definition/index_en.htm

⁴⁹ http://ec.europa.eu/enterprise/policies/sme/promoting-entrepreneurship/family-business/index_en.htm#h2-2

⁵⁰ For example, more individual, industry specific definitions might need to be applied in future to take into consideration the different dynamisms in different sectors (that is, for some industries with very short product life cycles the threshold of five years might be too long).

country, region or sector having a good international image with potential business partners being more willing to trust them. Currently, examples of such 'national branding' activities are not widespread. As born globals often are active in specialised markets, a combination of national and sectoral branding could be considered to foster the country's reputation as a centre of expertise in a specific area.

The importance of clusters as intermediaries in helping SMEs go international was also recognised by the European Commission (European Commission, 2012a). Consequently, it is planned to train cluster managers to enable them to support SMEs more effectively in their internationalisation activities. Four new projects (clean technologies, renewable and sustainable energy, biotechnology, sport goods and services) will be started, helping SMEs participating in clusters to find partners for international cooperation. In this context it should also be considered that, in some cluster structures, firms have to pay membership fees and that these can be a burden for a young company with limited financial means. Hence, it would be worth considering cost subsidies for young firms with good growth potential that could benefit from the national and international networks of a cluster organisation.

In order to promote the global mindset of future entrepreneurs, the internationalisation aspect could be given a stronger profile in entrepreneurship training, for example by enhanced language or intercultural training (Mettler and Williams, 2011). This not only refers to tertiary education, in which a combination of disciplines is recommended (industrial design, engineering or technical knowledge and international business skills), but could be started in secondary education.

Probably even more important would be the provision of opportunities to gain first-hand international experience for developing globally oriented ideas, building networks (Mascherpa, 2012) and developing foreign language skills through international study modules or internships. While projects such as the Erasmus studies have become more widespread and popular across Europe during the last decade, improvements could also be made to support from public budgets for cross-border internships as they provide more practical insights and help build the networks of contacts which are so important for born globals. Such measures might include matching services or wage subsidies as illustrated in Chapter 6. Beyond that, the number of born globals which fail could be reduced by the development of an assessment tool to identify potential lack of skills at start-up (Gruber-Mücke, 2011).

There are so many public support instruments that it is difficult for young firms to know what is available or suitable for them, so it would be useful to establish real or virtual one-stop shops providing brief information about what initiatives are on offer to help with starting up, doing business abroad and innovation support. In the policy analysis of this project, several such platforms have been identified, but they mainly focus on one area rather than giving a comprehensive overview. In most countries the multitude of measures is provided by various actors at national, regional and local level, by public authorities, social partners or NGOs. The creation of pools of information and expertise on the market and regulatory environment (legal, tax and administrative) in third countries would therefore be beneficial for born globals, and this point is also emphasised by BusinessEurope, the main business organisation at EU level.⁵¹ The organisation also underlines the importance of firms being able to get access to such knowledge free of charge, even if they are not affiliated to the information-providing organisation. This demand is particularly relevant for born globals because decisions about doing business internationally are often at least partly done before start-up, and hence without organisational affiliations.

⁵¹ <http://www.besnesseurope.eu/content/default.asp?PageID=568&DocID=30193>

Better coordination between the different support service providers would not only contribute to a better knowledge of available support instruments, but would also mean that they could be more easily and quickly linked to the relevant advisers, find the optimal solution and start realising their potential. Cross-national coordination, particularly in border regions, is also relevant for born globals, and is already being implemented in some areas across Europe.

Some support measures for internationalisation or innovation disqualify born globals from participation as they require firms to have an established market position, already tested products or proven effects on other businesses. Due to their young age and innovative character, born globals do not therefore qualify. Naturally, it is justified for providers of public support to be cautious about spending public money and there is a clear need for objective criteria. However, the criteria might need to be reconsidered to allow born globals access to support. Similarly, the bureaucracy surrounding applications for such support should be kept to a minimum. The specific needs of born globals must also be considered by reducing the time a firm has to wait after submitting an application, finding out if it is successful and then actually getting the money it needs.

Assistance in the pre-start-up phase is particularly important for born globals. In order to make well-founded decisions, they need to get as much information as they can. This includes:

- data technically related to the product;
- administrative and legal knowledge regarding start-up and taking on international business;
- economic data regarding market potential;
- managerial information about dealing with foreign institutions, customers or partners.

Such knowledge might, for example, be provided through peer platforms informally exchanging knowledge and experience, as available data shows that informal entrepreneurial learning is important for born globals. Similarly, establishing the link between potential clients and product developers in the pre-start-up phase can help ensure that the product is exactly what the clients need.

As born globals enter various international markets (not just one), they need more information on institutional settings, product demand, and legal, tax and social securities issues as these issues vary considerably between different countries. A firm needs detailed practical information to decide which market to target, and it is helpful if the advising organisation (for example, a governmental agency or an employers' organisation) has a global network of subsidiaries or partners that can provide in depth, current 'local information'. The policy research found some schemes that offer tailor-made consultancy services, including market studies and database analyses as well as networking and mediation activities that are relevant for born globals.

As born globals are innovators, it is important for them to have information about IPR in different countries, investigation on protected elements and cofinancing of costs related to property rights. There has been some improvement regarding public support on this, mainly with the procedures and costs for having one's innovation legally protected as well as to the market-based use of one's rights. For example, the EU established its China Intellectual Property Rights SME Helpdesk to assist SMEs in securely entering the Chinese market, attracting customers and making a profit.⁵² The helpdesk offers, free of charge, advice and training on how to register IPR, prevent counterfeits and find

⁵² http://ec.europa.eu/enterprise/newsroom/cf/itemdetail.cfm?item_id=5848

reliable suppliers and information about contracts and dealing with Chinese customs. It plans, for 2012, to increase the training it offers through webinars and to provide new interactive learning modules which might particularly suit born globals interested in informal and online training.

Business incubators are highly relevant for born globals, due to the importance of the preparatory phase for these firms. Incubators not only offer them a sheltered low-cost workspace for developing and testing their business model and product or services, but also provide them with networking and peer review opportunities, and sometimes even with access to public finance linked to participation in the incubator, or to potential investors. This project found some business incubators with an international element (temporary posting in a foreign incubator), which is an ideal way of fostering the establishment and success of born globals.

There are also international networking platforms which allow born globals to liaise with international partners, clients, suppliers and investors. This is beneficial particularly if the platforms focus on individual types of products, value chains or markets. In line with that, fostering networking skills and facilitation of the establishment of social capital (Eurofound, 2007) can help born globals. In addition, incentives for larger companies to engage with born globals foster their sustainability. Examples are granting tax incentives or premiums in public tenders if they outsource some of their business functions to born globals.

However, as business development and successful internationalisation do not take place overnight, support before and during the start-up phase is needed. Indeed, continuous advice throughout the critical years is essential. Some examples of this, including opportunities to approach public consultants regularly, were identified in this project. It is an advantage to have this kind of support from the same adviser as these advisers become familiar with the company and are able to provide tailor-made support. Some born globals might also need a form of psychological support to keep going if they do not experience immediate success and to avoid being frustrated by setbacks.

One of the major challenges for born globals is to secure sufficient capital to finance product development, start-up and internationalisation. Due to their young age, the innovative character of their products and their immediate intention to enter the international market, access to credit is often limited as little collateral is available and the business idea or strategy might be considered risky. This means many born globals rely on their own, limited, assets, reducing the scope of investment into the evolving business. The policy analysis identified some schemes such as tax benefits for investment which, in case of loss, can be retained for when the company makes a profit. These are beneficial for born globals which, as already mentioned, will probably not experience immediate success.

However, such instruments are not sufficient to cover the financial needs of born globals. Alternative capital markets need to be activated to fund the companies. A first step in promoting this would be providing information and awareness-raising measures about non-traditional financing options. In order to help born globals find the financial support they need, the domestic market should be open to the idea of venture capital. Governments should decide as to how these firms could be supported, in a flexible way (Gabrielsson et al, 2004), through:

- public seed money;
- business angel support;
- venture capital;
- global partners' contribution;
- IPOs.

This could be done by offering mediator services to link born globals with potential investors and providing tax incentives and investment guarantees (Liesch et al, 2007). These incentives should ensure that the terms and conditions of lending this capital do not distort the growth potential of the firm (for example, through high interest rates or the investor's ability to withdraw the money at short notice). Another possibility is that there are safety nets such as mechanisms to temporarily replace withdrawn venture capital with public funds. At the same time, born globals could be supported to present themselves more professionally to potential investors, to make themselves more attractive as an investment object by, for example, the way they draft business plans or present their project or product idea. This could also be done by assisting them to achieve promising results quickly that will attract potential investors, particularly foreign investors.

One final challenge that confronts born globals is their need for highly skilled staff. While this is a problem often encountered by SMEs, it can be even more acute for born globals, which often require highly specialised staff. Due to their newness they tend to be unknown on the labour market and might be deemed risky by potential workers. Furthermore, their access to limited capital might mean they will try to limit costs, including wages. Consequently, it would be beneficial to have public measures supporting born globals in identifying and approaching potential staff as well as providing them with employment incentives. Examples of tax or social security reductions when hiring research and development staff have been presented in the policy analysis of this report. Some of them explicitly target international labour inflow, which certainly enhances born globals' competitiveness as it not only brings about much-needed technical or managerial expertise, but also contributes to the international networking of the firm. Another way of dealing with this challenge could be incentives for born globals within the same cluster to form an employment pool and advertise the vacancies with several companies.

Bearing in mind that born globals' effect on the economy and labour market is not limited to a single country but, due to their international activities and the knock-on effects of these, become apparent as European, it is not only up to national, but also to EU policymakers to enhance their potential. Almost all of the above suggestions could also be approached from the European level, starting with the provision of data and research to raise the information and awareness level about born globals, to the exchange of good-practice policies and the design of favourable support frameworks. As mentioned above, first steps in this direction have already been taken and could be strengthened, not only for the benefit of born globals, but for the European economy and labour market.

Finally, it should be noted that, so far, knowledge about born globals is scarce, so further research on the characteristics of their owners/managers, their motivation, the firms' growth pathways and related obstacles to sustainability is recommended in order to improve the firms' business environment. This environment needs to include a public support infrastructure taking into account the different challenges born globals face in different stages of their life cycle. Likewise, learning more about born globals' HR management strategies, tools and practices would be interesting for the labour market.

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Austrian Federal Ministry of Economy, Family and Youth (internationalisation initiative), available online at <http://www.bmwfj.gv.at>

BornGlobal, Denmark, available online at <http://um.dk/en/tradecouncil>

Business Angel Networks at the Spanish Ministry of Industry, Energy and Tourism, available online <http://www.ipyme.org>

BusinessEurope, available online at <http://www.businesseurope.com>

Centre for Industrial Technological Development, Internacionaliza [Internationalise] programme, Spain, available online at <http://www.cdti.es/>

Central European Trade Mark Observation Service (CETMOS), available online at <http://www.cetmos.eu>

China Intellectual Property Rights SME Helpdesk, available online at <http://www.china-iprhelpdesk.eu/>

Clusterförderung – Internationalisierung [Cluster Support – Internationalisation], Austria, available online at <http://www.awsg.at>

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Get Export Ready, Ireland, available online at <http://www.enterprise-ireland.com>

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Go Silicon Valley, Austria, available online at <http://portal.wko.at>

Go:Global Slovenia, available online at <http://www.goglobal.si>

Graduates 4 International Growth (G4IG) Ireland, available online at <http://www.enterprise-ireland.com>

High Potential Start-Up (HPSU) programme, Ireland, available online at <http://www.enterprise-ireland.com/en/Start-a-Business-in-Ireland/Supports-for-High-Potential-Start-Ups/>

i2 – Börse für Business Angels, available online at <http://www.awsg.at>

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Innovation Fund Ireland, available online at <http://www.enterprise-ireland.com>

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PIPE, Spain, available online at <http://www.portalpipe.com>

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Tecnet – Markt- und Technologierecherche, Austria, available online at <http://www.awsg.at>

Ventanilla Única Empresarial, Spain, available online at <http://www.ventanillaempresarial.org/>