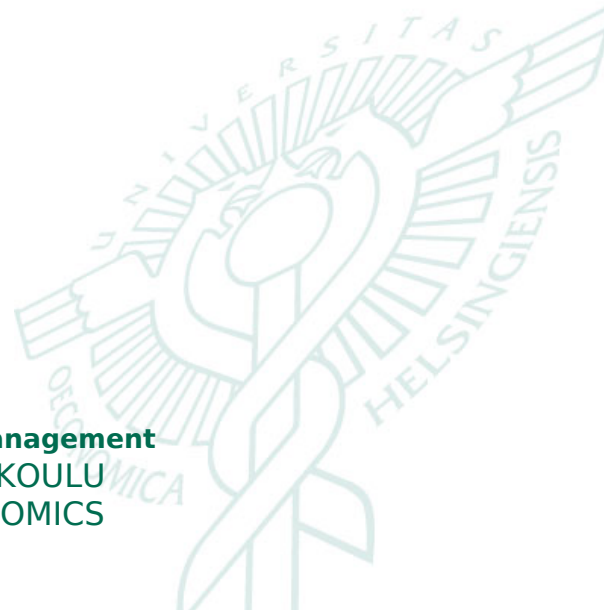


Globalization of Finnish ICT Born Globals: Creating New Market Space with Disruptive Innovation Strategy

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Arttu Myllymäki
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Department of Marketing and Management
HELSINGIN KAUPPAKORKEAKOULU
HELSINKI SCHOOL OF ECONOMICS



ABSTRACT

Objective

Objective of this Master's thesis is to research Finnish ICT Born Global companies that have globalized their operations leveraging disruptive technologies and how disruptive innovation influences the globalization? This topic has become increasingly relevant as many Born Globals do in fact, leverage disruptive innovation as a strategic approach. However, Born Global theory has not really been approached previously from the this type of value innovation perspective per se. Thus, this study focuses on the role of value innovation in the globalization of Finnish Born Globals as well as "blue ocean" creation.

Methodology

The theoretical part of this study was based on the latest literature on internationalization, globalization and companies referred to as Born Global. Literature on strategic innovation, value innovation and disruptive innovation theory were also reviewed and applied to the Born Global theory to form a theoretical framework for global disruption strategy. The empirical part of the research was conducted as a dual case study. In order to gain empirical insights the theoretical framework was applied to two case studies on Finnish Born Global companies from the ICT industry.

Findings

The case studies show that value/disruptive innovation is at the heart of Born Global activity. Research indicates that Finnish Born Globals look to offer unique value for their customers via a combination of innovative business proposition and technological innovation. The nature of the business models as well as the target market drives the international entrepreneurs to pursue opportunities globally and create new market space to thrive in. This is done in a relatively fast pace. Also the target markets could be described as "blue oceans" instead of traditional niche markets even though the initial market might be quite narrow. The case studies show that global disruption is based on the resources and capabilities of the company. Innovation, marketing, network and financial capabilities as well as the decision making in the company are all highly influenced by the founders of the Born Global company and their values

Keywords: Born Global, ICT, Value Innovation, Disruptive innovation, Globalization, Internationalization, Globalization strategy

TIIVISTELMÄ

Tutkimuksen tarkoitus

Tutkielmassa tarkasteltiin ns. arvo innovaatioiden tai disruptiivistä innovaatio teoriaa sekä suomalaisten Born Global ICT yritysten kansainvälistymistä. Tutkielman tarkoitus oli selvittää miten suomalaiset Born Global yritykset ICT sektorilla ovat kansainvälistyneet disruptiivisiä innovaatioita hyödyntäen. Born Global konseptia ei ole juurikaan lähestytty arvo innovoinnin näkökulmasta ja tutkielma keskittyykin juuri arvo innovoinnin rooliin Born Global yritysten kansainvälistymisessä ja nk. ”sinisien merien” luonnissa.

Tutkimusmenetelmät

Tutkimuksen teorettinen osio perustui akateemiseen kirjallisuuteen yritysten kansainvälistymisestä, Born Global yrityksistä sekä innovaatioista ja innovaatioiden hyödyntämisestä. Kirjallisuuden pohjalta rakennettiin teorettinen viitekehys jota hyödynnettiin tutkimuksen empiirisessä osiossa. Tutkimuksen empiirinen osa suoritettiin kvalitatiivisena case-tutkimuksena jossa analyysin kohteena oli kaksi suomalaista Born Global yritystä jotka toimivat ICT sektorilla.

Tutkimustulokset

Case-analyysin perusteella voidaan päätellä, että arvo/disruptiivinen innovointi on hyvin keskeinen osa Born Global yritysten kansainvälistymistä. Tutkimustulokset viittaavat siihen, että ICT sektorilla toimivat suomalaiset Born Global yritykset pyrkivät luomaan uutta markkinatilaa tarjoamalla lisäarvoa asiakkailleen yhdistämällä innovatiiviset liiketoimintamallit innovatiivisiin teknologisiin ratkaisuihin. Case-analyysit osoittavat myös, että yrityksen perustajalla on suuri vaikutus yrityksen resursseihin ja kyvykkyyksiin. Yrityksen arvot heijastavat perustajan arvoja ja vaikuttavat siihen millaisia päätöksiä yrityksessä tehdään ja mihin suuntaan liiketoimintaa viedään sekä mihin yritys fokuoitetuu.

Avainsanat: Kansainvälistyminen, ICT, Globalisaatio, Born Global, Arvo Innovaatio, Disruptiivinen Innovointi

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1. INTRODUCTION

1.1 Background

Peter F. Drucker, a pioneer in entrepreneurship research, quoted a US civil war general and argued that the best way to succeed for an entrepreneurial company is to “hit the enemy where they ain’t”. By this he meant that, instead of trying to gain market share from already established competition, an entrepreneur should look to find ways of avoiding head to head combat with the “enemy” and create new opportunities. (Drucker, 1985) Companies can create these opportunities through innovation, but not only technological innovation but also innovating new business models, and gaining a sustainable competitive advantage.

During the past two decades companies called Born Globals have emerged and grabbed the attention of international business scholars. In Finland these entrepreneurial companies have especially surfaced from the ICT sector and mesmerized researcher due to their uncanny ability to globalize within the first couple of years of existence with very limited resources. (see e.g. Oviatt & McDougall, 1994; Knight & Cavusgil, 1996; Luostarinen & Gabrielsson, 2004) Due to this predicament, Born Globals cannot really compete against larger companies with seemingly endless resources, but instead have to look for opportunities that are not interesting for larger players.

Porter (1996) proposed that whatever strategy companies choose there has to be a strategic “fit” that aligns the company’s activities. *“Fit drives both competitive advantage and sustainability: when activities mutually reinforce each other, competitors can’t easily imitate them.”* (Porter, 1996:2) It would appear that, value innovation (Kim & Mauborgne, 2005) or disruptive innovation (Christensen, 1997) would be a good strategic “fit” as these approaches allow Born Globals to grow in the global markets with an initial monopoly in their respective markets and sustainable competitive advantage through creating new markets. Disruptive Innovation experts (Christensen, 1997; Christensen & Raynor, 2003; Tushman & Anderson, 1986; Veryzer, 1998) seem to have a consensus that the disruptive companies are usually entrepreneurial firms entering the market place. Also, many international business

scholars (e.g. Oviatt & McDougall, 1994; Madsen & Servais, 1997; Knight & Cavusgil, 1994; Gabrielsson & Kirpalani, 2005) researching the topic of Born Globals have concluded entrepreneurship is a huge part of the phenomena.

1.2 Research Gap

Many authors (see e.g. Christensen, 1997) researching disruptive innovation take the point of view of a large multinational enterprise that faces the probability of disruption and how they can survive in the turmoil and also why companies have had problems when it comes to disruptive innovations. However, very little has been written specifically of Small and Medium Sized Enterprises's that wield disruptive innovations. Danneels (2004) proposes that the origin on disruptive companies merits for more research. On that note, this study attempts to approach the concept of Born Globals from a different view that has mostly been mentioned in the passing in previous literature on the topic. Many authors mention that Born Globals are innovative and tend to possess great skill towards technological innovation. However, this thesis will take the concepts of value innovation (see e.g. Kim & Mauborgne 2005) and disruptive innovation (Christensen et al., 2002) and apply them to Born Globals and moreover what their role is in the globalization of Born Globals.

1.3 Research Problem and Questions

Based on the the background and the research gap the objective of this thesis is to find out whether there is evidence of Finnish Born Global companies in the ICT industry leveraging disruptive innovation strategy. Thus Through a dual-case study this thesis sets out to investigate how do these Born Globals utilize the disruptive innovation strategy and how has it shaped their operations. Thus the research question takes the form of:

How have Finnish Born Global companies in the ICT industry managed disruptive innovation strategy?

To aid with the research and to clarify the research objective, the topic will be approached with the help of three subquestions:

- 1. How do Finnish Born Globals in the ICT industry pursue disruptive innovation strategy? How does it show in the globalization of the companies? What about general operations??*
- 2. What kind of challenges and benefits disruptive innovation strategy offer for Finnish ICT Born Globals?*
- 3. Does disruption on a global scale, require specific set of resources and capabilities? If, yes what kind?*

1.4 Definitions

In this part of the study the key terms and concepts that appear throughout the study will be defined briefly to give some understanding what they are. Some of the concepts if not all of them will however; be defined more extensively later in the study.

Value Innovation: “Value Innovation makes the competition irrelevant by offering fundamentally new and superior customer value in existing markets and by enabling a quantum leap in buyer value to create new markets”. (Kim & Mauborgne, 1999:43)

Disruptive Innovation: Form of value innovation that focuses on the creation of entirely new markets and business models by looking for ways to compete against non-consumption. (Christensen et al. 2002)

Born Global Firm: The concept of Born Global refers to companies that have from or near their inception, seek superior international business performance from the application of knowledge-based resources to the sale of outputs in multiple countries. This definition is widely accepted among international business scholars and for this reason it has been chosen for the purposes of this thesis as well as the fit with it. Further reasoning behind the definition will be presented later in the study.

Sustaining Innovation: Christensen & Raynor (2003) describe sustaining innovations as products or services that usually are incremental year-by-year improvements to the previous ones. However, sustaining innovations can also be “breakthrough” products that “leapfrog” beyond competition.

Globalization Strategies: Luostarinen (1994) argues that globalization strategies include product, operation and market strategies that a company utilizes as it is globalizing. This study will use this definition.

1.5 Limitations

This study is limited to focus on Finnish ICT Born Globals and their globalization in regards to disruptive innovation strategy. Thus it leaves out Born Globals from other countries out completely, which might have different approaches to the strategy. According to Luostarinen & Gabrielsson's (2006) companies within the ICT field have a strong niche market/product focus which is a hallmark of a disruptive innovation.

2. LITERATURE REVIEW

The previous chapter established that the emphasis of this study is on the questions that how have Born Global companies from SMOPECs managed disruptive innovation. This chapter will review the relevant literature on the topic, starting with defining Born Globals and then applying the theory to the concept of managing disruptive innovation.

2.1 Born Globals

Born Global companies are a rather interesting topic of research, as they seem to operate successfully against all odds. As a research topic the Born Global company is a fairly recent phenomenon that has been researched since the early 1990's. (Knight & Cavusgil, 1996; Luostarinen & Gabrielsson, 2004; Laanti et al., 2007) This type of firms have also been referred to as Global Start-ups and International New Ventures (Oviatt & McDougall, 1994; McDougall et al., 1994) The definitions of Born Globals vary from very strict to relatively loose depending on the school of thought (Gabrielsson, 2005). In order to define the term Born Global to fit the purposes of this thesis one should look at the various attributes that have commonly been applied to the term.

Several authors have associated Born Globals with a small size, entrepreneurship, limited resources, few employees and little experience in international business. (Zahra, 2003; Knight & Cavusgil, 2004, Oviatt & McDougall, 1994) Most of the companies of this type have in common a small domestic market and a niche product intended for global markets. (Gabrielsson & Al-Obaidi, 2004) Sharma & Blomstermo (2003) define Born Globals as knowledge intensive firms that sell products and services that are completely new or differ radically from existing products. Therefore, "the competitive advantage of Born Globals is embedded in their knowledge intensity" (Sharma & Blomstermo, 2003:745). The term Born Global also conveys that the company does business in at least one continent outside of its home continent, as internationalization, or born international, would infer that the company has operations in country or countries within its home continent. (Luostarinen & Gabrielsson, 2004).

Most of Born Globals originate from small and open economies (SMOPEC). This is due to the rather obvious reason of small size of the domestic market that forces small companies serving marginal markets to seek out opportunities globally. However, there is Born Global activity also in the United States and Australia to some extent. Nevertheless, it is more likely that a company from SMOPEC internationalizes from inception since, if you compare companies from SMOPEC to companies from much larger economies such as US you will see that a firm is still within the country borders if it operates within a 500 mile radius. A European company however might cross five or even six borders when operating in the similar radius. Due to these reasons it makes much more sense for a firm from SMOPEC to internationalize quickly from mere necessity. (Bloodgood et al., 1997)

Many authors concur that one of the most important traits of a Born Global regardless of country of origin is the internationally oriented management team. Also, in a study of American firms, Gleason et al. (2006) found out that Born Global companies have significantly higher levels of managerial and board international experience. However, in their research Luostarinen & Gabrielsson (2004) dispute these findings. According to their findings, although technologically very competent, managers of Born Global firms tend to be young and inexperienced in business management and international business. Nevertheless, what remains constant is the global mindset.

To aid in finding a definition for Born Globals, Luostarinen and Gabrielsson (2004) have summarized a list of key attributes that are common to most Born Global companies. They:

“(1) Start international operations simultaneously or even before than domestic ones, (2) base their vision and mission mainly on global markets and customers from the inception, (3) plan their products, structures, systems and finances on a global basis, (4) plan to become global market leaders as part of their vision, (5) use different product, operation and market strategies than firms have traditionally done, (6) follow different global marketing strategies, and (7) grow exceptionally fast to global markets.”

Even though they might have varying point of views many authors who have conducted research on the topic there seems to be a consensus regarding these attributes. (Knight

& Cavusgil, 1996; 2003; Oviat & McDougall, 1994; Autio et al.,2000, Laanti et al., 2006)

Keeping the before mentioned characteristics in mind, for the purposes of this study the concept of Born Globals will be defined as companies that, from or near their inception, seek superior international business performance from the application of knowledge-based resources to the sale of outputs in multiple countries.

2.2 International Entrepreneurship and Emergence of Born Globals

There are multitudes of factors that have contributed to the emergence of companies such as Born Globals. Madsen & Servais (1997) divide the factors under three groups: new market conditions, technological developments and human resources.

New market conditions have risen due to increased amount of specialization that has lead to forming of niche markets that are too small even in larger countries. (Madsen & Servais, 1997; Knight & Cavusgil, 1996) Also increase in global demand in many markets (Oviatt & Mcdougall, 1997) provides opportunities as more specialized and customized products are in high demand (Knight & Cavusgil, 1996) Madsen & Servais (1997) propose that we should see more and more firms produce very specified components, which they then have to sell in the international markets due the fore mentioned reasons. Thus, one could argue that the global pull forces have become stronger (Luostarinen, 1994).

Luostarinen (1994) argued that for companies from SMOPECs small size of the domestic market acts as a push force to reach out to the global markets. In relation to that, governments are no longer impeding global competition with protectionist policies as much opening up the playing field for much wider range of competition. (Oviatt & Mcdougall, 2000) Born Global companies suffer from a chronic lack of resources. However, Knight & Cavusgil (1996) argue that means of internationalization such as knowledge, technology, facilitating institutions, have become more accessible to new start-ups thus making the necessary resources for efficient internationalization available.

Oviatt & McDougall (1994) add that financing for the ventures is also increasingly available.

The second factor enabling the existence of Born Globals are advances in technology have enabled even smaller manufacturing operations to be profitable (Madsen & Servais, 1997; Knight & Cavusgil, 1996) and enhanced and the decreased cost of transportation allows fast delivery worldwide (Oviatt & McDougall, 1994; Madsen & Servais, 1997) Technological advances play also a part in the communication scheme as people are able to communicate around the world fast and with good quality regardless of distance. (Madsen & Servais, 1997)

Madsen & Servais (1997) argue that people have more elaborate skill sets to support internationalization. With advancements in the transportation technologies human resources in general are simply more internationally mobile (Oviatt & McDougall, 1994) thus enabling faster and more efficient business on a global scale. Oviatt & McDougall (1994) argued that in the light of these developments a new type of entrepreneurs has emerged. The international entrepreneur pursues international restructuring of an industry instead of focusing solely on international pull strategies of the technical entrepreneur or the push strategies of the so-called marketing entrepreneur. Thus, international entrepreneurs have been a major factor enabling the existence of Born Globals.

Schumpeterian view on entrepreneurship supports the notion of an international entrepreneur and includes the introduction of new products, new production methods and the opening of new markets, new sources of supply and raw materials and the reorganization of an industry. In relation to these factors, Schumpeter argues that key attributes of an entrepreneur are innovation capability, self-reliance, risk taking propensity and energy level. (Schumpeter, 1934) On a similar note Oviatt & McDougall (2000) define international entrepreneurship as a “Combination of innovative, proactive and risk-seeking behavior that crosses national borders and is intended to create value in organizations”. However, Sperling (2006) argues that the term risk-tolerance better describes this type of entrepreneurs.

Re-constructionist approach towards an industry means essentially challenging the current boundaries of an industry and reshaping it. This type of a strategy is a good fit for international entrepreneurs because when the structural conditions of the industry are lucrative but there are well-established players and the company lacks the resources and capabilities to out perform them in a head-to-head battle, orientation towards innovation and propensity to create new opportunities allows new players to flourish. (Kim & Mauborgne, 2009) In addition there is a trend toward globalization and thus one can argue a rising imperative for international entrepreneurs to create new uncontested market with re-constructionist strategies.

“As trade barriers between nations and regions are dismantled and as information on products and prices becomes instantly and globally available, niche markets and havens for monopoly continue to disappear. While supply is on the rise as global competition intensifies, there is no clear evidence of an increase in demand worldwide, and statistics even point to declining populations in many developed markets.” (Kim & Mauborgne, 2005: 8)

Matthyssens et al. (2006) argue that the only way to escape the cutthroat competition of established markets is to launch new value concepts and continuously re-invent the manner in which customer value is created. In regards to re-inventing and creating new markets Kim & Mauborgne (2005b) divide markets under two types, red oceans and blue oceans. Within red oceans:

“The industry boundaries are defined and accepted and the competitive rules of the game are known...Companies try to outperform their rivals to grab a greater share of existing demand.” (Kim & Mauborgne, 2005b: 106)

Blue oceans on the other hand are:

“Defined by untapped market space, demand creation and the opportunity for highly profitable growth...in blue oceans competition is irrelevant because the rules of the game are waiting to be set”. (Kim & Mauborgne, 2005b: 106)

Operating in blue oceans is beneficial for a Born Global entrepreneur as it is for their customers, which is due to the basic nature of how blue oceans are created. Company looking to create blue oceans has to be able drive down costs while simultaneously drive value up for the customers of the company. This way a leap is achieved in the

value for both the company itself and its customers and at the heart of it is value innovation. (Kim & Mauborgne, 2005)

2.2.1 Creating New Market Space and Disruptive Innovation

Markides (1997) introduces the notion of strategic innovation. He defines it as a fundamental re-conceptualization of what the business is all about that leads to a considerably different way of operating in an existing business. Key attributes to strategic innovation are identifying “gaps” in the industry positioning and continuous experimentation with new market segmentation, production systems or distribution systems. (Markides, 1997; 1998) The purpose of value innovation is to “*make competition irrelevant by offering fundamentally new and superior customer value in existing markets and by creating a quantum leap in buyer value to create new markets.*” (Kim & Mauborgne, 1999: 43) Thus, it can be argued that “*Value innovation defies one of the most commonly accepted dogmas of competition-based strategy: the value-cost trade-off.*” (Kim & Mauborgne, 2005:13).

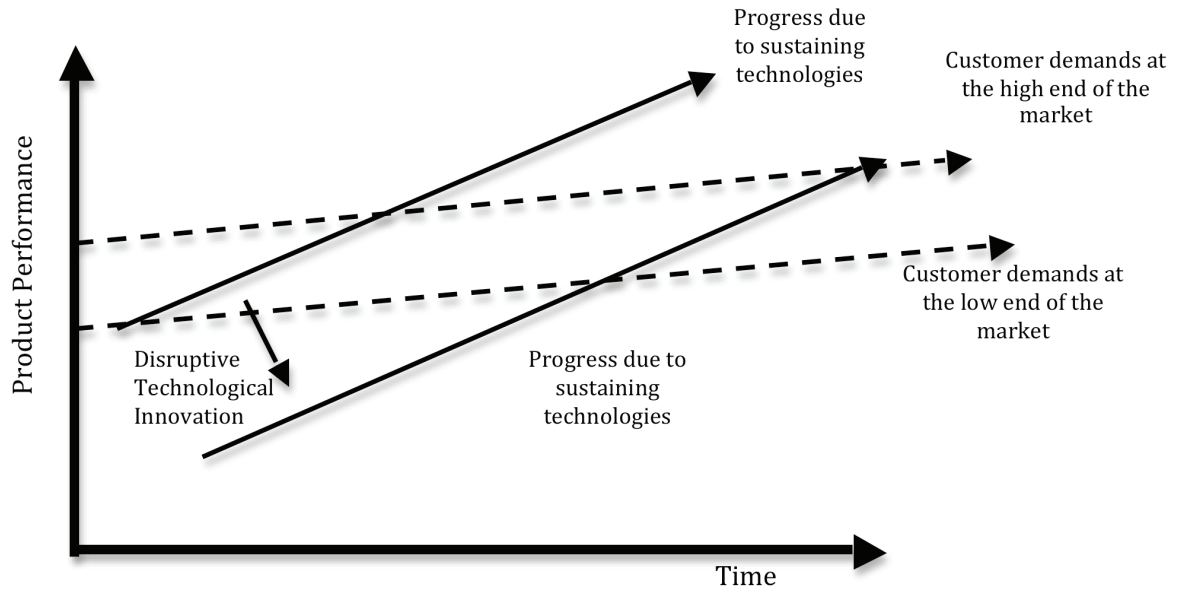
According to Kim & Mauborgne (1999) on the of the core attributes of value innovation is that the companies pursue innovation outside of conventional thinking as in not pursuing innovation as technology but as value. Sawhney et al. (2006) argue that when it comes to business innovation, it is only relevant if it creates value for the customers. This is also the reason why Kim & Mauborgne (2005) propose that technology innovation is not a prerequisite of value innovation and furthermore technological innovation does not necessarily produce value innovation. Born Global entrepreneurs have to understand that value without innovation tends to focus on value creation on an incremental scale, which essentially means improving value but does not make you stand out in the marketplace. Innovation without value on the other hand tends to be technology-driven, market pioneering, or futuristic, often shooting beyond what buyers are ready to accept and pay for. According to Kim & Mauborgne (2005) for value innovation to be achieved utility, price, and cost propositions must be aligned. In a failure to anchor innovation with value, technology innovators and market pioneers often lay the eggs that other companies hatch. Since buyer value comes from the utility and price that the company offers to buyers and because the value to the company is

generated from price and its cost structure, value innovation is achieved only when the whole system of the company's utility, price, and cost activities is properly aligned. It is this whole-system approach that makes the creation of blue oceans a sustainable strategy. Re-constructionist strategy integrates the range of a company's functional and operational activities. In this sense, value innovation is about strategy that embraces the entire system of a company's activities. Value innovation requires companies to orient the whole system toward achieving a leap in value for both buyers and themselves. The international entrepreneur thus has the opportunity to achieve competitive advantage even if lacking resources. (Kim & Mauborgne, 2005)

Disruptive innovation is a form of value innovation, which has been extensively researched by Clayton M. Christensen (1997) who is also the author of the seminal works written on the topic. The term Disruptive Innovation is used to describe an innovation that is highly discontinuous and revolutionary by nature (Thomond & Lettice, 2002) Also, terms such as "radical", "breakthrough", "paradigm-shifting" and "discontinuous" have been used to describe the phenomenon. (Thomond & Lettice, 2002; Veryzer, 1998) To make things more clear, the term disruptive will be used to refer to the theory.

According to Christensen (1997) a company that leverages a disruptive innovation competes with a product that leverages simplicity, reliability and convenience. The competitive logic behind the theory is that over time, the pace of technological progress in products frequently exceeds the rate of performance improvement that the mainstream customer demands or is able to absorb. This presents entrepreneurs the opportunity to create products that serve the needs of emerging customer groups that are unattractive to larger companies. This process is depicted in Figure 1. Essentially a new innovation creates a new value curve and as time passes the innovation is developed it will meet the requirements of the first tier of customers which is the low-end and goes onwards and eventually even the high-end consumers demands are met.

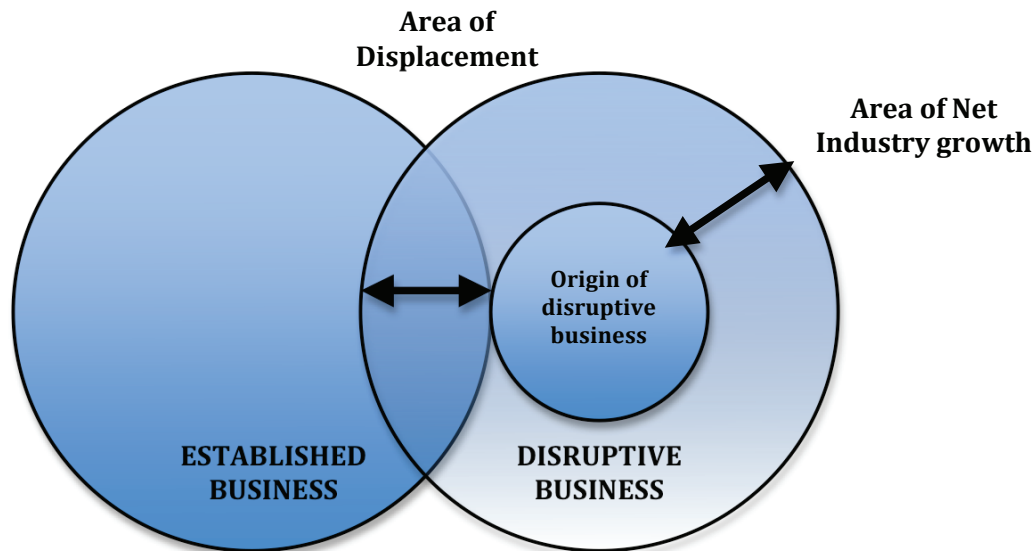
Figure 1: The Disruption Mechanism



(source: Christensen, 1997:xix)

In Figure 2 Gilbert (2003) depicts the process that takes place as a company begins to leverage a disruptive product can be divided into three phases. In the first phase the new disruptive innovation creates a new, non-competitive market. In the second phase the new market expands and slows the growth of the business that it disrupts. The third phase the greatly improved innovation significantly reduces the size of the old market. The final phase naturally takes place over time. (Gilbert, 2003) Christensen (1997) argues that actual disruption occurs within the value networks of potential customers as the disruptive company overtime replaces a part of the value network. Value network is defined by Christensen & Raynor (2003) as the “context within which a firm establishes a cost structure and operating processes and works with suppliers and channel partners in order to respond profitably to the common needs of a class of customers”.

Figure 2: Disruptive Growth



(Gilbert, 2003:28)

According to Born Global literature however, (see e.g. Luostarinen & Gabrielsson, 2004, Laanti et al. 2007) Born Global companies in the ICT industry offer new to the world innovations that also technologically go after the premium customer from the very beginning. Thus the initial strategy suggested by Christensen would not appear to be applicable when it comes to Born Global companies from SMOPECs as it does not really create new market space and also does not have the possibility of being the first mover. Thus, a strategic approach is needed that creates “blue oceans” in which Born Globals may compete without outside influence.

2.2.2 Born Global Disruption Strategy

Kim & Mauborgne (1999) argued that technological innovation is not a must when pursuing successful value innovation. In the case of disruptive innovation Veryzer (1998) proposes: “The most discontinuous products are those that involve significant new technologies and are recognized as offering significantly enhanced benefits”. Thus, the product capabilities - the benefits of products as perceived by customers and users - must be enhanced and technological capabilities - the degree to which the product involves expanding capabilities beyond existing organizational boundaries - have to

provide advanced benefits for customer. These disruptive products involve advanced capabilities that cannot be found in any of the existing products and cannot be achieved by extending existing technologies they extremely difficult to mimic or copy and thus allow maximum amount of industry re-structuring.

Figure 3 shows the different areas of disruptive innovation. As it was mentioned earlier, a company that lacks resources and capabilities to compete against the more established players in the industry should try to avoid head-to-head combat. Thus, Born Globals should be careful not to focus solely on technology, which might alienate customers due to the lack of commercial appeal and also beware of producing continuous products that do not provide any protection against major industry players (Veryzer, 1998)

Figure 3: Levels of Innovation Discontinuity

		<u>Product Capability</u>	
		Same	Enhanced
<u>Technological Capability</u>	Same	Continuous	Commercially Discontinuous
	Advanced	Technologically Discontinuous	Technologically and Commercially Discontinuous

(Source: Veryzer, 1998:307)

With technologically and commercially disruptive products new market space can be created. Company engaging in new market disruption (Christensen & Raynor, 2003)

competes against non-consumption. According to Christensen & Raynor usually these customers are from the least demanding tier of customers in the mainstream value network giving them the opportunity to rewrite the industry rules (Kaplan, 1999; Christensen & Raynor, 2003). However, as was mentioned earlier, prior research would indicate that the customers of Born Globals might be even from the most demanding tier on the array.

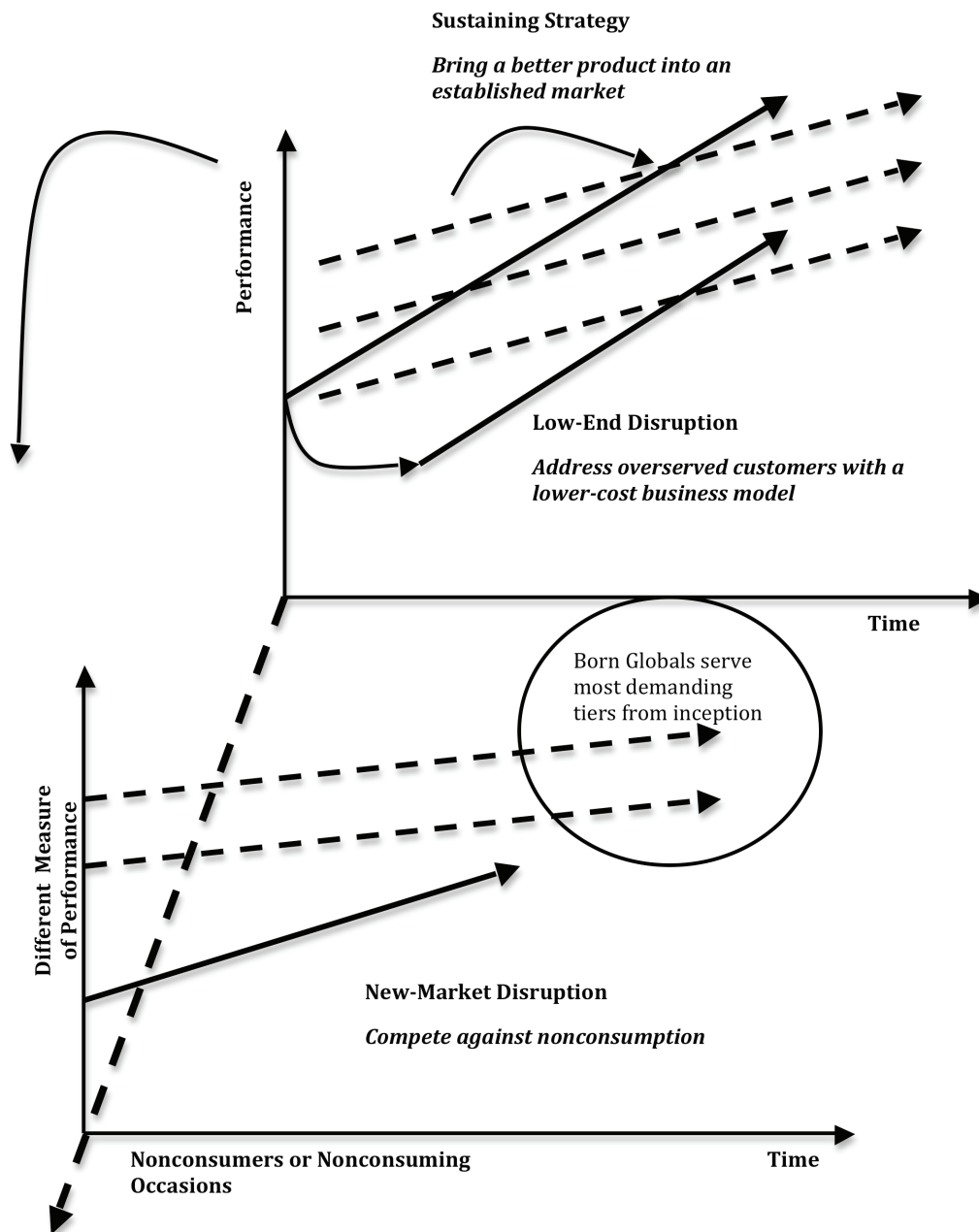
In Figure 4 Christensen & Raynor (2003) illustrate the strategic approach for a company looking to disrupt by creating new market space. The performance regarding the technological and commercial discontinuity of the product is on the vertical axis, with the horizontal dimension representing time. The third axis represents new customers and new contexts for consumption as in the customers that are not interesting for the big players serving higher tier customer.

“Time and performance define a particular market application in which customers purchase and use a product or service. In geometric terms, this application and set of customers reside in a plane of competition and consumption, or a value network (Christensen & Raynor, 2003). “

The third dimension in the diagram represents new market space with new context of consumption and competition, which are new value networks. These constitute either new customers who previously lacked the money or skills to buy and use the product, or different situations in which a product can be used due to enhancements in simplicity, portability and product cost. This is the area in which Born Globals generally want to operate. New value networks like in figure 4 can emerge at differing distances from the original one along the third dimension of the disruption diagram. Disruptions that create new value networks on the third axis disrupt a new market. (Christensen & Raynor, 2003) However, unlike the axis of developing performance, Born Global start serving the customers regardless of the tier from the very beginning as suggested by Luostarinen & Gabrielsson (2004;2006). As was said before, the notion of creating new market space as a strategy fits Born Globals well. However the new market disruption proposed by Christensen & Raynor (2003) is not applicable to Born Globals in this form either but requires addition that take into consideration the typical behavior of Born Globals regarding market selection and the need to enter these markets fast which is

why the Born Global company may begin to serve at any of the customer tiers represented by the dotted arrows in figure 4. This type of new market creation would appear to fit the general purpose of Born Globals.

Figure 4: Born Globals Utilizing Disruptive Innovation



(Adapted from Christensen & Raynor, 2003: p44)

2.3 Success Factors for Born Global Disruption Strategy

This thesis has now introduced the strategic approach that a Born Global takes in terms of creating new markets space with disruptive innovation. However not only do the returns on disruptive innovation depend on the firms ability develop new technological innovations but also on the ability “exploit and appropriate” the returns. (Grilliches, 1979) The firms ability to achieve success in this comes down to their ability find the correct customer segment that does not put them on a direct trajectory to a larger and more established competition. Also, this segment has to be large enough for the company to keep growing, a problem that in the case of Born Globals is usually solved by aggressive and fast globalization. Foremost, any strategy requires a solid foundation, which is why the final success factor depends on whether or not the company has their resources and capabilities aligned to support disruption on a global scale.

2.3.1 Disruptive Customer segment

The theory of technology oversupply is very essential to the disruptiveness of a company. In cases where the technology has advanced so much that it has qualities that the consumer either does not need or does not understand will effect negatively to the sales of the new product. Urlocker (2008) argues that that the reason for this is that the consumers are content with the product they already have. The previous version of the offering is “good enough”. Because some consumers are willing to accept products that are good enough, it creates an opportunity for companies.

Theory of technology oversupply that is one of the corner stones of disruptive innovation is largely based on product life cycle theory. Buying hierarchy theory argues that functionality is the base need that customers seek for a product to fulfill. When this need is met, customers compare products according to their reliability, then convenience. (Christensen, 1997) The final criterion according to the theory is price. Moore (1991) suggests that, in its initial stages early adopters and innovators use new products. Along the lines of buying hierarchy these users base their choice solely on the functionality. The markets expand when the functionality needs of the mainstream have been met. At this point, the vendors address the need for reliability among customers

referred as early majority. The growth continues when the product pulls in the wave of late majority customers, offering convenience. (Moore, 1991)

One of the pit falls of Born Globals is the fact that the company focus is too heavily on research and development and not enough on what adds value commercially and technologically and moreover what it is that the customer wants. (Luostarinen & Gabrielsson, 2006) As was mentioned before in order to create new market space the customer has to gain value from the utility and cost of the product. Keeping the focus on value for both the customer and the company is the reason why value innovation and inherently disruptive innovation is a successful strategy. (Kim & Mauborgne, 2005) According to Christensen (1997), when it comes to developing the product in its initial stages it would be beneficial for a Born Global that possible feature, function and styling changes can be made quickly and at a low cost, thus allowing more flexibility for the company to meet the changing needs of their customers. Thus, the company effectively understands the theory of resource dependence that states that:

“While managers think they control the flow of resources in their firms, in the end it is really customers and investors who dictate how the and where the money will be spent”. (Christensen, 1997 p:xxiii)

For this reason the companies with investment patterns that do not satisfy the needs of customers and investors eventually do not make it. (Christensen, 1997)

Small markets do not solve the growth needs of large companies which is the primary reason why established companies often times over look disruptive opportunities that are then seized by more agile competition. (Christensen & Raynor, 2003) Evidence supports this claim, as does simple mathematics like Christensen (1997) puts it:

“A \$40 million company that needs to grow profitably at 20 percent to sustain its stock price and organizational vitality needs and additional \$8 million in revenues the first year, \$9.6 million the following year and so on; a 400 million company with a 20 percent targeted growth rate needs new business worth \$80 million in the first year, \$96 million in the next, and so on; and a \$4 billion company needs \$800 million to meets its 20 percent growth rate and \$960 million the next year and hence forth.”

Disruptive technologies facilitate the emergence of new markets, and there are no \$800 million emerging markets. This leaves a gap for new ventures to pursue markets that are simply too small for larger companies.

2.3.1.1 New Market Dilemma

The reason that makes finding and assessing a segment for a Born Global, or any other company for that matter, very difficult is the lack of information on markets that do not yet exist (Christensen, 1997). Traditionally researching the market and good planning and plan execution are the building blocks for good management and when it comes to managing sustaining innovation this is in fact the case. Sustaining technologies the schematics such as the size and growth rate of the market are known and there are previous experiences of what the customer wants and how they are best served. (Christensen & Raynor, 2003) However, when dealing with disruptive technologies these hallmarks become somewhat useless. (Christensen, 1997) With Disruptive Technologies however, there is no such information available and the best that companies have to rely on are forecasts. However, the usefulness of forecasts can be disputed. Data from disk drive, motorcycle and microprocessor industries show that more often than not forecasts tend to be wrong when it comes to new emerging markets (Christensen, 1997). Drucker (1985) theorizes that disruptive ventures need to start out with the assumption that the product or service may find customers in places no one envisioned. This is why disruptive innovation requires certain amount of flexibility when getting to know who your customers actually are.

Having little to no information on the potential market would imply that leveraging disruptive innovations require the ability to take risks and withstand uncertainty. Sharma & Blomster (2002) argue that Born Global companies do not conduct extensive market research prior to entering the international markets thus showing aptitude for sufficient risk taking. Also, risk tolerance has been shown to be one of the staples of international entrepreneurship. (Oviatt & McDougall, 1994) However, the reason for this can be argued to be that Born Global companies do not have the

resources or the time to conduct such research and thus are forced to enter the market somewhat blind.

Christensen et al. (2002) and Christensen & Raynor (2003) argue that for product to be truly disruptive it has to full fill a set of four requirements. The product innovation must *“target customers who in the past have not been able to do it themselves for lack of money or skills”* (Christensen et al., 2002). In order to be disruptive the innovation must have this characteristic because, If an idea for an innovation cannot be shaped so that a large population of less skilled or less affluent people can begin owning and using, more conveniently something that has traditionally been available to more skilled people in a centralized, inconvenient location. (Christensen & Raynor, 2003) Then the chance of creating a new growth business decreases considerably. The innovation may succeed in satisfying some customers but it will not create significant new growth to create a disruptive new market place. (Christensen, 1997)

The second characteristic of the innovation is that it has to be *“aimed at customers who will welcome a simple product”*. By looking at this factor a Born Global firm is able to reveal whether or not the innovation enables a new population of customers to consume. If this is the case, the innovation can be more easily shaped to pass the test. The disruptive product must be technologically straightforward, targeted at customers who will be happy with a simple product. The common mistake however is to put the disruptive technology to compete with products on the sustaining trajectory, which is the equivalent of killing the product. (Christensen et al., 2002) Third attribute of a disruptive innovations is that it will *“help customers do more easily and effectively what they are already trying to do”*. In order to pass this test Christensen et al. (2002) argue that the innovators have to bear in mind an essential fact that:

“At a fundamental level, the things that people want to accomplish in their lives do not change quickly. Because of this stability, if an idea for a new growth business is predicated on customers wanting to do something that had not been a priority in the past in stands little chance in success.”

Christensen et al. (2002) argue that in order to be truly disruptive a company has to meet the demands of all of these requirements. However, Christensen & Raynor (2003)

present an argument that is extremely important for a globally present company. They propose that in order to be truly disruptive the product or service that the company leverages must be disruptive to all of the significant firms in the industry. But, if the product is in fact sustaining to some, the odds of beating them is the favor of the incumbents.

Sperling (2007) noted four levels of customer strategy for a Born Global company. He argued that this type of companies usually do not have good enough product nor the resources to serve the high end market. From this he identified four customer stages as the product developed starting from preliminary stage, going through consumer and small office/home office customers to enterprise and finally high-end customers. Evidence shows that usually Born Globals are not able to serve broad customer segments due to limited resources, thus they go after smaller markets. Also Born Globals tend to favor Business-to-Business customers because, B2B customers can be reached with a much more limited marketing budget and also it does not require as strong branding focus as a consumer market would (Luostarinen & Gabrielsson, 2006)

Table 1: Customer Strategies

Strategy/Type	Definition
Preliminary	Product created
Consumer/SOHO	Sold in High volumes, low price
Enterprise	Companies the purchase specific kind of products for the purpose of using them to produce other products, to resell or to facilitate organizations operations
High-end	Products of high technological quality, high reliability and excellent service. Low volumes, High Prices

(Source: Sperling 2007)

Kim & Mauborgne (1999b) suggested several approaches for companies to find untapped customers. Creating new market space requires that the international

entrepreneurs have the ability to look across substitute industries. This means that there might be opportunities for value innovation between substitute industries.

Also, Kim & Mauborgne (1999b) say that in most industries strategic differences among industry players are included within a small number of strategic groups. These strategic groups are defined as companies that pursue similar strategies. Looking across strategic groups is another way for a company carve out market space that has previously been untouched. In essence this means that, companies within the strategic groups have traditionally competed with changes in pricing, bringing along a corresponding jump in performance. Most companies tend to remain within these red oceans looking to enhance their position within the group leaving the space between the groups open for grabs. Creating new market space in this manner however, requires understanding the customer and the factors that influence decisions to trade up or down from one strategic group to another. (Kim & Mauborgne, 1999b)

In terms of the scope of product and service offerings Born Global can reap benefits from looking across complementary product and service offerings. This means effectively that looking beyond the current offering of the company and going outside the boundaries of the industry. In the ICT industry and more over in the B2B sector the orientation has been towards the function of the product, which along with price is the primary source for competitiveness in the industry. Some industries compete dominantly on feelings thus stepping towards emotion as the main competitive driver. According to Kim & Mauborgne (1999b) looking across functional or emotional orientation of the industry can create new market space. However, for a company in B2B environment it seems like a long shot.

The final suggestion by Kim & Mauborgne (1999b) has great merit on any and also for the international entrepreneur (Oviatt & McDougall, 1994). To create new market space is subject to the universal truth that *“all industries are subject to external trends that affect their businesses over time”* (Kim & Mauborgne, 1999b:91) Looking at the trends with in depth understanding enables companies to “unlock innovation” and create new market space. Disruptive innovation is a trend in its own that allows the international

entrepreneurs to gain competitive advantage within a new market. (Kim & Mauborgne, 1999b) Looking across time and participating in shaping the external trends over time instead of just projecting the trends is an effective way of reaching untapped market space. Recently such trends have included for example social media, which has been shaped by numerous entrepreneurs. Kim & Mauborgne (1999b) argue that “to form a new value curve these trends must be decisive to your business, they must be irreversible and they must have a clear trajectory”. Redefining the buyer group that the company is after is another way for a company such as Born Globals to find new market space. According to Christensen & Raynor (2003), in the case of new market disruption the company will compete against non-consumption. Disruptive Born Global company has to opportunity to redefine the new buyer from the non-consuming bunch that their product is directed to.

2.3.2 Globalization

Advantages accrued from innovation as a competitive advantage have been known to have the most beneficial effect on the success of the company’s globalization efforts. (Laanti et al., 2007; Yip, 2000) According to Kafouros et al. (2008) high technological performance does not go hand in hand with high economic performance but with internationalization the firm has better chances at leveraging the benefits of innovation. High innovative capacity, which refers to firm’s ability to produce technological innovation, can help to develop better products and processes, faster and at a lower cost thus influencing the firms overall performance. For a Born Global, fast globalization allows the company to better exploit its technological developments and also to “protect and appropriate” the benefits of the innovation as the first mover in the new market that the company has created. (Kafouros et al., 2008)

Teece (1986) argues that the ownership of complementary assets, which need to be employed to convert a technological success into commercial success, determined who benefits and who loses thus one can conclude that the role of internationalization is to raise the chance of obtaining such complementary assets, for example through international alliances and networks. In addition for Born Globals from SMOPECs, to serve large enough markets they have to establish a presence internationally or better

yet globally. This means that presence in the global marketplace must be acquired extremely fast.

Internationalization of firm is a topic that has been extensively researched from the 1970's. The early works on internationalizations of firms combined theories on firm growth (Penrose, 1959) as well as behavioral theories (Cyert & March, 1963; Aharoni, 1966) and argued for a stage-wise internationalization with increasing commitment of resources as the companies internationalize further as a response to the uncertainty. (Johanson & Vahlne, 1977; Johanson & Wiedersheim-Paul, 1975) The traditional internationalization models cannot explain globalization of Born Globals as they do not follow the stage pattern (Oviatt & McDougall, 1994; Zahra, 2003; Luostarinen & Gabrielsson, 2004;2006). This problems is one the key debate issues in the Born Global research; in which parts and to what extent do the Born Global companies deviate from the conventional internationalization process (Johanson & Vahlne, 2003).

Based on the Helsinki Model of Internationalization (Luostarinen, 1979) Luostarinen & Gabrielsson (2004; 2006) analyze Born Globals in relation to their Product, Operation and Market (POM) strategies. **Product** choice consists of physical goods, services, know-how and systems. **Operation** strategies are divided into four categories as well: Non-investment marketing operations such as exporting of goods and services, Direct-investing marketing operations such as sales promotions and sales subsidiaries, Non-investment production operations as in licensing, franchising and turnkey operations and finally Direct-investing production operations that included assembly and manufacturing units. The **Market** dimension analyzes where the companies will point their efforts first.

Luostarinen & Gabrielsson (2004;2006) argued that Born Global companies jump over stages in the POM model and move through it in a fast pace. Table 2.1 summarizes the differences that Born Globals have compared to the traditional POM internationalization model. Born Globals operate within the product groups established by Luostarinen (1979) however, empirical evidence shows (Luostarinen & Gabrielsson,

2006) that Born Globals jump over product stages or introduce multiple options simultaneously.

Evidence supports that Born Global companies in the ICT field jump over the internationalization stage and align globally from inception utilizing standardized marketing and product strategies. (Gabrielsson & Gabrielsson, 2003) This is due to the large number of markets these companies are looking to serve, which requires the companies to standardize their processes as well. (Gabrielsson & Gabrielsson, 2003) Another distinguishing trait of Born Globals is that due to the lack of resources they look to focus on their core competencies outsourcing operations through horizontal Co-operation with other global entities thus gaining the ability to gain benefits from global strategic levers such as economies of scale, economies of scope and synergies.

TABLE 2: POM Strategies of Born Globals

STRATEGY	DEFINITION	BORN GLOBALS
PRODUCT STRATEGY	<ol style="list-style-type: none"> 1. Physical Good 2. Services 3. Systems 4. Know how 	Niche Segment, However in all of the Product Classes
OPERATION STRATEGY	<ol style="list-style-type: none"> 1. Non Investment Marketing Operations (NIMOS) 2. Direct-Investment Marketing Operations (DIMOS) 3. Non-Investment Product Operations (DIPOS) 4. Direct-Investment Product Operations (DIPOS) 	Move from Non-Investment Operations to Direct-Investment Operations Faster than traditional firms
MARKET STRATEGY	Moving from the closest Geographical, Cultural, and Economical Distance furthe, incrementally	Follows conventional stages model but moves faster through the stages

(Source:Luostarinen & Gabrielsson, 2004;2006; Sperling, 2007)

Born Global companies follow the stages of Operation strategy but go through them faster than traditional companies. With disruption in mind companies originating from

SMOPECs Market strategy of Born Globals follows the pattern first presented in the Helsinki Internationalization model by Luostarinen (1979). A Born Global firm starts its globalization from markets that are geographically, culturally and economically close and moving on to markets that are more diverse. Empirical study by Luostarinen & Gabrielsson (2006) shows that Finnish Born Global companies tend to first enter European markets from where they move on to serve the American and Asian markets.

2.3.3 Resources and Capabilities That Facilitate Born Global Disruption

Increased R&D competition and continually shorter product life cycles have led to a situation where development on substantial breakthrough innovations is extremely difficult. Hence, product development requires unique and diverse resources. (Kafouros et al., 2008) Internationalization has been shown to help develop and generate the required resources. (Kobrin, 1991) Kotabe (1990) suggests that by internationally diversifying their operations the companies are able to utilize the wider range of resources available to them internationally. Recently the research of Born Globals has focused on explaining the fast internationalization ability through a resource-based view. Authors have suggested that the ability of Born Globals to internationalize quickly comes down to their unique set of capabilities that support the endeavor. (Oviatt & McDougall, 1994; Laanti et al., 2007; Knight & Cavusgil, 2004) Christensen (1997) proposes the same for disruptive innovation as well; a company must look into its capabilities to identify where it is lacking in terms of disruption and whether or not the company has the competences needed to disrupt the market place. (Christensen & Raynor, 2003)

Resources and capabilities of a company lay the foundation for the company's ability to pursue disruptive innovation strategy. Different activities of the firm have to be aligned towards the same goal in order to achieve fit with disruptive innovation strategy (Kim & Mauborgne, 2009) According to Christensen (1997) the foundation is laid by aligning the resources, processes and values of the Born Global Company. **Resources** include people, equipment, technology, product design, brands, information, cash, and relationships with suppliers, distributors, and customers. Resources tend to be flexible in a sense that they can be moved across organizational boundaries. (Christensen, 1997)

Organizations create value as employees transform inputs of resources into products and services of greater worth. The patterns of interaction, coordination, communication, and decision making through which they accomplish these transformations are **Processes**. **Values** of a company are standards by which employees make prioritization decisions—those for example how they judge whether an offer is attractive or unattractive, whether a particular customer is more important or less important than another, whether an idea for a new product is attractive or marginal, and so on. (Christensen, 1997)

Christensen and Raynor (2003) propose that, resources and processes can be regarded as enablers that define what the company can do. Resources can be utilized to be useful in exploiting opportunities or neutralizing threats. When building a sustainable competitive advantage with disruptive innovation, the resources must be rare amongst current and potential competition as well as imperfectly imitable and irreplaceable by another resource. (Barney, 1991; Gabrielsson & Gabrielsson, 2007) Gabrielsson & Gabrielsson (2007) argue that in the Born Global environment no resource can be valuable for longer period unless it is constantly enhanced and deployed in the most efficient way. Processes aim at effectively coordinating/integrating internal and external activities and technologies. Also processes facilitate organizational learning in which repetition and experimentation make performing tasks better and faster as well as identifying new production opportunities possible. Third role that processes play in an organization is reconfiguration or in other words transformation ability of the organization in the rapidly changing environments. (Teece et al., 2000) Values often become constraints defining what the organization cannot do. If the company has the resources and embedded processes that make internationalizing a disruptive technology and thus creating a new market possible, the set of company values have to complement the resources and processes.

Globalization of Born Globals relies on a set of particular resources and capabilities, Laanti et al. (2006) suggest that these resources and capabilities constitute of the following factors: founders/management, networks, finance and an innovation factor. In the case of disruptive innovation the core resources are the people and technology. Employees of the company have the tacit knowledge to innovate and internationalize

within them therefore giving a unique and inimitable set of capabilities for the company. (Knight & Cavusgil, 2004; Nonaka, 1994) Capability-based resources such as knowledge are extremely important for a Born Global company since they lack tangible resources and need to replicate the capabilities across various markets. (Luo, 2000) The ability to do that produces value for Born Globals by supporting international expansion and facilitating innovation. (Teece et al., 1997)

2.3.3.1 Founders/Management

McGrath (2001) proposes that in the beginning entrepreneurial companies like Born Globals do not really have any competences other than what the founders' possess. Many Born Global researchers agree that one of the key drivers of Born Globals internationalization efforts is the mind-set and the previous experiences of the founder/management. (Knight & Cavusgil, 2004; Weerawardena et al., 2007; Madsen & Servais, 1997) Weerawardena et al. (2007) go on to argue that international orientation and learning capability of the founder/manager are the key drivers of globalization of Born Globals. The management of Born Global companies has international work experience; language skills and international education and these experiences and skills have allowed them to have valuable international contacts. (Laanti et al, 2006; Jones, 2001) All of these factors combined enable and orient them to seek and exploit international market opportunities.

Madsen & Servais (1997) see international experience as an integral part of international expansion as it motivates entrepreneurs to create Born Globals. The founders build and value capabilities such as market-focused learning, internally focused learning and networking capabilities, which enable their company to develop cutting edge products. Research also shows that they also have superior marketing capability enabling them to position themselves quickly into global niche markets. Weerawardena et al. (2007) propose that these factors combined allow Born Global companies to internationalize fast and they add that, this partly explains why such companies have emerged. Complementary experiences of the management/founder

team are a resource that facilitate the foundation for the internationalization of a Born Global company. (Laanti et al., 2006)

As in any firm, in Born Global companies the founder/management of the company instills his/her values to the company and as has been suggested these values guide the decision-making in the companies' everyday activities. (Christensen & Raynor, 2003) As Madsen & Servais (1997) argued that the founder-owners have an international focus from the beginning making one of the core values of the Born Global firm internationalization. Also, in order to pursue disruptive innovation strategy the founder values have to support disruption by keeping the focus on the right customer and offering the right kind of value for them. Christensen & Raynor (2003) point out that small disruptive companies are more capable to pursue emerging new markets than larger companies that have sustaining innovation imprinted in the values and processes.

Small firm size enables innovation capability as the flexibility of young and agile firms enhances the ability to transform innovations into business activities (Lewin & Massini, 2003). This is why it is possible for Born Global entrepreneurs to embrace values that enable operations in disruptive markets and provide them with the ability withstand lower margins per unit. Thus, the lack of resources and small size does not really constrain the born globals but allows them create new market space

2.3.3.2 Innovation capability

Born Globals tend to be regarded as highly entrepreneurial firms and innovation is at the heart of entrepreneurial efforts. (Peng, 2003) This relationship with innovation enables Born Global companies to compete in the global marketplace. Despite of generally very limited resources these early internationalizing companies leverage innovativeness, knowledge, and capabilities to reach significant international market success early in their evolution (Knight & Cavusgil, 2003)

Many authors have argued for the central role of innovation when it comes to Born Global companies. Often times product or service innovations are the reason why the companies have been established in the first place. (Laanti et al., 2006; Madsen & Servais, 1997; Knight & Cavusgil, 2004) Knight & Cavusgil (2004) refer to their

research findings that there is a clear linkage between Born Globals and their early adaptation of internationalization and innovation. Uniqueness of the technology and capabilities embedded in the employees facilitates profitable pricing and allows the company not to consider competing companies products. Inimitability ensures that the profits will not be competed away (Nelson & Winter, 1982; Teece & Pisano, 1994; Knight & Cavusgil, 2004)

According to evolutionary economics view the ability of some firms to sustain innovation and hence create new knowledge allows the firm to develop organizational capabilities that consist of the vital competences and embedded processes that support innovation. (Nelson & Winter, 1982; Knight & Cavusgil, 2004) One of the key processes is converting the tacit knowledge into a form that can be utilized by the business. It is vital for the long-term success of the company that the processes do not impede innovativeness.

In the start up stages of a company most things achieved by the firm is attributable to resources, in most cases people. However overtime the focus shifts toward the processes and values of the company as the kind of business they are in and their priorities get defined (Christensen & Overdorf, 2000) According to Christensen & Overdorf (2000: 71) One of the major reasons why companies tend to “flame out” is because their initial success is based in the resources, usually the creator of the technology behind the company, and they fail to develop processes that can create more “hot products” to create more business.

Large established companies experience substantial bureaucratization that holds back their disruptive innovation efforts. Smaller companies enjoy flexible internal conditions that encourage innovation (Knight & Cavusgil, 2004). Studies show that there is a positive relationship between the firm size and its R&D ability. Hence, innovation capability seems to diminish as the firm grows. (Lewin & Massini, 2003) In addition, established companies face the problem that key processes that work well in the core business, impede what needs to be done with the new emerging business. (Christensen et al., 2002)

2.3.3.3 Network resources and capabilities

Companies form linkages with international network actors with the goal of exploiting and enhancing their own resources and to gain the benefits of those of others (Laanti et al., 2006; Ford et al., 1998). Such complementary resources might include R&D, technology, production, marketing and distribution (Porter, 1998). What makes networks such an important vehicle for Born Global companies is that, as mentioned before, Born Global companies are commonly plagued by lack of resources. Hence, Born Globals are more vulnerable to market fluctuations as they internationalize than larger multinational companies that have the necessary financial resources to cushion possible setbacks. (Weerawardena et al., 2007) Through networks they get access to resources that otherwise would take years to accumulate therefore networks offer a way for Born Global companies to surpass their resource limitations. For these reasons some researchers have argued that networks may have greater impact on internationalization of Born Globals than any other type of company. (Laanti et al., 2006; Madsen & Servais, 1997; McDougall, Shane et al., 1994; Sharma & Karasil, 2003)

Network ties are firm specific and difficult to imitate and help in forming a sustainable competitive advantage due to three reasons: (1) Information that is available to the firm (2) Timing and (3) referrals (Sharma & Blomster, 2003; Burt, 1997). The same information is not available for all firms. The timing when certain piece of information reaches a firm varies due to networks and due to referrals firm's interests are represented in a positive manner at the right time at the right place. (Sharma & Blomster, 2003)

In order to successfully jump start international operations, domestic and international networks offer a way tackle the problems of limited resources that commonly plague start-ups and are even more of a problem for international start-ups. (Mcdougall et al., 1994; Laanti et al., 2006) Sharma & Blomster (2003) argue that weak ties portray Born Globals networks the best. Weak ties are less cumbersome and less expensive to maintain. Ties are weak when “the amount of, emotional intensity, intimacy, and reciprocity are low” (Sharma & Blomster, 2003: p. 744).

Trough networks Born Globals develop knowledge of internationalization. Networks with weak ties allow Born Globals to stay versatile and diversified as in be innovative and constantly search for new business opportunities. (Sharma & Blomstero, 2003) Early in the globalization process the role of domestic network partners is more important however later in the process the role of the global network becomes stronger. (Laanti etl al., 2006) However, through out the process the ability or capability to network becomes irreplaceable.

2.3.3.4 Financial resources

Most international business literature agrees that financial resources are one of the biggest barriers when globalizing small entrepreneurial companies. (eg. Oviatt & Mcdougall, 1994;Laanti et al., 2006;Madsen & Servais, 1997) Since finances are scarce and still it is vital for the survival of the company to enter global marketplace, often times Born Global companies rely on their networks for external funding of their operations.

There are two misconceptions about cash as a resource. The first is that having an almost endless source for cash is an advantage for a growth business. However, this is not always the case. Christensen et al. (2002) dispute this belief by stating that too much cash allows a new venture to follow a flawed strategy for too long. Conversely, little cash resources forces managers to fight for each penny as they try to seek out new customers. Therefore, “tight purse string force managers to uncover a viable strategy quickly” Christensen et al. (2002). Thus, one could argue lack of financial resources as an enabler of Born Global activity instead of a as a constraint.

The second misconception is that the company should be patient and it should be prepared to face large losses for the first few years before the huge upside that eventually comes from disruptive innovations. Getting big very fast is lethal to new ventures. It is time consuming for new markets to emerge as customers need to first discover the when, where and why of the new product and also a profitable business model has to be defined. (Christensen et al., 2002)

2.3.3.5 Dynamic Capabilities

Teece & al. (1997) argue that ideally capabilities are “dynamic” which means that managers have the ability to renew the firms’ competences when a shift in the firms’ business environment occurs. Competences are the knowledge intensive, performance enhancing business activities in which the company is especially skilled (Teece & al., 1997). However, also substantive capabilities combined with dynamic capabilities play a part in whether or not the company is able to grow to global markets and whether or not it is able to survive (Gabriellson & Gabriellson, 2007). Substantive capabilities are technological capabilities such as R&D, manufacturing, design, technological knowledge or marketing capabilities such as marketing research, strategic marketing abilities, marketing mix policies, product launch knowledge. Also management capabilities such as managerial and leadership skills fall into this category. (Gabriellson & Gabriellson, 2007; Verona, 1999) Dynamic Capabilities contain the capabilities of a company to transform substantive capabilities when need be. (Zahra et al., 2006)

The Dynamic Capabilities view of has evolved from the static resource-based view (RBV) of competitive strategy (Weerawardena et al., 2007). The foundation for the dynamic capabilities framework is in the strategic capabilities of the firm. Teece & Pisano (2004) define strategic capability as something that is honed to a user need (customers), unique (pricing) and difficult to replicate (competition avoidance). The key fact about capabilities however is that they cannot be assembled through markets (Teece, 1982; Kogut & Zander, 1992). Dynamic capabilities are the subset of these competences/capabilities, which allow the firm to create new products, and processes and more importantly respond to changing market environment.

According to Teece et al. (2000) competitive advantage of company’s lies within its managerial and organizational processes, its present position and the path available to it. The processes of the firm include its routines, or patterns of current practice and learning, so essentially how things are done in the firm. The position of the firm refers to its current endowment of technology and intellectual assets, its customer base, and its external networks. Paths are the strategic alternatives that are available to a firm at any given time. (Teece et al., 2000)

The reason why dynamic capabilities are important for a Born Global is due to the nature of their business environment. Born Globals look to create new uncontested markets however, new market space can be described as highly dynamic as the competitive environment is forming and under constant change. In such environment firms are challenged to revise their routines in order to stay competitive. (Zahra et al. 2006) The important factor that makes these capabilities a competitive advantage is that they are very difficult if not impossible to replicate or imitate. This is because of the embodied nature of the knowledge that is within the firms and thus this knowledge cannot be transmitted. Only knowledge that is fully codified and understood can be transferred to another company and in most cases this simply is not possible. This is due to the fact that sometimes even the company it self does not understand completely its source for competitive advantage. In addition because organizational routines and processes rely on other routines thus requiring mastering more than just the one value bringing process and understanding the whole complex set of capabilities and resources. (Teece et al., 2000).

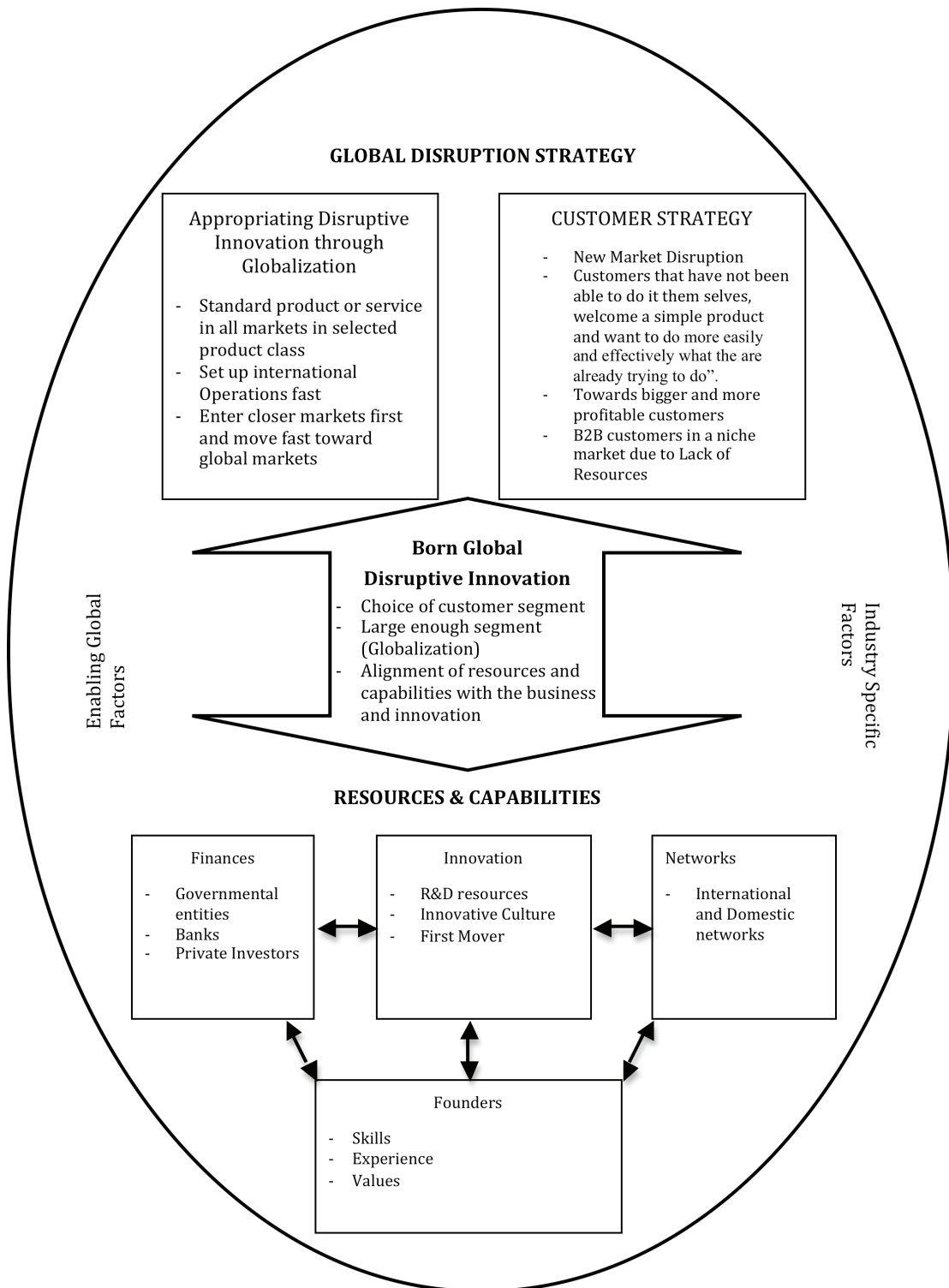
2.4 Theoretical Framework

This chapter will present the theoretical framework that has been derived from earlier research on globalization and internationalization as well as prior research on disruptive innovation. The theoretical framework will be tested on two case studies.

Literature argues that for domestic push and international pull forces have an effect on Born Globals from SMOPEC's such as Finland. The small size of the home market and the general structure in the ICT industry pushes Born Global companies to go outside of their domestic markets. On the other hand also pull forces are at play as opportunities on a global scale are lucrative for Born Globals. To pursue a global disruptive innovation the strategic mind-set of the company has to be aligned with the resources and capabilities of the company. The skills, values and experience of the founders has to be channeled towards creating value for their customers and creating a culture that supports operations in an new market environment. In addition to all that financial, network resources are needed to reach the customers globally, otherwise Born Globals from SMOPECs such as Finland run the risk of not having large enough market for

their start-up to be feasible. Thus, the theoretical framework proposes for Born Globals disruptive innovation and globalization have a symbiotic relationship and the resources and capabilities are aligned to support this type of strategic approach.

Figure 5: Theoretical Framework



3. RESEARCH METHODOLOGY

This part of the study presents the method in which this research is approached. Also the research process in which this study is conducted is described and the effects it has on the study analyzed.

3.1 General research approach

This study is a dual-case study and it is based on in-depth interviews of two Finnish web services Born Globals. One of the initial choices when writing a thesis is the choice between qualitative and quantitative research. Tahvanainen & Piekkari (2008) present that the choice of method comes down to the factor of the nature of the research problem and the availability of previous research on the topic. According to Yin (2003,) qualitative research answers “why” and “how” question, where as quantitative research answers questions that take the form of “who”, “what”, “where”, “how much”. (Yin, 1994: p6)

The research method chose for this study is qualitative. This decision was reached due to the fact that because the research problem looks to answer a “how” question. Eisenhardt (1989) proposes that the case study method is especially appropriate for researching topic areas that are new. Even though, Born Globals have been researched from various aspects for the almost two decades now, approaching the theory from the perspective of disruptive innovation has been done to very little extent. That being said, it is also important to note that as the practicality of the case study method becomes apparent in the early stages of research on a new topic, in the light of this study it can be very useful introducing a new approach to an already researched topic. (Eisenhardt, 1989)

The case study as a research method is not without its issues. Yin (1989: p21) criticizes the case method for giving results that cannot be generalized and in addition the research takes a long time. However, using multiple case study method, the cases can be used to build a more general empirical argument (Yin, 2003: p69).

3.2 Data collection and analysis of method

The theoretical part of this thesis is based on academic and business literature on internationalization theories as well as the theory on Born Globals and disruptive innovation. Based on the Data in the empirical part has been gathered through two in depth interviews with Finnish Born Globals. Interviews with the case company representatives were conducted using a digital recorder. As Hirsjärvi et al. (2005) recommend the researcher of this study then transcribed the interviews almost word for word.

Additional information on the companies was acquired through the websites of the companies. During the interviews a set of questions served as the structure for the interviews however, the interviews facilitated for free flow of conversations. The set of questions used in the interviews can be found in Appendix 2. For this reason the transcribed interviews required multiple readings and studying as corresponding information were did not necessarily follow the same path. The interviews were conducted and transcribed in Finnish. However, due to the fact that this study is written in English the transcripts required extensive translation work to be valid for quotations with some modification that were called for in the name of flow of the language.

On the topic of data analysis, Miles and Huberman (1984) argued that purpose of a framework is to aid in the focusing of the empirical study. When it comes to qualitative studies, such frameworks are constantly revised and reinforced due to the fact that qualitative studies are cyclical in nature. Yin (1994) enforces this and proposes that “analytic generalization” that uses prior theories as templates to compare empirical data is recommended when it comes to developing and testing the theory. This study follows, this premise in conducting a multiple-case study.

3.3 Selection of the Case Companies

The selection process for the case companies took the following form. First, companies were searched with the help of references from other people as well as online searches. Then the potential companies were assessed based on the information found on their websites against the parameters for disruptive innovation set by Clayton M.

Christensens seminal works on disruptive innovation as well as the definition that was established Born Globals in the literature review of this research. One of the key sources for companies was online publication on Scandinavian start-ups called ArcticStartUp.com and their sister site ArcticIndex.com which contained short introductions of the companies participating in the Scandinavian start-up community. Other sources were previous research done on Born Globals as well as publications such as Kauppalehti and Financial Times.

The second phase was contacting the potential companies via email and enquiring their interest to participate in this study. Template for the letter of enquiry both in English and in Finnish can be found in Appendix 1. Interview dates were set then with willing participants via phone and email and conducted at their convenience.

This manner of selecting the companies was more out of convenience than for the sake of scientific research. Thus, I believe there are better protocols for selecting case companies for a study such as this one. My requirements for the companies outside of the definitions of disruptive innovation and Born Globals, was that the companies were indeed Finnish and represented the ICT industry. Also, including more than two companies into the study would increase the reliability of the research as well as its applicability for generalizations. However, now this study provides

Selection of the case companies turned out to be a little problematic part of the study as it was difficult to assess how disruptive the companies actually were. However, stretching the concept of disruptive or discontinuous innovation from their narrow definitions towards the definition of strategic or value innovation made choosing applicable companies possible although, the selection was carried out on the bases of brief descriptions available online and final assessment was carried out during and after the actual interviews.

3.4 Structure of the research

To get the best insight into the research problem this study is divided into two parts: the theoretical part and the empirical part. The theoretical part consists review of previous literature starting from covering essential and seminal academic works on Born Global companies. The focus shifts then quickly to notions of international entrepreneurship and creating new market space and how they are related to innovation. The logical continuation from there on is the origins of disruptive innovation within strategic innovation and value innovation theory. Next the basics of the disruptive innovation theory covering the disruption mechanism, as well as the resource-based view of disruptive innovation were introduced. Finally the two concepts are tied together and a theoretical framework. The empirical part of the study is divided into case descriptions and afterwards cross-case analysis. The final part of the study summarizes the findings.

In terms of structure, only the literature review part of the study had some problems. Mostly the difficulties arose on deciding which of the concepts should be introduced first. However, finally the decision to start with the introduction of Born Global companies allowed a smooth transition to innovation literature and disruptive innovation. Structure wise the remaining parts of the study were problem free.

3.5 Unit of Analysis

Unit of analysis in this study is a high technology Finnish Born Global company that operates in the ICT industry. However, because the study contains also how have these companies disrupted the market and what are the resources and capabilities that allow this, disruptive innovation falls also under the unit of analysis amongst the resources and capabilities of Born Globals. Abernathy and Utterback (1978) suggested that the relative focus of innovation changes as a firm matures. As the company grows from a small technology start-up to a larger company the capacity and the methods for innovation change. Due to this fact, the unit of analysis has to also take into consideration at which point of its evolution the Born Global company is regarding disruptive innovation.

3.6 Validity and Reliability of Research

According to Yin (2003: p33-39) the validity and the reliability of research come down to a set of tests. Table 1 summarizes these tests and explains what are the effects regarding the case study method.

TABLE 3: CASE STUDY TACTICS

Criteria	Case Study Tactics
<p>Construct Validity: Establishing correct operations measures for the concept being studied</p>	<ul style="list-style-type: none"> • Multiple sources of evidence used • Chain of evidence created through case data, interview recordings, interviewers' notes and case descriptions • Key informants reviewed a draft case study report
<p>Internal Validity: Establishing a causal relationship whereby certain conditions are shown to lead to other conditions, as distinguished from spurious relationships</p>	<ul style="list-style-type: none"> • Matching patterns between the theoretical review and empirical data
<p>External Validity: Establishing the domain to which a study's findings can be generalized</p>	<ul style="list-style-type: none"> • Literal replication used in a multiple cases
<p>Reliability: Demonstrating that the operations of the study – such as the data collection procedures – can be repeated, with the same results</p>	<ul style="list-style-type: none"> • Case Study Protocol created

(Source: Yin 2003, 34)

The construct of validity of this study is fairly good since two case studies are used as evidence and the trail of evidence exists in the form of interview transcripts recordings and notes. The interviews were transcribed by yours-truly, however not completely in

verbatim. Also, Yin argues that the key informants did not review the written cases, all though they did request a copy of the finished study.

Internal validity comes apparent when viewing the original theoretical framework and then reviewing the results of the study. As was mentioned earlier case studies are poor for generalizing results, thus regarding the external validity this study is at best mediocre. This is due to the amount of cases in the study. However, after trying to get more case companies I had to settle to just two due to time constraints. However, Yin (2003) argues that case studies strive for analytic generalization, which differs from statistical generalization quite a lot. This study looks to find out how disruptive innovation affects the globalization endeavors of Born Global companies from Finland thus it will provide at least some insight to the disruptive innovation strategies of Finnish ICT Born Globals.

Reliability of research calls for repeatable results. The repeatability of this study is debatable because of the fact there was very little research done on disruptive innovation in relation to globalization of Born Globals. Thus, another person conducting a similar research would most likely ask very different things from the case companies and due to that receive a little different results however, I believe they would be similar to some extent.

4. CASE STUDIES

This chapter will describe the case companies regarding what the companies do and what their product and marketing strategies entail finishing with a resources and capabilities analysis of the companies. All of the information gathered of the case companies is from in depth interviews that have been conducted with the key personnel in the companies. For the sake of confidentiality, one of the companies requested that their name would not be disclosed in this study. Thus, the company in question will be referred to as Company X.

4.1 Case: Company X

4.1.1 Background

Company X is a small company operating in the ICT sector and roots in many countries. The purpose of the company is to enhance the experience consumers have while browsing the Internet logged in to internal networks of the customer companies of Company X.

The strategic idea behind the product offered by Company X is to control the customer interface within networks in a similar manner as shelf space is controlled in the Fast Moving Consumer Goods industry. Company X offers a product and a service for branding internal networks further. In practice this is done by inserting targeted messages into the http stream and placing them in the advertising space created by shifting the actual content page in the web browser downward, making room for information delivery. Currently internal networks of companies are utilized in this manner only up till the initial login page of the network and from there on, the company has no control on the messages that the users of the internal network receive. This product offers the opportunity for the companies with internal networks to easily control the customer interface. For example a fast food restaurant offering product information in the http stream as the end user is surfing logged in to their network. This product is offered for three customer segments, which will be described later in this section.

Company X was founded in 2006 after the founders sold their previous venture to a major ICT company. The founders represent several nationalities as they are from Finland, USA and Taiwan. Currently the company has presence in three continents. Sales operations are prominent in Asia and Europe. R&D functions of the company also reside in Asia and top management in the United States. However, the company is currently in the process of establishing business development operations in USA as well. They are looking to grow in all of their current frontiers now that acute financial problems have been solved.

4.1.2 Creating new market space

Company X has created a completely new market by packaging a technologically advanced product with extensive and complex know-how as well as commercially discontinuous business model that allows customers to gain more value out of their existing internal networks.

Figure 6: Disruptiveness of Company X

		<u>Product Capability</u>	
		Same	Enhanced
<u>Technological Capability</u>	Same		
	Advanced		<p>COMPANY X</p> <ul style="list-style-type: none"> - Technologically new and complex product - Commercially unique product offering and value for customer - Unique know-how bundled with the product

(Applied from: Veryzer, 1998:307)

Although the product is based on high technology know-how the representatives felt strongly about going into the market place business first. Offering added value for the customers and an innovative way for the customers to control the customer experience of the end user and target. Company X has carved room in the potential clients value network creating a completely new area of business. As was said the company has been able to create new market space by utilizing the strategic principles of the FMCG industry and implementing them within the market they have created. Thus they have arguably found business opportunities by looking across the boundaries and reshaped the principle to fit their business. With this approach the company has, with the help of advanced technological know-how, been able to produce value for the customer as well as for the company in the spirit of value innovation.

General Manager of the company criticized the trend of Finnish start-up companies have had by going to the global market place technology first. The representatives felt that it is vital for the success of the company that a need for their product exists instead of just making “cool” new technologies. The product or service of the company has to create value for the customer otherwise it is useless and has very little promise on succeeding. At the heart of the Company X’s operation is the strategic approach that their product creates value for the customer and only after that comes the development of technology and actually delivering the value via the technological innovation.

According to the general manager, a rather simple product such as this one that is based on a complex technology, poses a problem. The potential customer might have problems understanding what the products value proposition is all about, due to the technological side of the product. Thus the when selling the product to potential clients it requires an extensive briefing on the different aspects of the product before customer can really appreciate the potential it holds for the their business.

4.1.3 Internationalization/Globalization

Company X has globalized extremely quickly since the inception of the firm and received business from two continents already. The globalization of Company X has occurred somewhat naturally and this has largely been a consequence of having a team of founders and employees that represent several nationalities from the very beginning. The different operative parts are placed in various parts of the world based on where the specialists of a certain areas are located. Thus, R&D functions and Asian sales are located in Taiwan and the general management of the company is conducted out of United States of America. As a young company the current cases entail mostly technological pilots.

Now that the proof of business concept and business modeling has been achieved the next step for Company X has been pursuing further aggressive growth in Europe and in Asia. Based on the information gathered and learned in those markets the next phase in terms of globalization is to venture out to the United States of America. The company representation say that the reason for this type of progression is simply that the

company currently has the expertise in operating g in the Asian and European markets and they feel that even though the US market is big and lucrative, it is also competitive and challenging which is why it requires more preparation.

Global scale from the beginning and multinational team has brought the company unique opportunities in places such as Taiwan that, according to European management, would have taken years to come by, had the company started from a “Finnish garage” or in the best case they would have had to hire someone to operate in Asia. Even though, Global scale has been a blessing for the company it has not been without its problems. The general manager of Europe feels that despite of modern communications advances such as voice over IP, the sheer distance and time differences from other functions of the company make things difficult.

Company X representatives say “the idea is to keep the code/firmware as coherent as possible.” Thus, adaptation of the product occurs in the sales process on how the benefits of the product are taught to the customer. This is due to the fact that the company serves three segments which all have a little different preferences regarding what the product needs to do. The three segments include large facilities where people are shown adverts such as airports. Branding of internal and external networks that companies utilize for example Starbucks offering free wireless connection is the second section. Third target segment is network connections that are used from home. Like any other company this one also has competition. Competition for the company Xs product depends on which of the three the segments is in question. However, according to the Company X general manager, at this time none of the products that could be regarded as competition, offer similar technological solution as company x nor do any competitors pursue similar strategy.

Company X operates in a business-to-business environment and for this reason marketing channels that the company uses include direct contact to potential client companies based on leads received through various mediums such as tips from other people as well as magazines and news papers. The company does not have a structured marketing strategy as of now. Regarding their strategy for innovation and research and

development Company X says that they do not have a process in place to pursue innovation and R&D however, they do have a direction where they are looking to take the product which influences these operations.

4.1.4 Customer Strategy

Company X's customers are from the public sector as well as corporations. General manager of the company does not see that the type of customer they serve will change too much. However, even though the basic features remain roughly the same the size of the customers will change as the company globalizes further in Europe and in the United states.

Company X does admit that the current clientele was not always the target market. The General manager of Company says:

“Starting anything new is a very iterative and tentative process. When you have the initial idea its very unlikely that the same idea is going to carry till the end without any changes”

This is why the how and who of their business will evolve as the company evolves further. The type of offering Company X has is completely new and that is why the company also feels that they are not in fact serving a niche market but in stead operate in “blue oceans”. However, the company representation argues that the business could fit the definition of a niche due to scope and scale of their business. Company X offers new kind of value for their customers thus they have achieved enhanced product capabilities. In terms of new market creation the product is a very disruptive as it also offer advanced technological capabilities the core technology being new and inimitable.

Due to the fact that the Company is fairly young, their marketing strategies consist mostly on direct contact and contacts via personal networks. In order to offer the most value for the customers Company X spends resources on researching the potential clientele and how the product can benefit them. In terms of values for the company the representation estimated that as projects grow in size the value for Company X it self will be created from successful long term project management.

4.1.5 Resources and Capabilities

Company X representatives say that the engineering and R&D team and their know how and networks is the foundation to everything. However, the general manager of Company X notes that “when the product has been developed up to a certain point you cannot just keep on developing it in the “garage” but the role of sales resources increases”. Nevertheless, the role of the technology people is undeniable due to the difficult nature of the product.

The role of the founders and their capabilities is profound since they have considerably experience from technology firms and internationalization of businesses. When it comes to the values of the company Company X representation felt that the values that guide the operations are the values of the founders and they will most likely remain in some form as the company progresses further. Innovativeness and customer centricity were important values for Company X.

“Finnish companies are often criticized for technology first type of thinking. For us, first the business model was formulated and then the technology was created to fit that business model. However, its all the same whether you go business first or technology first if the customer is not the source for the need.”

With customer centricity in mind, when it comes to the human resources of the company, the roles of different employees will most likely narrow as the there is more business and simply no way to understand as much about some one else’s work. Due to the same reason the work the company does will shift towards project management as the company looks to hold on to established clients and business.

Financial resources have been an issue for the company as they have started their business operations. The general manager refers to “a egg and the chicken dilemma” when it comes to financial resources. “The business needs financial resources to operate then again you need to the business to create financial resources”. Company X has also had problems in obtaining financial resources from outside sources in Finland due to the reason that the company does not have product development based in Finland. Also, VC’s have continually issued new requirements in exchange for their investment.

4.1.5.1 Networks

The founders of the company have contacts and networks all over the place including Silicon Valley. The contacts have helped in getting in the door to discuss the product. Also, Company X is in the process of negotiating a strategic alliance with well know international organization. The general manager says:

“The strategic alliance will bring more credibility in the eyes potential customers and generally helps in getting leads. However it will be beneficial for the other counterpart of the agreement.

The company has utilized some external resources for example they have graphics designer that has been outsourced. Also, lawyer for the company has been outsourced as well as the consulting services they use.

4.2 Case: Aito Technologies

4.2.1 Background

Aito Technologies was founded in 2006 three people with backgrounds heavily in the telecommunications industry with prior experience from companies such as Nokia Siemens Networks and TeliaSonera. The initial idea for the company was based on one of the founders' doctorate dissertation on integrating business management and technical network management. The dissertation was initially going to be published; however the founders of the company decided to utilize the information them selves and thus Aito Technologies was founded instead

The product that Aito Technologies offers for telecommunications operators is based on the premise that in order to be competitive and profitable these companies must have constant access to both external information flow as well as internal information flow. Due to their good understanding of the telecommunications industry the founders of the company realized that telecommunications operators have immense amounts of data at their disposal, however due to the fact that the data is scattered throughout the companies there are difficulties to form a good overall understanding of the behavior and need of the customers. The solution provides telecommunications operators with easy access to rich, fully segmented behavioral, experience, service and technology

information and with the help of the product can be pulled in and analyzed in no time at all. All this is done with easy to use plug-in application and then the customers have an instant access to the information and enabled to support their business decisions and analyze customer information from various points of views effortlessly. The product has multiple dimensions as it enables optimization of service offerings and technology use and facilitates innovation as well.

4.2.2 Creating new market space

Aito Technologies has carved out market space from competitive telecommunications and digital service provider markets. The innovative product is based on the true need in the industry. In terms of technological and product capabilities, concepts that were introduced earlier in this thesis Aito Technologies offers enhanced product capabilities as well as advanced technological capabilities.

Figure 7: Disruptiveness of Aito Technologies

		<u>Product Capability</u>	
		Same	Enhanced
<u>Technological Capability</u>	Same		
	Advanced		Aito Technologies <ul style="list-style-type: none"> - Fast integration of the product - Ease of use - Unique access to information

(Applied from: Veryzer, 1998:307)

Important part of the of the Aito Technolgies approach is the fact that they have created the product to meet a need of their target market. With that fact in mind Aito Techonologies has managed to create market space by offering a product that enables the customers to increase the profitability of their business by doing an essential part of their business faster, more easy as well as with very little effort.

According to the VP of business development the key factor is that the product can be implemented in extremely short time at around 15 minutes on the contrary to weeks or even months that seem to be the norm in the industry. Another key factor being the ease of use of the plug 'n play application Aito Technologies is a clear cut product leader in its market. However, all though Aito Technologies is the leader in that regard, in its market, the competition that Aito Technologies faces offers similar product however, none offer identical products with the exact same attributes. However,

interestingly one of the more formidable sources for competition is the operators themselves and their in house development. VP Janne Tanninen says that “Often the first comment we hear from a potential client is that this type of service can be produced in house”

4.2.3 Internationalization/Globalization

The internationalization process of Aito Technologies began immediately when the company was founded. According to the vice president of business development and one of the founders of the company, the idea was never to make a product just for the Finnish market but think bigger. This was because of the small size of the domestic market as the niche the company is currently serving are telecommunications operators. So far the company could be described as more of international rather than global but Aito Technologies on a path of becoming global within the couple of years.

The Internationalization strategy was initially to gradually start to move away from Helsinki. Nevertheless, the first focus was in countries and regions where the company founders had previous experience in which is why they established foothold in the Ukraine and also presence in the United Kingdom. Next, step for the company is increase their presence in Europe. Their globalization efforts is also becoming imminent as Aito Technologies is preparing enter the United States. The reason Aito Technologies finds the US market is so lucrative comes down to the size and possibilities the market offers and also one of the founding sales people has considerably experience in selling in USA. The first cases from USA are expected in 2011. On contrary the company feels that the Asian market is not a realistic option at this time due to lack of experience in that part of the world however, VP of Business Development did not close the door on Asia completely, just for the time being.

Internationalization of the operations of Aito Technologies began at very early stages of the company as they established a sales agent in Ukraine and also a sales person in the UK. As was said, the company is going to increase its presence in Europe and they are going to do it by adding sales agents.

The product strategy at Aito Technologies at the moment comes down to selling a standard plug-in product all the markets they serve. However, despite the fact that the product is standardized regardless of geographical location, when it comes to individual customers the VP of Business Development says that at least with the first cases they also had to do some customizing even though the needs that operators have are usually quite universal.

The benefits that the company is offering for its customers with the product are the enhanced ability to gain better turnover and profitability along with efficiency. The manner in which Aito Technologies is differentiating is based on being the product leader and also speed of implementation.

“In the industry the operators are used to products that implementing a product might take years. However, our product can be implemented in couple of weeks extremely easily and fast.” (Janne Tanninen, VP of Business Development, Aito Technologies)

Also one important factor for the company is that the product is easy to use can thus be used from the get go.

4.2.4 Customer Strategy

Market Segment in which Aito Technologies operates in is essentially customer profiling and segmentation market. However, they choose to call it business based customer experience management (CEM). VP of Business Development feels that it is vital to focus on a specific segment because if you do not the focus group might not have the budget for your product. Operators can be regarded as a growing segment. The first customers that the company had were operators in Finland and United Kingdom. However, from the beginning Aito Technologies has planned to eventually pursue other segments as well such as digital service providers like online communities, online stores and companies selling mobile content. According to VP Janne Tanninen:

“The product is exactly the same. Only the data that is being gathered is a little different”

Currently the Marketing efforts of the company include participating the Mobile World conference in Barcelona and basic materials including brochures and web pages

however, otherwise Aito Technologies admits to being quite passive regarding marketing.

“We know that we should put more effort to it, nevertheless we have to prioritize and lack the resources. If we had more money we would use it capital” (Janne Tanninen)

Good mediums according to the company include well-targeted medias such as magazines, analysts and conferences. Already if something that reaches the news threshold happens the company has put out the story in web publications such as the ”Arctic Startup”

4.2.5 Resources and Capabilities

Because the organization is still rather small the whole organization is one important resource, more specifically the product development team and the sales functions. Currently the company employs 11 people: three in sales, six in R&D and two in the management team. Resource fungibility is an important factor for the company at this point for example in the R&D organization people do pretty much everything that relates to product development and delivery.

Oddly enough Aito Technologies has not had too many problems acquiring financial capital for the venture. Currently they have two investors and they are looking to add a third investor when their internationalization goes on the next gear. VP Janne Tanninen feels that the thing that has made finding capital easier has been that they have an excellent team on paper with a lot of experience from their target market which gives them a certain amount of credibility in the eyes of potential investors. However, he does admit that in the very beginning they were working without pay for a few months when developing the product to show to investors.

At the moment everyone in the firm participates in almost all aspect of the business. However in the future as the company grows and amount and of the customers’ increases the focus will shift more to product portfolio management and thus the VP predicts that the employees will begin to specialize more to certain parts of the portfolio

management process. Thus when it comes to human resources of the company everyone can't do everything. Also, the marketing resources of the firm will increase as the marketing operations of Aito Technologies become more of the focal point of the business and a source for company growth.

The processes that Aito Technologies has in place include among others a sales process and product management process and also an IPR process for new inventions. What is important for Aito Technologies is that they remain flexible when it comes to their processes. Their business is still going to develop and the company needs to be able to change directions if need be and the founders of the company have also tried to keep the processes of the company simple enough.

In the beginning the founders of the company sketched out what the values of the company could be. The values of the company determine what type of people the company employs. However, the key to everything and also how the values of the company can be seen in their processes and resource use is in the manner in which the company does things to fulfill the customer needs and not just create "cool" technology. What binds the people in the firm together is the drive they have to make the company succeed. Hence, the values of the company serve as the foundation of the Aito Technologies' decision making as well as the direction in which the company develops.

4.2.5.1 Networks

In the very beginning when the founders were searching for investors for Aito Technologies, they used all the contacts they had gained from their previous jobs. Also they looked to form networks through services such as Technopolis Ventures. VP Janne Tanninen says:

"It is very helpful to talk to other people who are in a similar position with their companies as you are at that moment"

However, regarding their internationalization company has had some help from contact made by their board members however most contact have been achieved through sales work.

Aito Technologies sees forming partnerships as a good way to get your product more known and to the market. Currently they have a partner that is a global company from the industry. Also they have a sales partnership in Finland. According to Janne Tanninen finding a global partner that wants to sell your product gives you selling power and furthermore credibility when contacting potential clients.

5. EMPIRICAL FINDINGS AND ANALYSIS

In the following part of this study tests the conceptual framework derived from the literature review. The analysis respectively takes into account two companies from the ICT industry. The empirical findings will be summarized in this chapter.

5.1 Born Global Globalization and Disruptive Innovation

The Born Globals were defined as companies that, from or near their inception, seek superior international business performance from the application of knowledge-based resources to the sale of outputs in multiple countries. The case companies in this study are very young. Aito Technologies was founded in 2007 and Company X in 2006. Despite their young age both companies had already started international operations and are moving towards global scale fast. Thus, one can argue that the case companies fall into the category of Born Global companies.

The theoretical framework for this study suggests that for Born Globals to reach strategic fit with disruptive innovation have to be able to select the correct customer segment that they are going to serve and actually gain value from the product or service that the company is selling. Also, it was proposed that scale economies could be achieved through internationalizing or globalizing the company. One of the key success factors in all this was that the Born Global Company is able to align their resources and capabilities to support disruptive innovation as well as fast globalization. This part of this thesis will analyze the finding from the two case companies and apply the theoretical framework to the case studies.

5.1.1 Creating a New Market and Finding the Customer

Unlike Christensen's model (1997) that was explained earlier, Born Globals from the ICT industry look to meet the needs of customers with high level of technologies. In order to create new market with disruptive innovation and be successful in it was required that the products create value for both the customer and the company it self. Both companies argued that the foundation of their companies was in realizing a need and creating value for the customer by fulfilling that need through technological

innovation. Especially Company X's representation felt strongly about having a strong strategic base for the technology. Also in the case of Aito Technologies the product was created because the management team had realized a need amongst telecommunications operators. However, the product that Aito Technologies sells is not as discontinuous as Company X's because some of their customer have expressed that they could do a similar product them selves and thus might not have the protection of being very difficult to copy. However, with these approaches both companies had created new market space in which they are still able to operate in relative freedom.

The companies had different approaches to their clientele in terms of how they would develop them further. Aito Technologies went for generally big operators from the very beginning, naturally because that is where they knew a need for their product existed. Company x on the other hand looked to start from smaller customers and through successful project move on to larger customers. However, the aspect that both companies related on was creating long-term relationships with their customers and shifting their operations towards productive project management.

Creating new market space is the central theme of this study and also the theoretical framework suggests that Born Globals from SMOPECs look to create opportunities by creating new markets. Company X found new market space by looking across industry boundaries and offering complementary product and service offering for controlling the customer interface. Janne Tanninen of Aito Technologies revealed that the company seeks further growth by looking into other possible users for their product outside of the strategic group telecom operators. Thus, the company is looking to expand its business by staying true to their premise of creating value by either redefining the buyer group or looking across the strategic groups for new untapped space for growth.

According to Christensen (1997) there were three rules that determined the disruptive potential of a product. First of all the product had to *"target customers who in the past had not been able to "do it themselves" for lack of money or skills"*. Second rule of disruptive innovation called for a product that would *"help customers do more easily and effectively what they are already trying to do"*. The product should also be *"aimed*

at customers who will welcome a simple product". Christensen & Raynor (2003) added one more rule of thumb to the list requiring the product to be disruptive to all incumbents. These rules were proposed also in the theoretical framework in regards of the customer strategy as part of global disruption. The rules for successful disruption seem to also be the reason to some of the problems that the case companies have faced.

Company X offered a product that allowed their customers to get extra out of their internal network services with a small cost. Aito Technologies offered a Customer Experience Management (CEM) tool that allowed their customers to combine information that had been scattered across various operations. The interviewees in both companies felt that they had in fact realized a need that the customer had and applied their product for that need. In the case of Aito Technologies the needed the information they had in their databases to support business decisions and Aito provided an easy and convenient way to get to that information. Company X on the other hand offered a product that utilized the existing networks that the customer companies had in place giving them a new medium to advertise. In strict terms only the product offered by Aito fulfilled the first requirement of Disruptive Innovation, by giving the company an alternative way to do something they were already trying to do. Also Company X aims at letting the customers conduct their business more efficiently and effectively which would indicate that they would also fulfill this requirement of disruptive innovation.

Both case companies reported that their customers appreciate ease of use when it comes to their product as well as simplicity. As a matter of fact, Aito Technologies would seem to reap their competitive advantage from the fact that their product is easy to use and more over extremely quick to implement compared to the telecommunications industry norm. One of the problems that Company X has faced can be linked to this principle. Their product being technologically quite complex it requires some time to explain to the potential customer what they are indeed getting. Company X representatives suggested that when the customer understands their offering they welcome it as a simple extension to their current networks.

Christensen & Raynor (2003) argued that the product has to be disruptive to all incumbents for it to be truly disruptive. The case companies leverage products that are new to the world in a sense that they have found a new way of doing things that have previously been attempted offering an considerable convenience factor for customers. Both companies admit to having competition, however none of the competition offers identical products or similar strategy. With this evidence in mind it would suggest that the case companies in question indeed fit into the scheme of disruptive customer strategy.

The case companies seem to have quite clear picture on who their customers are and whom they are going after. The customers were other businesses and in consensus with the theoretical framework the companies in study served narrow clientele. Kim & Mauborgne (2005) suggested that due to globalization forces that opened up markets that have made entering markets easier and competition that much harder, controlling niche markets is a dying breed of competing. Having said that, the companies had established new markets and as Company X put it operated in blue oceans. From this it can be derived that in the ICT industry the trend is to offer new high technology products that can be applied globally. Both companies offered products created extra value for the customer when implemented into the value networks of the customer companies not necessarily replacing any part of the value networks but creating a new one.

The direction in which the customer strategies were set to go were getting bigger customers and holding on to those customers forming long-term relationships. Aito Technologies had also initiated contacts to other industries outside of telecommunications operators that could get added value from their product. It was illustrated earlier in this study that Sperling (2007) divided levels of customers under four stages: preliminary stage, consumer and small office/home office customers, enterprise and high-end customers. The case companies in study would appear to follow this type of progression to some extent. However, the cases indicate that the regarding disruptive customer strategy the customer segment would appear to broaden as the company develop and grows. Christensen (1997) argued that in rare cases the initial

customer or user of the product remains as the eventual customer. Customers may in fact come up with ways to utilize a disruptive product in ways that the company had not previously envisioned. The case companies have also tried to be fairly flexible regarding this. The consensus with the companies was that the direction where the product is going was quite clear for the companies.

5.1.2 Product, Operation and Market strategies

It was suggested that Born Global companies look to internationalize their operations extremely fast utilizing advanced product, market and operation strategies. Neither one of the case companies had any intention of just staying local, instead taking their business global. This was because the markets for their product locally are quite marginal but globally there are a lot of opportunities.

Based on the cases it can be argued that in terms of the geographical markets that the companies operate in, they offer a standard product. However, when it comes to individual customers some flexibility is needed at least in the beginning when the target market is getting to know the product. The general manager of Company X referred to this challenge by saying:

“At the base level it is determined what the product is and what it makes possible and at this level adaptation does not happen. However, on the levels after that customization will most likely happen for a long time”

Customization is needed because their products are new and potential customers have little to none information on them and for that matter it was established earlier that non-existent markets cannot really be researched. Also, as was said, the companies want to build long-term relationships with the customer, which potentially requires adapting the products as well.

The companies had established a presence internationally very fast. Company X had operations globally however, little to no sales operations existed in the North America, nevertheless globalizing their operations was on going process and also North America was part of that process. Aito Technologies operates in Europe with plans to move to

the US market within two years. Both companies are very knowledge intensive and thus do not have production facilities in their traditional sense in other countries. The companies had established sales representation in several locations. In the future, Aito Technologies was going to increase the amount of sales agents. Company X had their European headquarters in Finland and due to the very international structure of their management team other parts of their operations were already scattered around the world. For example the R&D department is run from Company X Asia office. Scattered company is not without its inconveniences.

Both companies pursued operations in markets where they had the most experience in. For example the founders of Aito Technologies had considerable sales experience in the Baltic as well as the United States. On a similar note the first markets where the Company X entered was strongly linked to where ever the highly global founder team members had roots in. The reason for the market choices was linked strongly to the fact that the products that the companies leverage are new to the world thus establishing pilots and first sales are easier to do in market where the companies already have previous experiences in and also know how on the business culture. Thus, it would seem that Born Globals choose the markets they enter not only with cultural proximity in mind but also where the company has the most experience in and arguably feels the most comfortable.

Constant with prior research on Born Globals these companies look to globalize from the inception of the company as well. It is however vital that the companies' seek global opportunities extremely fast so that the usually narrow segment of customers that the company is serving becomes feasible due to the global scale.

5.2 Resources and Capabilities

Authors e.g. (Laanti et al. 2006) proposed that along with their founders' capabilities, a Born Globals financial, network, innovation resources and capabilities facilitate the fast globalization. Authors have also argued for the role of dynamic capabilities (see e.g. Zahra, 2003; Gabrielsson & Gabrielsson, 2006) as a precedent for successful globalization. The theoretical framework of this study proposes that the resources and

capabilities of a Born Global have to support disruptive innovation in addition to the ability globalize fast.

5.2.1 Role of the Founders – Disruptive Entrepreneurship

Aito Technologies and Company X were in the early phases of the globalization and also because of the young age of the companies the role of the founders was considerable in the everyday operations of the company. In the theoretical framework as well as in the literature it was suggested that the prior experience of the founders as well as their skill sets had a major effect on the globalization efforts on the Born Globals. Also the theory of international entrepreneurship suggested that the founders were their own breed of entrepreneurs. This was also evident in the case companies, as they had from the very beginning guided the companies towards globalization. The founding members of both companies had previous experience from working in an international environment, which could be considered as a source for this type of direction choice. The mind-set of the founders guided the decision-making and processes that the companies had in place. Christensen (1997) referred to a similar phenomenon as the company values that guide the company.

It would seem that the founders are in fact the source of the company values. One of the founders of Aito Technologies saw that the values did in fact serve as the bases for their resources and capabilities since the values of the founders would be mirrored in these from the beginning. Company X representation also felt that the values of the founding member would stay on in some form at least guiding the direction the company goes. Key values that directed the operations of the companies was keeping the focus on the business and not just creating new technology and going toward global markets. Both companies admitted in looking for traits that support their values in recruitment situations. Thus, evidence would point to values being the base to which the capabilities of the company are built on as was suggested by Christensen (1997).

5.2.2 Aligning the Innovation Capabilities to Support the Business

Both companies felt strongly that the product development team was the key resource at the moment. They did not see that the focus would shift from R&D in the near future.

However, even though product development is important in creating new technologies it would seem that for a young Born Global it is very important to align R&D with their business model. The vice president of Aito Technologies assessed that more resources would focus on product portfolio management in the future. As was said earlier this type of development was present in the other case Company X as well, as they felt that the project management would become increasingly important as their firm grows and they look to hold on to established business. The focus would seem to shift towards the project management and sale and marketing resources. Thus innovation capability is not just about creating new technologies but finding a way and a business model for that technology to create value. Capability to base their product on those values has laid the fundamentals for innovation capability that has allowed the case companies to operate in a “blue ocean” market as a first mover making their move to the global markets less rocky.

Young companies like these that are on the cross road of taking their business from the product development stages and shifting the focus towards sales and marketing. Due to the fact that the products the case companies offer are new and offer benefits previous unknown to their target customers they have to somehow get the word out on the product. Janne Tanninen of Aito Technologies admits that the company has not focused on marketing too much, partly because of lack of resources. Company X representation had a similar problem when it comes to marketing. Nevertheless, both companies proposed that in a Business-2-Business environment aggressive sales work allows them to get the word out effectively and through, sales resources and capabilities the companies are able to get pilot projects and customers that would then serve as references for their future business.

Both case companies planned to focus more on marketing in the future as they have more completed projects, all though they had already utilized such marketing channels as online publications and basic pamphlets regarding their businesses. Also, the companies had a consensus on that networking is a very effective way of marketing for a young start-up. The values of the Born Global companies need to support both R&D

and the business development and both of these resources have to support each other for the company to be able to create added value for their customers.

5.2.3 Financial Resources

Though both, companies felt that lack of financial resources created some problems for the companies. Company X especially had problems getting investments from government institutions such as TEKES due to the fact that their product development team was not located in Finland. Aito Technologies on the other hand reported that after the initial financial difficulties and working without pay upon the founding the company they have since had little trouble getting investors and government subsidies. Janne Tanninen of Aito Technologies argued that the reason for this might be that they have a very good team on paper in terms of experience.

5.2.4 Networks

As was suggested Born Globals utilize networks to facilitate their internationalization and to apprehend resources and financing. Such is the case with the case companies as well. Aito Technologies utilized all of their existing contacts when starting the company. Company X's founders had networks in place from their previous ventures as well

What became apparent in the interviews is the role of partners when growing with a disruptive product. As was mentioned earlier, disruptive products are usually new to the world and the companies leveraging them new start-ups. Thus the potential customers do not know about the company and might be hesitant to use the product. Through partnerships the case companies feel they gain credibility and selling power that enables them to get access to wider range of customers. Aito Technologies and Company X were both in the process of creating a partnership with a large global company. Due to the acuteness of the situation they were not willing or able to disclose the name of the potential partner.

With large global company to back them up as a partner the move to global markets goes more swiftly and enables smaller start-ups to gain credibility in the eyes of larger

higher class players in the industry. Partnership allow the company to get the message out to the marketplace on what the company offers and potential customers will also more easily contact the company.

6. SUMMARY OF THE STUDY, CONCLUSIONS AND MANAGERIAL IMPLICATIONS

6.1 Conclusions

This study contributed to the theory of Born Globals as well as applying disruptive innovation theory to the previous research done on globalization of Born Globals leading to interesting results related to these theories. The theoretical part of this study focused on applying disruptive innovation and value innovation literature to Born Global globalization studies. With the latest research reviewed, the concepts were applied empirically to Finnish High Technology ICT Born Globals. Furthermore, this study looks to add to the theory of Born Globals by approaching the topic from the perspective of disruptive innovation and applying that theory to Born Globals.

To gain more insights into the disruptive innovation theory in relation to Born Globals creating market space, this study focused on two Finnish Born Global companies and their reasons for internationalization and how aspects of disruptive innovation strategy have affected their process and decision-making along with their resources and capabilities. In order to answer the research problem, a theoretical framework was formed with the components: resources and capabilities as well as disruption innovation factors and POM strategies combined with customer strategy to form a global disruption strategy framework. This framework was then applied to two case studies on Finnish Born Globals from the ICT industry.

The empirical findings supported the literature and uncovered that the resources and capabilities such as networks, financial resources, innovation capabilities and founders play a crucial role in making fast internationalization possible. Moreover, the values of the founders have a significant effect on what the company does and on the general decision making within the company. In the empirical findings it becomes apparent that it is important that the operations of the company are based on a sound strategically innovative business model and the technology facilitates that model. This way of thinking is present also in the values of the founding member of the Born Global companies. This is also why the marketing department has an increased focus and why

it is important to keep the focus on the customer and enter the marketplace as early as possible. Hence, the product cannot be developed forever and the focus has to shift partly from the R&D to sales and marketing.

The case companies in this study utilized direct sales and hoped to first create business and a reference base in this manner. This was a conscious choice that the company had made regarding their marketing channels. The goal however, for both case companies was to move towards more elaborate channels as their business evolves. Still, the role of the research and development team was extremely crucial when it came to leveraging disruptive innovations. This is because, in order to find prominence among the most profitable high-end customer their needs for technology have to be met. This study also suggested that dynamic capabilities were a necessary part of global disruption strategy. The case companies had a consensus on the need to be flexible and being able to change as the customer does. Thus, the resources and capabilities were aligned with the disruptive nature of the companies.

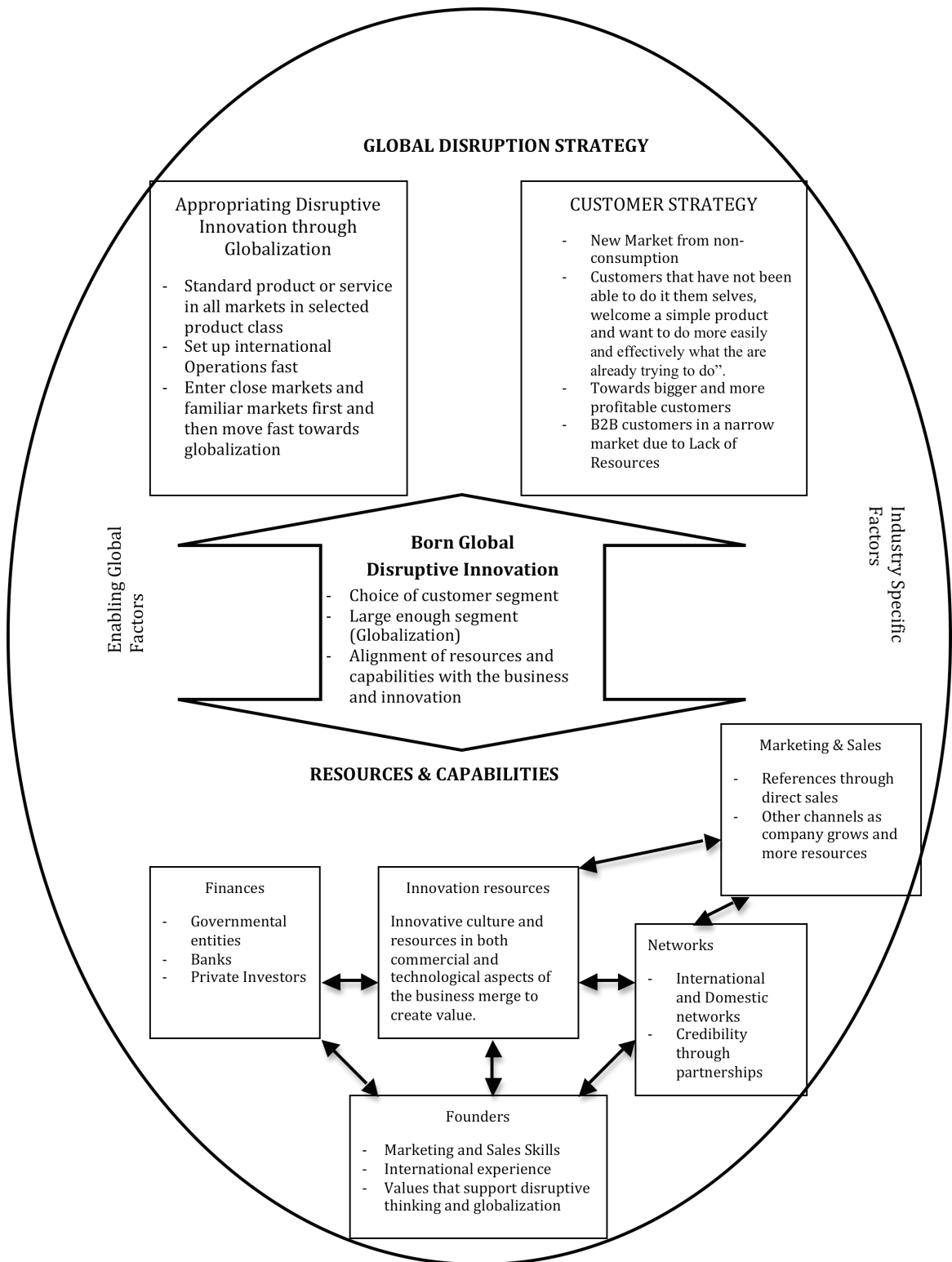
In regards networking and network resources, partnerships turned out to be popular in this study. The case companies felt that partnerships with larger global companies are beneficial since the companies gain credibility in the eyes of customers and also potentially access to customers they would not otherwise be able to reach.

The empirical findings in this study show that the globalization strategies of Born Globals with disruptive potential were consistent to what has been suggested in the literature review. Thus this study contributed further evidence that Born Globals from small and open economies such as Finland strive to global markets fast and either from inception or within the first few years. However, results acquired from the case studies suggested that due to the small size of the companies and limited resources the companies served narrow segment and globalization seemed to be the way to make the markets that are not big enough locally to be feasible. The globalization strategies of disruptive Born Globals had to be fast and flexible to reach the customers as soon as possible. For a Born Global from Finland leveraging a disruptive technology the trend was towards larger customer segments and more profitable target customers. Also, the

companies looked to evolve towards longer lasting relationships with the customers. Staple of the customer strategies included operating in “blue oceans” gaining first mover advantages. Thus, it can be concluded that disruptive innovation strategy was aligned through all of the organizations activities and was in fact the guiding force in decision-making in these Finnish Born Global companies at this point of their evolution.

Based on the literature review and the additional information from the empirical findings of the this study figure 8 illustrates the adjusted version of the theoretical framework that was constructed earlier in this study.

Figure 8: Adjusted theoretical Framework



6.2 Managerial Implications

For managerial consideration on globalization and disruptive innovation this study reveals some issues that should be taken into account. When the management of a Born Global is planning to take its company global this study suggested that the companies should assess the disruptiveness of their product which could be done with the set of litmus questions proposed by Christensen (1997).

The case studies in this thesis showed that one of the key issues that disruptive Born Globals face is the fact that nobody really knows their product. The in depth interviews revealed that the manner in which the companies have responded to this problem is by aggressive sales prior to other marketing channels. Also, important factor was increasing credibility through partnerships with global organizations.

The literature review as well as the case studies showed that, all though product development is the centerpiece of the Born Globals business in order to create value for the customer the focus has to be also in the business side of the company not just product development. Company X for example had strong opinions on the matter and also Aito Technologies had started their sales operations quite fast.

However, one of the key findings regarding managerial implications is the fact that the values of the founders guide the decision making within the company. From this study it was derived that leveraging disruptive innovation requires focusing on the disruptive market. The values that guide the decisions should keep in mind the needs of that market as the company grows. Offering, the disruptive market something they do not need nor want can be devastating for the disruptor.

6.3 Suggestions for Further research

The companies in this study were young Born Globals. The companies had begun their operations within the last three years were in the process of taking their business global. For further research on this subject, it would be interesting to find out how do the needs for resources and capabilities change as the companies have reached global stature and have moved further in their disruption process.

In this thesis the focus was put on the disruptive products that the Born Global companies leverage. Tushman and Andersson (1986) argued that discontinuous innovation or disruptive innovation could be broken down into product discontinuities as well as process discontinuities. It would be interesting to research are Born Globals also as innovative when it comes to their processes and are there process discontinuities that have affected the internationalization and the operations of Born Globals in general.

Christensen (1997) brought up the role of the product life cycle management in disruptive innovation. This would merit as an additional interesting topic regarding Born Globals and disruptive innovation. In addition, one more interesting question was raised in this study. The case companies were young and had to put too much effort to their marketing. For the future research it would be interesting find out how the marketing approach of disruptive product evolves as the product evolves.

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19/8/2009

Lecture Notes

M.Sc.Thesis seminars

EMPIRICAL RESEARCH METHODS

February 23rd 2005, 12.15 – 13.45

Marja Tahvanainen

Interviews

Interviewee: -

Company: Company X, Helsinki, Finland

Date/Time: 4.6.2009 14 pm

Duration: 1h

Interviewee: Vice President Janne Tanninen,

Company: Aito Technologies, Espoo, Finland

Date/Time: 5.6.2009 11 am

Duration: 1h

APPENDICES

Appendix 1: Interview enquiry in Finnish

Hei,

Olen kansainvälisen liiketoiminnan opiskelija Helsingin Kauppakorkeakoulusta. Kirjoitan graduani aiheesta "Global disruption strategies of Finnish Born Globals in the Web services industry". Käsitelen tutkielmassani siis suomalaisia Web service PK-yrityksiä jotka ovat kansainvälistyneet nopeasti disruptiivisiä innovaatioita hyödyntäen.

Tutustuttuani yrityksenne nettisivuihin mielestäni yrityksenne sopii tähän profiiliin ja tiedustelisinkin kiinnostustanne olla Case esimerkkinä gradussani sekä mahdollisuutta tulla haastattelemaan teitä lähiviikkoina. Haastattelu kestäisi arviolta n. tunnin.

Ystävällisin terveisin

Arttu Myllymäki

Appendix 2: Interview enquiry in English

Hello,

I am a student from Helsinki School of Economics. I am currently writing my masters thesis on the topic of "Global Disruption Strategies of Finnish Born Globals in the Web Services Industry". I am researching Finnish SMEs that have globalized quickly leveraging disruptive innovations.

After getting to know your company through your web site, I feel that your company would fall under this profile. Hence, I am enquiring, if your company would have interest to be a case-company in my thesis and also if it would be possible to come and conduct an interview within the next couple of weeks. The interview would take approximately one hour.

Br.

Arttu Myllymäki

Appendix 3: Interview Questions

Haastattelu

Päivämäärä:

Haastateltavan nimi ja asema yrityksessä:

Yrityksen tiedot

Nimi:

Perustamisvuosi:

Työntekijöiden määrä:

Tuote/Palvelu:

Kansainvälistyminen/Globalisaatio

Milloin ja millä tavalla yrityksen kansainvälistäminen on aloitettu?

Missä kaikkialla toimitte tällä hetkellä vai toimitteko globaalisti?

Mitä haasteita globaali ympäristö tuo yrityksellenne?

Miksi yrityksenne kansainvälistyi ja kansainvälistyy?

Onko tarkoitus ollut perustamisesta lähtien ollut suunnata globaaleille markkinoille?

- Kuinka tärkeää se oli saavuttaa nopeasti liiketoimintanne kannalta?

Onko teillä kilpailijoita ja keitä he ovat?

- Jos ei, mitä ongelmia ja mahdollisuuksia se mielestäsi tuo tai on tuonut ?

Markkinoinnin kannalta

Tuotekehityksen kannalta

Mikä on seuraava vaihe kansainvälistymisessänne?

Aloittaessanne suorittatteko markkinatutkimusta tai kilpailijatutkimusta?

Onko perustajilla aikaisempaa kokemusta globaaleilla markkinoilla toimimisesta?

Tuotestrategia

Ovatko tuotteenne/palvelunne standardoituja vai myyttekö adaptoituja tuotteita/palveluja asiakkaillenne?

- Miksi?
- Mitä haasteita olette kohdanneet ja minkälaisia hyötyjä saaneet valinnastanne?
- Tuleeko tämä mahdollisesti muuttumaan?

Mitä hyötyjä tuotteenne tarjoaa asiakkailleen?

Mitä asioita asiakkaanne arvostavat eniten tuotteessanne/palvelussanne?

Palveleeko yrityksenne tällä hetkellä ns. "Niche" markkinaa?

Keitä olivat tuotteen ensimmäiset käyttäjät/asiakkaat?

- Miksi he?
- Mitä lisäarvoa he hakivat tuotteelta?
- Oliko tuote suunnattu tälle segmentille alusta alkaen?

Uskotko, että asiakaskuntanne tulee mahdollisesti muuttumaan tulevaisuudessa?

- Jos kyllä, mitä mahdollisia syitä tähän on? Tuotekehitys? Teknologian halpeneminen?

Kuinka paljon resursseja laitate markkinointiin suhteessa tuotekehitykseen?

Onko kilpailijoita?

- Mitä hyötyjä/haittoja tästä on?
- Oletteko valmistautuneet mitenkään mahdollisiin uusiin kilpailijoihin?

Onko tuotteellenne ilmaantunut ennalta arvaamattomia käyttötarkoituksia?

Innovaatiostrategia

Perustuuko tuotteenne/palvelunne uuteen innovaatioon?

Onko yrityksellänne innovaatio strategiaa?

- Mikä näistä vaihto ehdoista kuvaa parhaiten Innovaatio strategiaanne?

1. Opportunistinen innovaation strategia
2. Ennustus perusteinen innovaation strategia
3. Teknologia perusteinen innovaation strategia

Onko strategianne muuttunut ajan/kansainvälistymisen syvenemisen myötä?

Miten?

Onko olemassa toista tuotetta jonka teidän tuotteenne voisi korvata?

Markkinointistrategia

Onko markkinointinne standardoitu globaalisti vai adaptoitu?

- mitä hyötyjä/haittoja tästä on?

Onko hinta tärkeä asia asiakkailenne?

Minkälaisia markkinointikanavia yrityksenne käyttää?

Esim.

- Web
- Promootiotilaisuudet
- Suoramarkkinointi

Verrattuna isompiin yrityksiin, luuletteko että joudutte tekemään enemmän työtä saavuttaaksenne asiakkaanne?

Resurssit

Mitkä ovat yrityksenne tärkeimmät resurssit ja kompetenssit tällä hetkellä?

Entä tulevaisuudessa?

Onko resurssien käyttötehokkuus tärkeää yritykselle? (Resource Fungibility)

Aloittaessanne kansainvälistymisen, oliko teillä puutteita erityisesti jostain kompetensseista tai resursseista?

- Kuinka vastasitte tähän ongelmaan?

Financial

Onko rahoituksen saaminen ollut ongelma yrityksellenne?

- miksi/miksi ei?
- Jos kyllä? Minkälaisia ongelmia?

Mielestänne, rajoittavatko taloudelliset resurssit yrityksenne mahdollisuuksia kehittää ja markkinoida tuotettanne/palveluanne?

Millä tavoin olette rahoittaneet toimintaanne?

Human

Minkälainen tausta yrityksen perustajilla on?

- aikaisempi kansainvälinen kokemus?
- Koulutus jne.
 - o Miten se on vaikuttanut toimintaanne/kansainvälistymiseen?

Työntekijämäärästänne, miten se jakautuu eri osastoille, kuten markkinointi, tuotekehitys jne.?

- Onko se muuttunut ajan myötä?
 - o Mitä syitä tälle voisi olla?

Vaikuttaisiko yritykseenne merkittävästi yhden tärkeän työntekijän lähtö?

Oletteko ulkoistaneet mitään toimintoja?

- Miksi/miksi ei?

Prosessit

Kuinka tärkeää on mielestäsi, että prosessit ovat joustavia?

Olisiko mahdollista muuttaa prosessejanne tarvittaessa esim. Kilpailu ympäristön muuttuessa?

- Oletteko valmistautuneet jotenkin tähän mahdollisuuteen?
- Oletteko mahdollisesti jo joutunut adaptoitumaan?
 - o Jos kyllä, miksi?

Sanoisitko, että markkinointi kyvykkyys on ottanut asemaa tuotekehitykseltä sitten yrityksen perustamisen?

Arvot

Mitkä ovat yrityksenne arvot?

Miten arvot näkyvät prosesseissanne ja resursseissanne?

- Vaikuttavatko arvot päätöksen tekoon?

Ovatko arvot muuttuneet yrityksen kansainvälistymisen aikana?

- Jos kyllä, niin miksi?

Verkostot

Ovatko yrityksen perustajien jo olemassa olevat verkostot vaikuttaneet toimintaanne?

Teettekö yhteistyötä ulkoisten partnereiden kanssa tai luotteko strategisia alliansseja markkinoinnissa, tuotekehityksessä, jakelussa?

- Mitä hyötyjä/haittoja koette tästä olevan?