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INTERNATIONALIZATION OF ESTONIAN BORN GLOBALS

Master's thesis

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I hereby declare that I have compiled the thesis independently and all works, important standpoints and data by other authors have been properly referenced and the same paper has not been previously presented for grading. The document length is 16043 words from the introduction to the end of conclusion.

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ABSTRACT

The aim of this work was to find out the reasons why companies become globally orientated from or close to establishment, where do they choose to export and what are the strategies and criteria for choosing international markets. Thesis has two research questions. Why do Born Globals start early internationalization? How Born Globals choose markets for their exports?

Author has used a qualitative research, that has been chosen due to fast and constant change of the reviewed subject. The data is gathered using semi-structured interviews with 12 Estonian high-tech start-ups defined as Born Globals. Content analysis has been chosen as the method of data analysis.

It has been found that most of the researched firms have been internationalizing due mostly to external factors caused by a small domestic market, and narrow niche segmentation strategies driven mostly by the nature of the product and specific of the business model. Besides it has been found that founders Estonian Born Globals are pushed into internationalization because of the founders' personal growth ambitions and global vision. Most of the researched companies initially started their export activity to distant markets such as North America, Australia, UK and Western Europe, while a small part exported to physically close markets. Most of the researched Estonian Born Globals used rational decision making when deciding on the initial export markets. Small group of the researched companies have initially entered geographically close markets, but within some time and learning, have changed initial strategy for rational decision approach based on industry trends and business strategy.

Keywords: Internationalization, Born Globals, Resource-based perspective, hi-tech start-ups.

INTRODUCTION

The modern business world is a dynamic ecosystem with an accelerating speed of change. The velocity is so high that today an average life expectancy of a company has dropped down to 10 years, compared to around 67 years in the 1920s (Rowles and Brown, 2017). With increasing global competition and decreasing life expectancy of a company, it becomes crucial to understand what makes one business entity more successful in the international arena than another. Especially when a firm originates from a country with a small domestic market, as sometimes international sales can be the only source of growth and profit.

Estonia has one of the smallest domestic markets in Europe, with a population of around 1.3 million people, that does not prevent it from having the biggest number of unicorns, i.e. companies with an evaluation of more than 1 billion euros, per capita. Estonia does not have many natural resources as some of its neighboring countries and for that reason hi-tech start-ups are considered as Estonia's most valuable asset in the long run, which will continue to influence the entire ecosystem of entrepreneurship and move the economy towards the future. Estonia is already globally known because of such huge companies that were born in Estonia like Skype, Mobi, and Playtech, which are sometimes referred to as Born Globals.

Born Globals are a much more important phenomenon for small and open economies like Estonia, as it is limited with financial and managerial resources. This forces founders of Born Globals to think globally from the early days, develop a unique product or use strategic management that would make them competitive on the international market. On the other hand, multinational corporations from big economies have much more financial and managerial resources that creates a big risk in future for companies originating from small open economies. Globalisation and in some sense monopolization of the market, might lead to a company acquisition or in worst case bankruptcy of the domestic Born Global. That forces Born Globals from small and open economies to internationalize as soon, and fast as possible to survive and prosper, as for instance, Finnish companies had a slogan „Internationalize or die“. Considering

the importance of this subject there has been conducted only limited research covering the most promising companies such as Bolt, Veriff, Pipedrive, Comodule, and others.

Qualitative research using case study research design has been made by Mets (2014) who concluded that entrepreneurial ecosystem is one of the factors that accelerate growth of the Born Global companies in Estonia, however it did not cover the question why initially Born Globals in Estonia occur. Vissak, (2006) analysed internationalization of 13 listed Estonian companies, examining to what extent it has accorded with main internationalization theories. It has covered only traditional companies, whereas this research concentrates on hi-tech start-ups. Considering the gap in knowledge, it is important to explore Estonian Born Globals and find out the reasons for their occurrence and business strategy when choosing international markets, which is the research problem.

The authors aim is to find out the reasons why companies become globally orientated from or close to establishment, where do they choose to export and what are the strategies and criteria for choosing international markets. There are two research questions:

1. Why do Born Globals start early internationalization?
2. How Born Globals choose markets for their exports?

For a better understanding of the research, the first part starts with discussion on different theories of internationalization. Then the concept of Born Globals is analysed aiming to explain the phenomena, its difference to traditional companies, reasons for its emergence and internationalization strategies. The last part outlines the researches that have been done in the context of Estonia.

The methodology chapter includes description of the research, reasons for choosing it and limitations of the work. The research is performed using inductive view and qualitative research, that has been chosen due to fast and constant change of the reviewed subject. The data is gathered using semi-structured interviews with 12 Estonian hi-tech start-ups defined as Born Globals. Author is using content analysis as the method of data analysis, which helps to understand the different viewpoints of Estonian Born Globals and compare them to one another. The analysis part includes direct quotes from the interviews and author's interpretation of the data, its connection to the theory and patterns within the interview answers. Last part of the thesis contains authors conclusion and findings based on the results of the research. This part

also contains recommendations and suggestions to the future founders of the Estonian companies in terms of setting up a successful international entity, that are given by the founders of the most successful Born Globals and author's own perception based on the research.

1. THEORETICAL BACKGROUND

In this thesis, literature review will be divided into three parts. Firstly, an overview of the internationalization theories will be presented. Next “Born Globals” will be defined and it will be explained how do they differ from traditional organizations. And finally the reasons why Born Globals start internationalization and on which markets they enter, will be covered.

Terms used and their meanings: Internationalization is the process of establishing activity outside of the domestic country that is usually perceived as export sales. Born Global - a company that start exports to multiple countries close to its establishment. Physic distance is concepts that explains cultural proximity of the countries. SME – small and medium enterprises. Unicorn – a company by market capitalization worth 1 billion euro.

1.1.INTERNATIONALIZATION OF THE FIRM

Internationalization of businesses has been widely studied over the last 50 years by many researches. Many of the studies have focused on the way small and medium size enterprises form their exports and internal processes leading to their internationalization. In simple words, internationalization is a synonym for the geographical expansion of economic activities beyond national borders (Matlay *et al.*, 2006, p. 477).

Controversial opinions have emerged among scientists on the way this process evolves, as some of them consider internationalization as a gradual process through incremental decisions and “stages” (Johanson and Wiedersheim-Paul, 1975; Johanson and Vahlne, 1977; Chetty and Stangl, 2010; Siawsurat and Onel, 2011), some emphasize the importance of the network, client followership and personal contacts with foreign partners (Bell, 1995; Bell, Crick and Young, 2004; Simoes, 2012) and some consider company resources, strategic management, global trends and environment on the markets as the most important aspect in reaching international business activity (Aaby and Slater, 1989; Laanti, Gabrielsson and Gabrielsson, 2007). Even though there has not been developed any holistic view on this concept most of researches were conducted for

the purpose of understanding how small and medium size enterprises (SME) initiate their exports and international involvement.

1.1.1. Stage Theory

An empirical research published by Johanson and Wiedersheim-Paul (1975) called „The Internationalization of the firm – four Swedish cases” outlined an interesting behavioural pattern of the well-known Swedish companies that performed international business activity with a specific sequence: first exports were done through foreign agents, gradually after some time and knowledge gain about the markets, firms set up own sales subsidiaries and after establish own manufacturing subsidiaries (Johanson and Wiedersheim-Paul, 1975; Johanson and Vahlne, 1977, 1990). Also known as “Uppsala school” authors distinguished four stages mentioned before as the “establishment chain” of a company that evolves step by step as more and more relevant incoming information about the foreign markets occurs (Johanson and Wiedersheim-Paul, 1975, p. 307).

Researchers assumed that lack of knowledge and a limited amount of resources are the biggest obstacles to internationalization, that can be reduced by incremental decision-making and learning about the international markets (Johanson and Wiedersheim-Paul, 1975, p. 306). For instance, in the research on Thai SME it has been found that companies proceed incrementally to internationalization and commit more resources to the export activity as more market knowledge is gained through gradual internationalization (Siawsurat and Onel, 2011, p. 60). Uppsala School suggested a concept called the “physic distance” that can be described as a sum of factors slowing down the flow of information between the market and the firm (Johanson and Vahlne 1977, 24) and thus influencing the direction of the initial exports. Physic distance should not be confused with geographical one, as for example, Great Britain and Australia are far from each other geographically but are very close culturally due to British Commonwealth of Nations. On contrast United States of America and Cuba are very far from understanding each other even though geographically they are quite close. The idea of the stage theory is that “the evolution of internationalization is based on managers’ cognitive learning and competency development, which gradually increases through experience” (Bell, Crick and Young, 2004, p. 26) so slowly it will help companies to decrease the “physic distance” between the markets. Management gains knowledge slowly, so to minimize the risks of making wrong decisions (Moen and Servais, 2002, p. 50).

Some other stage theories were proposed by other researchers and even though number of stages differ, the basic assumption of all the stage theories (Bilkey and Tesar, 1977; Johanson and Vahlne, 1977; Cavusgil, 1980) is that companies are well established in the domestic market prior to developing any international activity (Bell, Crick and Young, 2004, p. 25).

Bell (1995) challenged the concept of “physic distance” as the one adequately explaining the initial choice of the markets for export activity, as 30-50% of the surveyed UK firms did not start any export sales with psychologically or geographically proximate countries. Andersen (1993) criticized the stage model for inability to explain the sequence of the stages and the factors that influence movements from one phase to another, calling it “tautological”. The sequential order of the chain does not allow managers to make rational decisions, e.g. open production on the foreign markets without opening sales subsidiaries (Melin, 1992, p. 104). Johanson and Vahlne (1990) tried to deflect criticism by explaining that stage theory is best applied for the early stage of the internationalization, an indeed a research on New Zealand firms showed that the physic concept was used only at the beginning, but as soon as companies enter initial export markets, it is not used anymore, as companies are willing to invest in to more distant markets (Chetty and Stangl, 2010).

Stage model tried to explain internationalization of the firm as a sequential process, that is performed due to lack of knowledge about the export markets. In general, the theory has been developed at the end of 1970s which implies big technological changes compared to nowadays, meaning that information can be transferred much easier. Besides that, the original Uppsala model of internationalization has used mainly data sets based on industrial enterprises and fails to explain internationalization when it comes to business service companies, meaning that it might be limited to different industries (Górska, 2013, p. 6).

1.1.2. The network perspective

Simoes (2012) supposed that close relationship with clients and interfirm relationships with partners or suppliers, can determine targeting of the foreign markets and the speed of entry. This concept evolved from the industrial marketing (commonly known as B2B marketing), suggested that companies proceed to the internationalization through an interplay between commitment to the market and flow of knowledge from the market that is streaming through a network of foreign connections (Madichie, 2008, p. 471). Even Johanson and Wiedersheim-Paul (1975) in

their original empirical research of four Swedish firms mentioned that both founders of steel manufacturer Sandvik and car manufacturer Volvo had a prior experience selling on foreign markets, which helped them to establish good international connections with partners abroad.

Under this concept, internationalization is considered a pure network phenomenon where companies are interconnected, which allows obtaining resources needed for foreign expansion (Ratajczak-Mrozek, 2017, p. 154). “A basic assumption in the network model is that the individual firm is dependent on resources controlled by other firms. The firm gets access to these external resources through its network positions.” (Johanson and Mattson, 1987, p. 36). Network position can be considered as a partially controlled intangible market asset that determines future opportunities and strategic development of the company; evolves gradually and is based on earlier activities with other firms in the network (Johanson and Mattson, 1987, pp. 35–36). Considering much of the critics and new empirical findings supporting importance of the network from Bell (1995), Coviello and Munro (1995), Martin, Swaminathan, and Mitchell (1998), prompted Johanson and Vahlne (2009) to revisit the original “Uppsala model” and come up with the conclusion that “insidership”, which is a similar term to network position, is a necessary condition for a successful internationalization. In contrast to the stage theory’s vision of knowledge gain through incremental and experimental sales abroad to psychologically close markets, network perspective suggests that gain of knowledge and experience from their business network (Chetty and Blankenburg Holm, 2000, p. 91).

Bell (1995) outlined the idea of “client followership” that occurs when firms’ domestic client gets a contract abroad and recommends or helps the firm to get on the same market. In his research, 62% of respondents have indicated that client followership has been the driving factor in their decision to start exports and choose a specific market (Bell, 1995, p. 65). Markets are seen as a network of connections among a number of members like client, partners, competitors, family members or friends that either can help you to grow or restrict your international development initiatives (Madichie, 2008, p. 472).

Chetty and Holm (2000) criticized the network approach for not considering the importance of the decision-maker and firm characteristics when it comes to internationalization opportunities; for excluding external factors like intense domestic competition, unsolicited order and government policies from the model; and for only considering relationship that occur organically e.g. totally ignoring formal associations like joint action groups. “Rather, the existence and size

of demand in any given market structure determines the orientation of the initial export thrust”. (Czinkota and Ursic in J M Hawes and Glisan 2015, 157).

Network based perspective tried to explain internationalization from the perspective of international connections that drive the information from foreign markets, thus making it easier to export. It should not be considered as the only reason for successful internationalization, as it fully eliminates the unique product that a company can develop, that can become organically popular, due to technological advancements. Besides it does not take into account other external factors that can influence the pace of internationalization, for instance globalization.

1.1.3. The resource-based perspectives

According to empirical research by Ibeh, Young and Lin (2004) that analysed Taiwanese IT firms that exported products to the United Kingdom, companies’ attitude towards internationalization were affected by market and knowledge-seeking factors. In other words, before exporting their products to UK they first considered high market potential, researched possibilities to increase the market share, analysed whether it is possible to control marketing and distribution channels, and build a more close and direct relationship with the clients (Ibeh et al 2004, 40). Bell, Crick and Young (2004) and Laanti, Gabrielsson, and Gabrielsson (2007) came up with similar results stating that firms are influenced and driven by global market and industry trends and relationship with clients when choosing the initial markets for internationalization List of companies from Northern Ireland exported goods to Ireland (which is technically a foreign market) and not to the other parts of the UK because Irish markets was considered less competitive, thus easier to acquire a market share (Bell, Crick and Young, 2004, p. 40).

The conceptual model of export performance composed by Aaby and Slater (1989) that is widely known as “a strategic export model” looks on the internationalization process from the business strategy perspective that seeks to understand what factors influence firm’s export performance the most (Madichie, 2008, p. 473). Export performance is influenced by external environment and internal factors like competencies, strategy, and firm’s characteristics and as the environmental factors cannot be seriously influenced by a company in most cases they should be considered as given constraints, but internal e.g. management commitment to export, management perception, international experience, attitude towards export goals, good management systems, and planned export activities are good determinants of the export success,

which can be regulated by the company (Aaby and Slater, 1989, p. 21). Chetty and Hamilton (1993) in the review of the “strategic export model” concluded that the three most significant variables in each of the category responsible for export performance are:

- 1) Firm competence (technology, market knowledge, and export exploration analysis).
- 2) Firm Characteristics (firm size, management commitment, and perceptions of profit likelihood).
- 3) Export strategy (market selection, product mix, and pricing).

In the research on the international intensity of the early-stage technology-based firms it was mentioned that management’s attitude, firm resources, size and government support partly explain the intensity of the internationalization (Preece et al 1999, 275). However, a firm’s size impact on the intensity of the internationalization is controversial, as it can explain only the intensity of the smaller firms (less than \$1 million sales and less than 50 employees) (Calof, 1994, p. 376). Size seems to have an indirect impact on international expansion, as the consequence of the size is the number of resources that an organization can invest in exporting activity e.g., set up an exporting department, set up a foreign office or conduct marketing research. For instance, international marketing research positively correlates with export sales and overall determines the success of the internationalization (Zou and Stan, 1998, p. 345). Government support has an impact on the intensity of internationalization, as the national export programs are boosting firms with additional resources, either with financial support or knowledge about the international markets (Preece, Miles and Baetz, 1999, p. 273). Manager’s perception and beliefs influences his views on the internationalization which can lead to significant results or absolutely no interest (Coviello and McAuley, 1999, p. 227) thus supporting the argument that management’s attitude has a direct influence on the intensity of the internationalization.

Table 1 gives a quick comparison of the described models of the internationalization; summarises why companies internationalize and on which export markets.

Table 1. Summary of internationalization theories

Stage Theory	The network perspective	The resource-based perspective
<p>The evolution of internationalization is based on managers' cognitive learning and competency development, which gradually increases through experience" (Bell, Crick and Young, 2004, p. 26)</p> <p>Companies start internationalization to "physically close" countries and proceed to more distant markets as more experience is gained.</p>	<p>Companies proceed to the internationalization through an interplay between commitment to the market and flow of knowledge from the market that is streaming through a network of foreign connections (Madichie, 2008, p. 471).</p> <p>Market selection and entry mode is formed by opportunities developed through a network of contacts and defined by the "insidership" i.e. network position as it provides access to knowledge and resources of the others members of the network.</p>	<p>Companies' attitude towards internationalization are affected by market and knowledge-seeking factors as well as management's attitude.</p> <p>Markets are chosen based on global and industry trends, competition and business strategy.</p>

Source: Author's summary based on the literature review

As by this point, it has been defined that there are three main approaches for a firm's internationalization. First is referred as the stage model, that explains internationalization of a company as a gradual process of learning through exports to physically close markets. The second approach refers to as network-based perspective that challenged the stage model with the fact that firms tend to internationalize because of the networking opportunities that determine their ability to get information from the foreign markets. The last approach claims that rational decision making and ability to detect trends influences the path of internationalization. All these concepts have their own arguments, but it seems that there has not been found any holistic view on this topic. And there are reasons behind that.

It is important to note that there are differences between traditional and knowledge-intensive companies in the way they proceed to the internationalization. Traditional exporters are often reactive and incremental in the exports activity in contrast to knowledge-intensive that expand rapidly into greater number of markets and in a very proactive form. (Bell et al 2004, 41). Madsen and Servais (1997) clustered companies into three categories: first are the traditional exporters, second are “firms that leapfrog some stages e.g. Late Starters that have only domestic sales for many years, but then suddenly invest in a distant foreign market”, and third “Born Global firms” that aim international markets right from the birth (Madsen and Servais, 1997, p. 579).

1.2.Born Globals

A report by McKinsey & Company (1993) showed evidence of the emergence of some Australian companies that behaved differently compared to other small and medium-sized enterprises on the domestic market – from their establishment, they were successfully competing on the international markets and internationalized rapidly (Gabrielsson and Kirpalani, 2012, p. 3). As an example, mouse devices and other PC peripherals manufacturer – Logitech, which from inception became internationally orientated, set up headquarters both in Switzerland and the U.S. and made the first commercial contract with a Japanese company (Phillips McDougall, Shane and Oviatt, 1994). Swedish company Seaflex AB, that sells environmentally friendly elastic mooring systems, mentioned that during the first years of its existence, rapidly tried to find international clients as the Swedish market is too small and only 2% of sales come from the domestic market (Mandl and Celikel-Esser, 2012, p. 9). Results from Kundu and Renko (2005) showed that Finnish software companies seeking for growth were forced to aim international markets at early stages, especially considering the fact that Finnish software market accounted for only 0.5% of the global. All pointing out that some companies do not follow a slowly domestically oriented sales strategy and try to launch international sales close to its establishment.

Born Globals is not the only term used to describe such phenomena, for instance some used “early stage technology-based firms” (Preece et al 1999, 260) and “international new ventures” (Oviatt and McDougall, 1994). Even though there is no generally accepted definition of the concept “Born Globals”, most of the existing literature describe them as young firms that quickly

achieve a high percentage of exports (Mandl and Celikel-Esser, 2012, p. 9). Usually, such type of firms is characterized by:

- In most cases reliance on worldwide unique product or process innovation (Knight and Cavusgil, 1996, p. 12; Laanti, Gabrielsson and Gabrielsson, 2007, p. 1113).
- Seeing the world “borderless” with the development of the global strategy from the founding (Cavusgil and Knight, 2009, p. 10).
- Export sales accounting for at least 25% share of total sales and activities in more than one foreign country (Mandl and Celikel-Esser, 2012, p. 11);
- Domestic stage when Born Globals sold their product purely on home markets has been very short, varying from one month to two years (Luostarinen and Gabrielsson, 2004, p. 387).

Different authors have used various criteria for describing the characteristics of the Born Globals (Appendix 1). Most of them have described Born Globals as entities with more than 25% of the total sales coming from foreign markets, those that have management with the global mindset, Born Globals export to multiple countries and first export sales have started at least 2 years after companies’ establishment (Mandl and Celikel-Esser, 2012, p. 10).

To understand the nature of the Born Globals it is necessary to define several key differences compared to traditional companies or domestic start-ups that are inherent for such a phenomenon. Born Globals use superior information about the markets and understand how to use resources in different areas to make profit before others perceive it, because of previous life experience, work, of the management (Phillips McDougall, Shane and Oviatt, 1994) and the whole team compared to domestically oriented young entrepreneurs (McDougall, Oviatt and Shrader, 2003, p. 73). Entrepreneurs leading international companies usually have a higher level of education as their activity requires a more complicated operations compared to domestic businesses (Mandl and Celikel-Esser, 2012, p. 27) and scan environment for opportunities before launching their own global business (Mets, 2016, p. 5). It also has been found that the staff in general also has a higher level of education compared to traditional companies which significantly constitutes to the early internationalization of the company (Lamotte and Colovic, 2015, p. 23).

As defined earlier Born Globals have differences compared to traditional firms and domestic start-ups that can be driven by several factors. These types of organisations have more proactive approach for growth, are launched with world-class innovation and are characterised by a faster

pace for internationalization. It seems that this concept is relatively new and especially evolved during the last 20 years, that might be caused by globalisation and development of new technologies. However, it is unclear what are the most relevant factors behind the emergence of this concept, as it seems there is no holistic view on that.

1.3. Internationalization of the Born Global

There are several reasons that cause birth of the Born Globals and their early internationalization. Overall, these factors influencing the evolution of the firms can be grouped in to three main categories as seen on Figure 1.

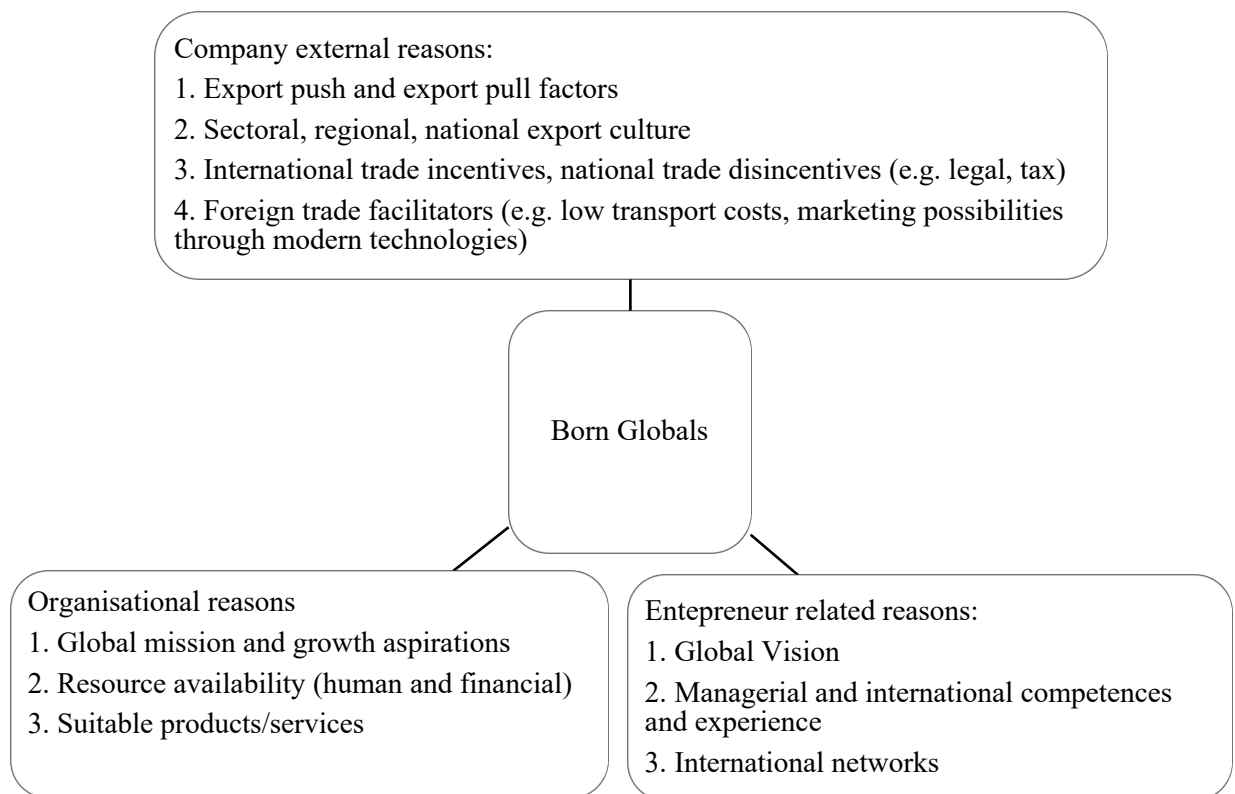


Figure 1

Source: Mandl and Celikel-Esser (2012, 41), factors influencing development of Born Globals.

The first category consists of company external reasons. One of them is export push factor that evolves when there is a small demand for a product on the domestic markets (Bell, 1995, p. 70; Kundu and Renko, 2005, p. 45), limited potential of the market that is relevant to small open economies (Laanti, Gabrielsson and Gabrielsson, 2007; Gabrielsson, Gabrielsson and Seppälä,

2012, p. 27) or a big competition on the domestic market that pushes companies to look for opportunities elsewhere (Lamotte and Colovic, 2015, p. 23). Companies simply will not be able to cover the costs of making the product and it forces them to find a bigger piece of the pie somewhere abroad. Interesting to note, that market can become “small” due to technological advancements. Born Globals successfully compete with big multinational corporations, using technological advancements and innovative products (Mandl and Celikel-Esser, 2012, p. 31), however it makes production more expensive as companies need to spend more on R&D, which decreases profits, forcing companies to go on the international markets to gain that loss (Luostarinen and Gabrielsson, 2004, p. 391; Moen *et al.*, 2009, p. 20). Researches showed that the window for selling a high-tech product before it is superseded by a more advantageous application can be as little as two or three years (Bell, 1995, p. 69). Unique product development and quality focus gives Born Globals a competitive advantage and makes it is easier to enter foreign markets, however creates a higher capital requirement compared to start ups focused on domestic markets or firms traditionally doing business abroad (Mandl and Celikel-Esser, 2012, pp. 19–21). Another explanation to the push factor outlined Moen (2000) who in the research of the Norwegian companies found a direct relationship between the size of the organization and the level of international success, which is similar to early mentioned conclusion by (Calof, 1994), and that is why small firms form a niche orientated strategy, which helps them to reduce size disadvantage to compete with multinational corporations but forces to go abroad close to the establishment.

Another significant factor in this category is the export pull factor which evolves when there is an absence of the domestic supplier, that forces local customers to turn their interest towards foreign supplier (Cavusgil and Knight, 2009, p. 27). This can be triggered by a growing demand for customized products, among consumers in the developed countries, especially because of the globalization and worldwide competition from multinational organizations that forces firms to focus on more narrow segment niches and operate on global markets (Knight and Cavusgil 1996, 2004). As the technological and social media development makes it easier to transfer information global consumers can feel a need for a specific product before a local company can actually detect that business opportunity. Development of such organizations as PayPal, Wise (previously TransferWise) makes transactions much faster allowing to make an instant payment of profits, royalties, management fees and direct money investment (Luostarinen and Gabrielsson, 2004, p. 390). Information and communication technologies serve as a backbone for internationalization as it facilitate access to the foreign market information, clients and opportunities (Lamotte and

Colovic, 2015, p. 22). Especially this factor has been influenced by such companies as Skype, Facebook Apple that make our communication possible almost everyone in the world. Transfer of information decreases the response time and improves flexibility to adopt to foreign consumer tastes and international standards (Knight and Cavusgil 1996, 2004). And not only communication and information transfer has become faster, e.g. transport connection became also global and much faster, allowing to get access to any business centre on every continent within 24 hours (Luostarinen and Gabrielsson, 2004, p. 390).

Sometimes “culture of internationalization” is the trigger, as in such countries as Netherlands, Singapore and the United Arab Emirates successful examples motivate other companies to go the same way (Cavusgil and Knight, 2009, p. 78). Oftentimes the “culture” or entrepreneurial ecosystem creates availability of the financial funding from public/private organizations and venture capitalist, as in the example of the Finnish wireless technology sector companies it was one of the main factors for becoming Born Global (Laanti, Gabrielsson and Gabrielsson, 2007, p. 1114). For instance, in Estonia there is an enterprise Estonia (EAS) that helps starting or existing entities with financial subsidies and European union Horizon fund that supports innovative organisations in Europe.

As mentioned previously technological advancements and high costs of production due to high-tech nature of the product makes the domestic market “artificially smaller” as a bigger number of consumers is required to cover the costs, however the innovation-related competitive advantage opens doors to other consumers globally that might want this solution (Mandl and Celikel-Esser, 2012, p. 42). This argument falls under organisational reasons together with financial and human resources, employees experience, skills and commitment and organisational mission to be global (Ibid.,42). Success of the organisation can be driven by teams’ experience, as the results of the research suggests that Born Globals tend to hire managers with international experience as it helps to take advantage of international opportunities (Ingemar, 2012, p. 42). Perhaps that is why some companies tend to hire employees with different cultural background, and different language knowledge as it might be easier to enter a foreign market if you have a person who knows the market, culture, traditions and language.

The third category that influences birth of Born Globals is related to entrepreneurial reasons. This is something that is related to the background, skills, character and experience of the founders. Sometimes, young firms are pushed into internationalization because of the founders’

personal growth ambitions (Moen *et al.*, 2009, p. 20) and when they have a global market orientation, seeing international markets “borderless” (Cavusgil and Knight, 2009, p. 27). Besides it involves ability to spot and opportunity on foreign markets and managerial competence to recognize it (Mandl and Celikel-Esser, 2012, p. 42). Global network became a driving force for international success of the Born Globals, which is used to acquire necessary information about the target markets (Knight and Cavusgil, 2004; Cavusgil and Knight, 2009; Mandl and Celikel-Esser, 2012, p. 29). This is sometimes referred as synergy with other companies that is described with an open innovation concept developed by Chesbrough (2003) according to which information is shared between members of the markets allowing small companies without a significant amount of resources contribute and sell their product without the construction of an entire value chain (Mets and Kelli, 2011, p. 83). Similar concept has been mentioned by Johanson and Vahlne (2009) who concluded that “insidership”, which is a similar term to network position, is a necessary condition for a successful internationalization. This implies that mostly entrepreneur related reasons and as a consequence birth of a Born Global firms are affected by networking opportunities that drive the stream of information that an entrepreneur can use to build a global organisation.

However, it is unclear whether Born Globals internationalize reactively or proactively and how they choose where to export, to physically close markets or more distant ones, as some believe that establishing connections with multinational organizations (Simoes 2012) at the beginning drives the success of a Born Global organisations, while others find evidence that it is multinational companies that instigate business relationships with the Born Global firms as they become interested in an innovative product (Nordman and Melén, 2008, p. 182). Born Globals operate in a very competitive and dynamic world where window for business opportunities can suddenly open or close, thus Born Globals face unique challenges when exploiting international markets (Nordman and Melén, 2008, p. 171). Today, there is no holistic view on the way Born Globals internationalize and researchers find similarities with concepts like stage model, network model or resource base model of internationalization.

Based on a case study from New Zealand, Born Globals proceeded to their first foreign markets according to the concept of the “physic distance,” meaning that companies first started exporting to culturally close markets, but as soon as companies have entered first international markets the physical distance concept had less significance in the next markets (Chetty and Campbell-Hunt, 2004; Chetty and Stangl, 2010). Similar conclusions have been made by Taylor and Jack (2013)

who analysed Born Globals from Australia and found that companies enter physically close markets first and do not rely just on a strategic opportunity. Physical distance influences the pace of the market entrance, whereas being culturally close helps to understand the market better and thus improve the speed of entry (Taylor and Jack, 2013, p. 16). Born Globals tend to internationalize rapidly into the markets ready to adopt their technology, and they do that as fast as possible as they need to establish a revenue stream with "maximum tolerable risk" (Freeman, Hutchings and Chetty, 2012, p. 425). Getting back to the reasons why Born Globals evolve, high production costs and R&D investments force companies to sell abroad having a limited information about the foreign markets should be taken into account. That is why firms choose to go into similar markets, use safer strategy and eliminate unnecessary losses due to lack of knowledge. Born Globals have often in common a trait to concentrate on market and customers that can be called "market focused learning orientation" that implies acquisition and assessment of the information from the firm's marketplace that supports rapid internationalization as it helps to understand customers' needs, develop individual products for different buyer segments and thus increase their satisfaction (Cavusgil and Knight, 2009). Domestic market plays a less significant role for the Born Globals than for traditional companies, but it is still considered qualitatively important market for testing a product before it goes globally as it is usually driven by world-leading innovation (S. Chetty and Campbell-Hunt 2004, 71-72). For traditional companies' domestic market is used to generate profits, and it seems that for Born Globals it is used for testing. If companies tend to internationalize into similar markets, then understanding customers' needs at a local market and adopting the product on early stages will be significantly cheaper.

It can be argued that the geography, where empirical research has been conducted, determines the results, as based on Laanti et al (2007) Born Globals from the Finnish wireless network sector did not want to target Northern European market and instead used global customer segmentation instead of country-based segmentation for their export market selection. This implies that they did not consider exporting to physically close markets like Norway or Sweden and instead looked for the growth from large European countries, Asia, and Northern America in the first 2 years after establishment. Another example covered by Simoes (2012) in his study on Portuguese Born Globals states that the trajectory of the internationalization path were shaped with early linkages with multinational and foreign companies, and in most cases from scientific/academic network of the founders as often Born Globals are launched with a scientific innovation. Domestic network has a significant role at least the beginning as for example Finnish

wireless network Born Globals like Add2phone, CodeToys, and WES used Nokia's and Sonera's resources to establish international connections and proceed to foreign markets (Laanti, Gabrielsson and Gabrielsson, 2007, p. 1113) . Undoubtedly the role of international network connections should not be overlooked as the factor of the success and direction of internationalization, and the role of international networks becomes more significant as companies become more global (Laanti, Gabrielsson and Gabrielsson, 2007, p. 1114). All the above-mentioned findings suggest that there is no holistic view on the reasons where and how exactly do Born Globals internationalize, as in some cases they proceed through strategic planning based on resource-based perspective, and in some cases obtaining information through domestic partner followership or scientific networks.

It can be argued that there are two main factors influencing the decision of entering a specific foreign market:

- 1) learning opportunities, which relates to the country's trend setting features and industry-specific clusters (e.g., office in the Silicon Valley);
- 2) market attractiveness, which is a combination of founders' perception of the market proximity (e.g. cultural proximity, living experience, language mastering and former networking) and market size (Simoës, 2012, p. 325).

These findings imply similarities with the resource-based perspective of internationalization. The resource-based theory of internationalisation suggests that firm's specific resources (financial assets, plant, property, and equipment, human, organizational, informational, and relational elements such as the skills and knowledge embedded in company employees) that are valuable, unique, and hard-to-imitate distinguish winners from losers in global competition (Cavusgil and Knight, 2009, p. 65). When Born Globals are viewed from the resource-based perspective they are seen to succeed in the global competition and foreign markets due to unique gestalt of managerial and intangible resource and by aligning key strategic assets with the demands of local markets thus influencing the way companies choose the foreign markets (Ibid., 65).

Nordman and Melén (2008) outlined two types of knowledge that is used by Born Globals, which might explain the reason for various empirical results:

- 1) International knowledge, which is essential for incremental for incremental internationalization.

- 2) Technological knowledge, which is a one that is gained through the usage of technology upon which the firm's product is built.

In the same paper decided to dichotomize the concept of the Born Globals into two subgroups: Born Industrials, which are characterized by their founders' high level of international experience, and Born Academics, which are characterized by their founders' high level of technological knowledge and low level of international experience (Ibid, 183). Born industrials and Born Academics have different approaches to internationalization as the former uses a more planned and proactive international strategy with active search for opportunities, whereas the latter can be considered reactive and characterized by discovery of the opportunities as a consequence of their foreign market activity (Ibid, 183). Born Academics' lack of international experience can be compensated with technological knowledge, network/contacts and more proactive approach for moving from culturally proximate into culturally non-proximate markets and vice-versa (Freeman, Hutchings and Chetty, 2012, p. 451). There is even a tendency to form Born Globals with several founders complimenting each other as it gives an opportunity to have a better portfolio of innovations, network connections, and other capabilities necessary for the success of the company (Laanti, Gabrielsson and Gabrielsson, 2007, p. 1114).

It seems that there are different views on the way Born Globals internationalize, as it has been found that sometimes firms of export to physically close markets. Some authors found that it has only a temporary importance at the beginning, whereas later Born Globals are willing to commit more resources to distant markets. One research outlined that Scandinavian Born Globals tend to internationalize initially to distant markets, totally ignoring neighbouring countries. It has not been stated clearly why this difference in the empirical results occurs, as it might be caused by the cultural difference or the specific of the industry that has been researched. The next chapter is going to cover the Estonian content, to understand what research has been done on internationalization.

1.4. Internationalization of Estonian companies

The topic of internationalization of Estonian companies has been studied during the last 30 years after the re-establishment of independence. One of the earliest researches that covered this topic has been published by Vissak (2006) who used a case study method of research for understanding to what extent traditional companies such as Norma, Eesti Telekom, Merko Ehitus

and others behave in accordance with internationalization theories. The results showed that traditional companies exported products to geographically closest markets, however foreign owner's business network could significantly influence the choice of international markets (Vissak, 2006, p. 128). This work is limited to the extent of studied companies, which are considered as traditional companies, and as mentioned by the author, does not contain Born Globals in the sample. Besides, some of the companies used in the research do not exist anymore.

Other research on Born Globals has been made by Mets (2014) and Mets and Kelli (2011) who tried to understand what processes precedes implementation of business processes to become Born Global. Mets (2014) concluded that entrepreneurial ecosystem is one of the factors that accelerate growth of the Born Global companies in Estonia, that occurs mainly through learning that can be done before setting up your company. Case study research on 7 high-tech small and medium sized enterprises, that covered such companies as Skype, Mobi solutions, Asper biotech did not find any clear boundaries between the ways of doing business among researched companies (Mets and Kelli, 2011, p. 91), which implies that there has not been found any holistic view on the reasons why Born Globals in Estonia occur.

As the findings are controversial, they do not give clear explanation on the reasons for emerging of the Born Globals and do not cover the criteria for choosing the international markets, it provides an opportunity to fill in the knowledge gap and perform this study.

This work has outlined different concepts and ideas explaining what is the difference between traditional companies and Born Globals in the context of internationalization. Some of the empirical works on Born Globals have been linked with models of firm internationalization mentioned in the first part. Author tried to outline the reasons that cause the occurrence of such phenomena as Born Globals, what pushes them into early internationalization path, on which markets they start exporting and what are criteria for choosing them. So far it seems there is no holistic view on this topic in the literature, as different empirical results have signs of stage theory of internationalization, network and resource-based perspective depending on the specific region of research, type of a Born Global firm and cultural differences. By this date there has been made only limited research in Estonia that explains why do Estonian Born Globals internationalize, where do they internationalize and what are the criteria for choosing those markets.

2. METHODOLOGY

This chapter of the thesis is divided in two several sub chapters, describing the research design, sampling procedure and sample size, data collection, methods of data analysis and limitation of the method adopted in the study.

2.1. Research design

A research design is a guide for collection, measurement and analysis of data, that help to answer the research questions (Bryman and Bell, 2011, p. 41). The study is performed using inductive view and qualitative research, that has been chosen due to fast and constant change of the research subject. The purpose of the qualitative research is to explore situation in real life, give a wide spectrum of knowledge and different views and perspectives regarding the subject of the research.

From the epistemological point of view, author accepts interpretivism as the knowledge that is used because it is necessary to accept the difference between human beings and physical phenomena, as the former create meanings (Saunders, Lewis and Thornhill, 2016, p. 140). In terms of ontological position the research uses constructionism, “which implies that social properties are outcomes of the interactions between individuals, rather than phenomena ‘out there’ and separate from those involved in its construction”. (Bryman and Bell, 2011, p. 386).

The study is performing a social survey research using a cross-sectional research design as it is based on analysis of 12 Estonian firms that are defined as Born Globals. Sometimes also referred as „social survey” the data is gathered using semi-structured interviews, which is later analysed in order to find any connection to the theory and patterns within the interview answers.

2.2.Sampling procedure, and sample size

Sampling procedure allows to reduce the amount of required data for the research by using different techniques and concentrating only on data from the subgroups (Saunders, Lewis and Thornhill, 2016, p. 272). Estonian start-up data base accounts 1121 companies considered as high-tech start-ups and 18 matured start-ups (Startupestonia 2021). However, as the research question of this thesis aims to analyse Born Globals the sample has been selected using the following criteria:

- Innovative and unique technologies are used;
- Revenue exceeds 1 million euro;
- Company operates on external markets, which is defined by analysing the website.

The sampling technique used in this research is a non-probability sampling, specifically convenience sampling procedure, that allowed to decrease the number of the sample size to 38 companies. The full list of the companies can be found in the Appendix 2. Overall, 12 companies from the list took part in the research. Table 2 describes the interviewed companies briefly based on Estonia Startup database (2021).

Table 2. Interviewed companies

Company	Maximum time before starting international activity	Minimum share of international foreign sales as a % of total sales	Biggest Export markets	Brief description
INT 1	1 year	90%	EU, Africa, Asia, Latin America	transportation platform
INT 2	0 years	99,99	France, Asia	advertising platform
INT 3	2 years	99%	USA, UK Europe and rest of the world	AI based verification platform
INT 4	0 years	99%	EU, USA	internet of things (IoT) for vehicles
INT 5	0 years	99%	USA, Western Europe, rest of the world	mobile game developer
INT 6	0 years	99.99%	USA, UK, France, Spain, 20% rest of the world	conversation review tool for customer support
INT 7	0 years	95%	Worldwide, besides North America. 18 offices worldwide	finance trading platform
INT 8	0	99.99%	USA, UK, Australia, Canada, Belgium, Netherlands	phone application for meditation
INT 9	0	100%	Western Europe, rest of the world	platform for running business in Estonia
INT 10	0	95%	EU, Malta	verification platform based on biometrics
INT 11	0	97%	EU, Scandinavia, UK, Latin America, Mexico	sms messaging
INT 12	0	100	USA, Mexico, Latin America	digital queue management system

Source: StartupEstonia (2021); author's calculations based on data from Appendix 3

While conducting the research, interviewed companies has been asked qualification questions that determined if they fall under the category of the Born Global. The criteria for determining whether the firm can be considered as a Born Globals has been partly adopted from Mandl and Celikel-Esser (2012) and it includes the following conditions:

- More than 50% of the sales coming the foreign markets
- Initial export sales in the first 5 years
- Global vision of the management from the establishment

2.3.Data collection instrument reliability

In this research author used semi-structured interviews for gathering the necessary data that helps to understand the nature of the researched topic. This method for data collection has been chosen because the purpose of the research is to explore such phenomena as Estonian Born Globals, derive valuable insights from a real conversation with specific questions with more or less the same order. As the answers of the respondents lies within personal experience, semi-structured interview gives freedom to the respondents in terms of answering the question in is his own words, as they are open-ended, that at the same time gives to the researcher possibility to ask additional questions that have not been planned in advance (Bryman and Bell, 2011, p. 467). Via conducting semi-structured interviews, author wants to understand why Estonian Born Globals start early internationalization, where do they start initial export sales and how do they choose market for that purpose. Besides, collected data will help the future founders of the Born Globals to avoid common mistakes and inspire for internationalization.

The interview consists out of 20 questions (Appendix 4) and interviews have been conducted with 12 Estonian Born Globals in the period March 2021 – April 2021 via online conference calls that lasted on average around 30 minutes. The shortest interview took 20 minutes, and the longest 50 minutes. The first 4 questions were used to qualify whether the respondent company falls under the category of Born Global organization. Companies were approached using social media like LinkedIn, personal networking connections of the author and using working emails addresses. Respondents were explained the reason behind the research and its value for the Estonian start up community and ecosystem in general. 11 interviews have been made in English, recorded, and later transcribed using Google docs. 1 interview has been made in Russian that has been translated and transcribed by the author. Link to the interview transcriptions can be found in Appendix 3.

2.4.Method of data analysis

To explore the results of the research, author is using content analysis as the method of data analysis. “Qualitative content analysis is a method for systematically describing the meaning of qualitative material”. (Schreier, 2012, p. 1). Qualitative data is likely to be characterised by its richness and fullness, that allows to perceive object of study in as real manner as possible (Saunders et at 2016, 568). Qualitative research creates a big amount of unstructured data that

might be hard to analyse without a subjectivity of the researcher, so data should be collected and explored with great care (Saunders, Lewis and Thornhill, 2016, p. 568) . That is why content analysis is a good method for the current research as it helps to reduce the amount of data and derive the meaning from the qualitative data.

According to Miles and Huberman (1999) the process of the qualitative content analysis can be described as a sequence of three steps: 1) data reduction 2) data display 3) drawing and making conclusions. Reduction is the process of simplifying the data by collecting all relevant data for analysis (Saunders, Lewis and Thornhill, 2016, p. 714). For the reduction purposes a coding frame has been created that helps to break the text into separate categories that define relevant aspects of the researched question (Schreier, 2012, p. 61). Based on the interview questions and the aim of the research, author analysed written transcriptions of the interviews, found similarities and differences, and using coding defined the categories for the content analysis as follows: 1) entrepreneur-related reasons (global vision, managerial and international competencies, international networks) 2) Organizational reasons (global mission and growth aspirations, resource availability, suitable innovative product and services) 3) company external-reasons (sectoral, regional or national export culture, demand and push factors, modern communication technologies, and improved infrastructure) 4) initial export markets 5) market selection strategy 6) strategy adoption after first steps of internationalisation.

The second step involved displaying the data in an organized, compressed assembly, that allows to make conclusion based on that (Miles and Huberman, 1999, p. 11). Sometimes referred as segmentation it basically means segmenting your data by dividing it into units that fall under one category of the coding frame (Schreier, 2012, p. 127). For that purpose, author created a table (Appendix 3) that compares answers from different interviews under same categories.

Drawing and making conclusions based on segmented data of the coding frame is the last step of the research, where author tries to connect received data with the theory.

2.5.Limitation of the methodology

Qualitative research is evaluated from the perspective of reliability, that implies question whether the results of the research can be repeatable; and the most important validity, that is

concerned with the validity of the conclusions, which basically show how well the research has been done (Bryman and Bell, 2011, p. 43). As the existing research is performed using qualitative research method and the nature of the research lies within a dynamic world that constantly changes, it can have limitations from the external reliability point of view. From the external validity point of view, as the research is based on a sample of 12 interviews it might be limited to be generalized across social settings. Qualitative research accepts interpretivism from the epistemological point of view, which means that author is not aiming to prove some kind of a statement, but aims to understand and give an overview on such social phenomena as Born Globals.

2.6. Research Ethics

Ethical issues include questions how to treat participants of the research and whether there are any activities in which one should not engage in relations (Bryman and Bell, 2011, p. 123). The information provided during the research might be sensitive and participants' identity disclosure is considered to be unethical. Thus, this research eliminates such risk and anonymized participants' names and companies' titles.

Author has not been in close contact with any of the respondents nor the companies, that might affect in providing public insight or unethical information that is against good matters of research ethics.

3. RESEARCH AND ANALYSIS

This chapter of the thesis shows results of the research that is based on the semi-structured interviews conducted by the author. 12 companies participated in the research via one-on-one interview over the conference call. The following chapter is divided in to three subchapters, where chapter 3.1 focuses on understanding the reason why Born Globals in Estonian tend to internationalise, 3.2. covers the methods for choosing external markets and 3.3. main lessons learned from the founders. Figure 2 is presented to show the structure of the coding frame that is based on interviews (Appendix 3).

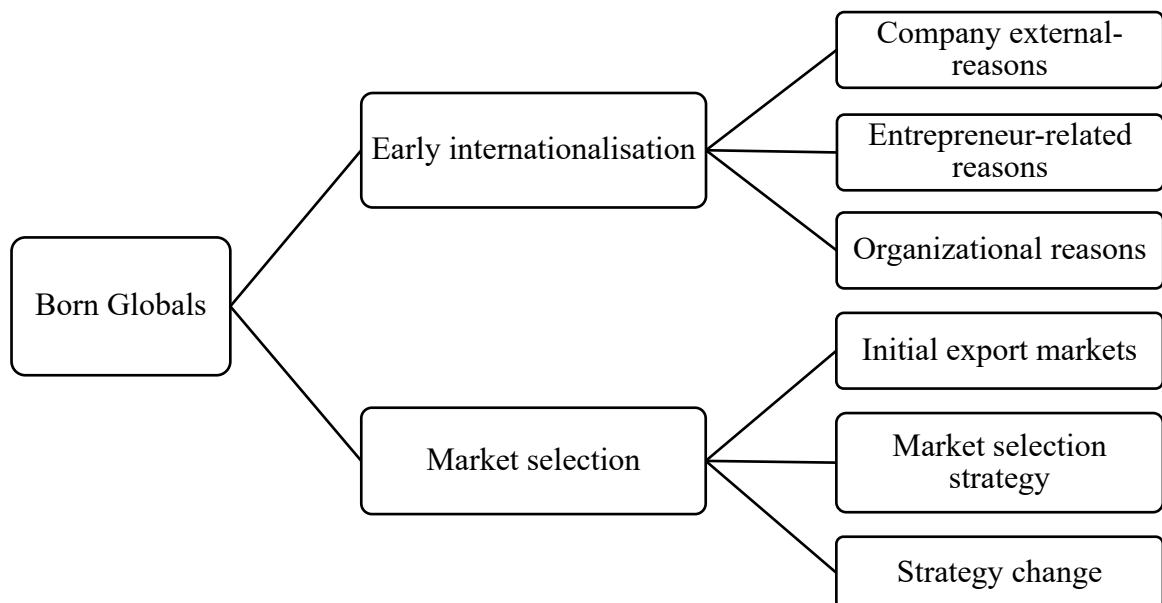


Figure 2 Coding frame structure
Source: Author's figure based on interviews

3.1. Early Internationalisation

This subchapter describes interview analyses. Based on the segmentation author visualises and analyses what respondents have mentioned regarding each of the category, what similarities they have and what was the key reason for early internationalization. The full coding frame can be found in Appendix 3.

As mentioned in theory, and outlined in the coding frame, there are basically 3 main factors determining the birth of Born Globals, which cause early internationalization: 1) external factors 2) entrepreneur related reasons 3) organisational factors. Probably the most influential group of factors influencing the birth of a Born Global company is considered to be external one, especially when it comes to small open economies like Estonia, as it helps to reduce the risk of a small market and acts like a push factor forcing entrepreneurs to go abroad (Lejko and Bojnec, 2011; Mandl and Celikel-Esser, 2012). Conducted interviews revealed that in most cases, respondents determined market external push factor as the one influencing decision of starting early internationalization. For instance, some of the respondents answered on the question why they started exporting as follows:

“Because Estonian domestic market is so small, fulfilling our ambitions is verifying every Estonian twice a day.” INT 3

“It was clear that electric batteries and something that we do not have market out from Estonia, because Estonia does not have any vehicle development.” INT 4

“We did not see any customers in Estonia.” INT 6

“Market size is something that everyone who builds products in Estonia is conscious of. If we would have a market size like the US, then definitely we would start from the domestic market.” INT 8

“I think it is a business model that determined it. It is a business model where you are only successful if you have volumes, and you can't have volumes on a small market. That's basically it.” INT 11

Based on these specific examples, it seems that size of the domestic market played an important role in determining the path of early internationalization. However, interesting to note that not only the size of the market determined that or rather not the size itself but rather the strategy performed by the researched companies. In some cases, companies were facing a narrow niche-based strategy mentioned by Cavusgil and Knight (2009) that might be driven by a world-leading innovation and focus on a specific problem.

“There is not enough demand within one jurisdiction which forces us to go abroad, especially because at the moment of the company establishment the niche was very narrow and it was hard to find people ready to use online services for financial trading and investment.” INT 7

“Initially, the main idea was a unique software that allowed dispatchers to compete with UBER at that time.” INT 1

For some respondents, narrow niche orientation was caused by a B2B nature of the provided service, and internationalization was initiated through an interplay between commitment to the market and flow of knowledge from the market that is streaming through a network of foreign connections (Madichie, 2008, p. 471). And indeed, in one interview it has been mentioned that the reason for early internationalization was lack of the domestic market, and choice of initial foreign market was influenced by the cultural background of the founders. Thus, it seems to create a connection with a network perspective of internationalization, as the cultural background made it possible to establish business connections on the foreign market.

“First reason [for early internationalization] is the money as in Estonia there is no such option as online affiliation or traffic monetization because in Estonia itself the amount of traffic generated by our people is not enough to cover the costs.” INT 2

“Owners of the company are French people.” INT 2

It is interesting to note that in one example, competition on the domestic market from a big multinational organization, was a push and acceleration factor even for changing the business model, again acting as an external factor and influencing a more rapid internationalization similar to conclusion made by Knight and Cavusgil (2004) and Lamotte and Colovic (2015):

“In 2015 Uber entered Estonia with a ride sharing model, where anyone can sign up and become a driver like basically not a license taxi. And we quickly noticed that the local authorities were not doing anything to fix it, basically letting the Uber abuse the model and not pushing them out, even though they are doing illegal stuff, so at the end we could lose ground to them, as they were much cheaper.” INT 1

However, one respondent outlined another interesting external reason that can fall under push or pull factor category depending on the logic. The idea is that sometimes domestic buyers are not ready to adopt technology and pay for the service, and on contrast, there might be a need for such a service on the external markets that pulls the company to the foreign market. From the pull factor perspective, probably communication technologies serve as a backbone for internationalization as it facilitate access to the foreign market information, clients and opportunities (Lamotte and Colovic, 2015, p. 22).

“I spent 3 months speaking to Estonian companies, I spoke to big companies and basically every big company in Estonia is potentially our client. And it was so hard, they had so many requirements, they argued about the price and then on one morning i woke up, and as our product was built to be self-serviceable, I had a client from States who was paying me several time more than Estonian, and I did not do anything to get the US clients. US clients just proved that they are so much better fit. As of that I gave up with Estonian.” INT 12

It seems that most of the companies under this research determined external factor as primary influencing early internationalization, as majority of respondents mentioned it. Depending on the case it could have been caused by a small domestic market, niche-based strategy, fear of a big multinational corporation entering the home market or a foreign market pull factors. However, not only external factors influence the pace of internationalization.

The leader's role can be a key to a firm's success or a key to its failure. Personal skills, character, ambitions, global vision, and experience is something that person might have or gain if he is not afraid of failing and taking a risk of learning something new. All these things fall under the category of entrepreneur-related reasons and is another significant group of factors affecting early internationalization of the researched companies. As mentioned earlier in the literature review firms are pushed into internationalization because of the founders' personal growth

ambitions (Moen et al. 2009, 20) or when there is a global market vision (T. Cavusgil and Knight 2009, 27). This idea can be confirmed with majority of the respondents having a global vision:

“Initial export plan was established in a way of single global identity that the passwords are very different on country level, so how can we make it easier to present ID online today and how we can build up a network of customers so we could launch an end user platform where customers come to verify them once. We are moving towards the future, where by year 2025 passports will be issued by us, not by the government.” INT 3

“I believed in the potential of internet trading. Financial trading has already been offered for hundreds of years. In the beginning, different markets were not connected and were closed to each other, but as technologies evolved (e.g. telegraph, telephone communication, telecommunication) markets have become one global financial market, where money is transferred to one and then another within hours. And I believed that the internet was a great platform for financial services, especially using physical people and small traders for such activity as well.” INT 7

“It was the fact that we initially created a concept to be global. We wanted it to be able to reach everyone, because we as humans have tendencies to mental health. We knew that nature will impact people and we started with the market that we believed will bring success”. INT 8

Vision is something that comes from understanding of the global trends, detecting consumer tastes and in general foreseeing technological and business development. It seems that this argument falls under the resource-based perspective of internationalization and is similar to Bell, Crick, and Young (2004) findings that global trends influence the pace of internationalization. Especially that is seen in INT 8 response, where rational decision and foreseeing future trends determined the initial export country.

Founder of a Born Global firm is able to detect foreign market opportunities and has a managerial competence to recognize it (Mandl and Celikel-Esser, 2012, p. 42), or feels the right time to offer a product as he scans the environment before launching a global business (Mets, 2016, p. 5). As mentioned by some of the respondents:

“We were looking at the usage trends of the phones, social media, sleeping medication and anti-anxiety medications for us it made sense that it will help and it will be a huge trend, and it really accelerated discussions around mental health. People will go inside and will become less and less social and people consume too much information, especially negative information. So, we wanted to give people something that will clean their head like doing physical activity.” INT 8

“We are serving a steadily growing freelance market. Even if you are not the best of the best you will still get good growth in your product. But right now, we actually think that we are one of the best, as we are using this advantage that offers E-governance and E-tools platforms, which make the business administration cheaper.” INT 9

“I stumbled upon the problem of verification 10 years ago, when i was buying goods from eBay and only option was using PayPal, and we did not have any credit cards or it was debit account you needed to establish, and uploading copy of your ID where they said, unfortunately we cannot offer your services as you are not 18 years old and then changing your year of birth from 1994 to 1984 year of birth that opened you access to all the financial services. And that represented that it is very very easy to change your age, also in the financial industry.” INT 3

Above mentioned statements confirm that founders of the Estonian Born Globals detect opportunities and act when they have spotted one. As on the example of INT 3, founder of this firm detected a problem when he was trying to buy something online, and the verification systems at that time were so inefficient, that anyone could easily scam them. On the example of INT 8, founders tried to understand what is the problem that they could solve and based on that develop a product. Another approach to find a problem or a need is based on one’s previous experience. Oftentimes a new idea comes when someone experiences a problem in his previous work.

“The product we are building is actually a product for our pain. At previous company we felt that. Martin has been the head of customer support at, when we started scaling the company at ... then also customer support team grew, and what happens when you scale your team is that when you have 5 people in customer support you understand what everyone is working on, what is the quality of service, but when you have 20 people in the

customer support people you have actually no idea what they are saying to your customers. And you start feeling that, feeling of losing control.” INT 6

“I have seen some problems in compliance in KYC procedures and then we decided to build a better product than one on the market.” INT 10

“There were a lot of things built in the word, but we felt we could do better. and the main reasons why we felt that we can do better is because [previous employer] was already at the time having projects where we had to buy in the communication API services, as we didn’t have it ourselves. and the level of service, how it was built around, the limited platforms that we faced at some point just thought, guys it can be done way, way better and that’s what we set up to build.” INT 11

It is clear that the role of the founder cannot be depreciated as it is the heart and the engine of the Born Global company. But where do skills, competences and vision come from? Based on the interviews it turned out that some of the respondents had a prior business experience or were somehow connected to the problem they are solving that helped them to detect the opportunity.

“There were 3 founders initially. 2 people were from the online payment industry. One was dealing with the banks and online payments and then he went to an online advertising business.” INT 2

“Before this company I opened different establishments, but it’s always been an entrepreneurship and music, I personally have a music background and worked with some labels like Sony Finland, where I was doing music, and other founders we were working in entertainment, entrepreneurship and music all that surrounded us.” INT 8

“Our CEO, started already when he was finishing high school, before that he was already trying his entrepreneurship, they were doing something like, I think the first project was something. like mkool, which did not take long time but learning there was that is very hard to sell to enterprise or government and education does really have a lot.” INT 1

There were two interesting and controversial examples, that confirm how competence, domain knowledge and prior connection to the actual problem is important, as it can give a competitive advantage.

“We did not have any connection to the problem we were solving and it was a huge disadvantage. I would say we lost years because of that.” INT 12

“One of the things we were going, that we even did not know, we discovered that we do have competitors and one of our main advantage is that we had the domain knowledge, they were just building software, we were actually in that field and we were the part of the support world, we started putting export knowledge out there, and it started to bring in people in.” INT 6

It is fair to say, that for some respondents' entrepreneur related reasons have not been the key aspects for early internationalization, as in one example, the founding team even did not have any business experience, and even did not have a clear plan of what specifically they are going to develop.

“Back in the days we didn't have any business experience, we were completely disconnected to any communities, start up or game community, so there were no mentorship opportunities. We just set up in the office and built stuff.” INT5

“We did not know that this is will be specifically the games, even though we wanted to make games, but we could not commit, as the market was so new, we could not foresee what the content will be more lucrative.” INT5

In terms of the organisational reasons as factors influencing the pace of internationalization and reasons for birth of the Born Globals it can be said that it has not been an influential factor in majority of the cases, but still it is important to mention some key moments cited by the respondents, which in some cases changed entirely their path.

“Honesty and transparency are kind of build into our NDA as a company on a founder level, and on the manager level, it's even written in multiple documents that we are always trying to be transparent. we built a specific culture where everything is transparent, and if you have a really good idea and you are passionate about it you can

even reach out to the CEO with that plan and you might be funded to develop your project.” INT 5

Organisation factors are important to consider because they bring the necessary skills to build up the product, connections to raise funds or develop the sales strategy for successful internationalization. Some were inspired and truly self-confident due to challenges during education:

“The founding team came together at the university project called formula student. we became one of the top 3 teams. we really competed with top universities across the globe, and top teams that were sponsored by large automotive such as Volvo, BMW, Mercedes, etc and we managed to beat them while coming from Eastern Europe and that is where we got our spirit that can do something in this world.” INT 4

Besides in some cases success of the organisation on the domestic market can also trigger the motivation and team spirit for higher results.

“In Estonia our product growth was so fast, we grew double digit % every week. Monthly growth was 30-50%. There is a great product market fit, people want it.... i think it was always there [aspiration to be global], basically impact. Build a company that is large. I think it comes from how valuable it is already here (Estonia). Big growth of the local market motivated.” INT1

It can be argued that most of the studied companies have been pushed to the export markets due mostly external factors caused by a small domestic market and in some cases, narrow niche segmentation strategies driven mostly by the nature of the product. It seems that companies usually have two main group of factors influencing emergence and internationalization of the organization, usually external factors and combination of either entrepreneurial and organisational. Indeed, the importance of founders must be emphasized because without their ability to take risks, move forward, adapt to new circumstances and inspire a global vision, no Born Global would have ever been born. Even though some of the founders used network connections as a way of getting information from the markets, it is believed that at the first-place rational decision making about the potential of the market and personal ambitions of the founders forced companies to go abroad. This assumes that most of them act according to the

resource based perspective of the internationalization and confirm the framework offered by Aaby and Slater (1989) in which export performance is influenced by external environment and internal factors like competencies, strategy, and firm's characteristics.

3.2. Market Selection

The second research question of this thesis concerns the way Estonian Born Globals proceed to the internationalization, what countries do they choose for initial exports, and what is the strategy and methods behind making such a choice. Based on the semi-structured interviews with 12 founders of Born Global organizations author created a structure of the coding frame (Figure 2) with 3 categories: 1) initial market selection 2) market selection strategy 3) strategy change. The last category is important as it gives an overview of the lessons learned during the process of internationalization.

Information about the markets is a very important aspect in terms of the internationalization and general in terms of doing any kind of a business. Understanding preferences and behavioural patterns of consumers, knowing your competitors and having the right product can make one company more successful than another. Information in terms of internationalization can be gained using different methods, either from slow and incremental stage process in physically close markets (Johanson and Vahlne, 1977), from your network of clients and partners that stream valuable and information about the potential entry markets (Bell, 1995) or using advanced technological communication methods that increase the speed of information spreading (Cavusgil and Knight, 2009) and help to make conclusions based on industry trends (Bell, Crick and Young, 2004).

Based on the conducted interviews and the questions on what were the initial export markets, it turned out that some of the researched companies initially started their export activity to distant markets such as North America, Australia, UK and Western Europe. Author asked the respondents about the reasons for choosing such markets and it turned out that the logic lies within the value that they are getting from exporting there, product market fit or the optimal strategy for entering the market.

“Usage and value based. What kind of value they get from the product. I do not care what country they are from and what language they speak” US based customers pay easier and they have a need for the product.” INT 12

“It came through marketing. If you understood in which countries, you could convert customers. You just check what is the benefit of spending 1 EUR on marketing and see in which market this 1 EUR spent on marketing converts into 1 EUR in revenue.” INT 9

“The reason why we went there is because of the advanced consumer knowledge on mindfulness, meditation and wellness and there were big companies before us that already educated how audio products and meditation can help. We really targeted, yes English-speaking countries but also in countries where there is a pretty good consumer awareness, where we can just take the clients by having a better product, rather than educate them, what is meditation and why it is important. As we realised that we are self-funded we cannot take the role of educating we decided to have a better product.” INT 8

„Size of the company and we also take into account, it’s very subjective - how much do they care about good customer experience. And they should definitely use Saas help desk tool.” INT 6

“We have a very precise tracking and LTV model, that can show what will be the value of the customer after 6 months, based on the first two days usage of our game. The criteria for choosing export markets were typically proactive actions + analysing culture, calculating LTV and understanding whether the market is big enough. We typically want to get on the markets if we see that is something happening on the market. e.g., right now, it is Turkey, and this helps to understand whether we need to localise the game and work with the local distributor, or whether our own efforts result in something.” INT 5

“Many of the early customers came from Germany since the bike industry is one of our target markets and the bike industry is pretty well established in Germany.” INT 4

Above mentioned quotes suggest that half of the researched Estonian Born Globals use rational decision making when forming their strategy and evaluating initial export entry markets. As mentioned previously “rather, the existence and size of demand in any given market structure

determines the orientation of the initial export thrust”. (Czinkota and Ursic in J M Hawes and Glisan 2015, 157). It can be suggested that their opinion confirm the idea proposed by Simoes (2012) in the part that decision on entering the foreign market is based on market attractiveness, which is a combination of market proximity (e.g. language mastering, culture) and market size. As it would have not been possible to operate on English speaking markets without knowing the language. Cultural proximity is a very serious argument because as mentioned:

“You cannot enter a Chinese market if you do not have a good local partner and partly it is developed by them. Also entering Japan or South Korea is very problematic due to cultural differences. Even if your game is popular in western countries, it does not mean it will be popular there”. INT 5

There has not been found any connection with any networking opportunities that streamed information from the foreign market and that could have significantly helped in the above-mentioned cases. The author has asked several questions about the domestic connections or potential help through the venture capitalists of other investors that could be used for getting information, but this idea has not been confirmed. Domestic network did not have any significant role as proposed by Laanti, Gabrielsson, and Gabrielsson (2007, 1113). It should be added that these companies initially were established as Born Globals because of the external push factors from the domestic markets, as initially their business models did not have a lot of potential that could fulfill their ambitions or global vision on the domestic market.

Some respondents mentioned that they initially started to export to physically close markets. It seems that these companies followed a concept of physic distance proposed by Johanson and Vahlne (1977) which means exporting to physically and culturally close markets to reduce the risks as committing significant resources on more distant markets is a risk. Physical distance influences the pace of the market entrance, whereas being culturally close helps to understand the market better and thus improve the speed of entry (Taylor and Jack 2013, 16).

“At first we started going into similar markets. I joined when we picked this first markets to focus on. When I joined, Estonia was still the largest market and Riga was second. And a lot of international efforts were actually not so great. and the choice for international markets was as follows: Serbia, Belarus, Finland, Amsterdam and Czech Republic.” INT

1

“We were very focused on the banking sector here in Estonia, and Baltics, and then we expanded to Latvia. Actually, it was times when many banks that were customers in Estonia, had affiliate branches in Latvia, so we thought it would be easier. And then we thought alright we have 75% of the banking sector here in Estonia, let's do the same in Latvia.” INT 3

“We worked on the Russian market, later through Baltic countries we went to other countries. and exporting to physically and culturally close markets was easier, besides Baltic countries were from 2004 part of the European Union so it was a real Europe, plus it had fewer regulations compared to Russia, and that is why we moved to Baltic states.” INT 7

It can seem as if these three companies were behaving according to the concept of the “physic distance” and gradual internationalization to close markets, which is relevant to the stage theory, however some important differences should be noted. In the example of INT 1 it is seen that the company exported its services to similar markets, as probably legal regulations in that particular example was the main motivator for doing so. Besides, internationalization did not follow a gradual process, as the company started to export into several countries almost simultaneously. In the example of INT 3, even though it seems that this Born Global exported its services to the neighbouring country according the stage model, they were actually following process defined by Bell (1995) as client “followership”, as mentioned most of the Estonian banks had branches in Latvia. But it turned out that local lobby and different regulations forced the company to overlook its strategy.

“We failed it miserably by going for Latvia and doing geographical expansion, just going one country after another, e.g., we spent a year entering Latvian market and spent less than a year entering US market and the magnitude is hugely different, so definitely what we learned from the first expansions, is that in internet businesses you do not need to follow the map you just go to the market where the market is the biggest and the problem is also the biggest.” INT 3

Their approach to enter new markets has changed after entering initial markets. This is similar to a conclusion made by Chetty and Campbell-Hunt 2004; S. K. Chetty and Stangl (2010) that Born

Globals initially export to culturally close countries, but as soon as enter the first international markets the physic distance concept plays less significance in the next markets.

In the example from INT 3 it seems that rational decision making when choosing the initial entry market, plays a very important role, as sometimes it takes more time to enter a small neighbouring market than actually a more distant one, with a huge market potential and good market fit.

“The main reason for entering these markets was being physically close as we could not physically open branches all over the world at that time. Our initial export move was based on criteria like being physically close, culturally and financial investment needed, e.g., we couldn't open a branch in London. If we would have more financial opportunities at the beginning, I think it was smarter to start from the UK, because they had a better regulation policy.” INT 7

“We made a big excel file with the list of all the megalopolises in the world and added some properties to them: population, currency, language, what's regulation and also removed some stuff where we knew we could not operate e.g., China, North Korea, Iran, and what we ended up with was a bit more than 100 megapolis, and we just started to launch drivers' ads everywhere on Facebook. We were just looking at the quality of the drivers' profiles that we get. And in some markets, we paid 1 EUR to get a driver, in some 2 EUR and in some 100EUR (but on these we stopped very fast showing any ads). It showed us that London is number one.” INT 1

“We first analysed the demand for services and the size of the market. For instance, besides European countries, we noticed a growing demand in Asian countries and that is why we focused ourselves on those markets as well.” INT 7

It is not possible to say that purely rational decision making or strategic approach affects the decision of entering to one or another foreign country. For instance, decision on setting a branch or starting operations abroad on a specific market can be influenced by the investors and venture capitalists (VC) as it helps to make the market validation, confirm the value of the company and bring valuable insight information about the market.

“It should be a respected fund in a specific jurisdiction, because specifically this investor before an IPO will be considered as an institution that has already made a very serious analysis of the company and confirmed that company really provides the value it declares and others can also invest in to it, and the investor confirms it with his reputation.” INT 7

“VCs helped by adding additional market validation, that you can have as a reference.... And when going to corporates then for them to reduce the startup risk, they demand having, ok if this company is profitable, you send those companies PNL (income statement) they want to see ok whether you have a runway of 5 years as otherwise, they are making investment.” INT 3

This point can be debatable, as even if the VC or fund change or influence the path and pace of internationalization, which complies with the network-based perspective of internationalization, the initial decision is still made by the founder of the organization whether or not to actually accept the investment from one or another VC. Besides founders can proceed to alternative means of financing, for instance Horizon Europe funding program with budget 95.5 billion euro that funds for research and innovations (European Commission 2021). Some of the respondents even confirmed their approach of choosing specific or sometime strategic partners that has affected their decision. However, this choice occurs on late stages, when company already looks valuable for the investors and is operating on international markets.

“General market validation is the key for choosing VCs. If you have a strong brand tier 1 investor...it enables you to sell faster, get bigger deals from enterprise customers from day 1, instead of building relationship in long-term.” INT 3

“Later we started to get approaches by actually strategic companies, one of them was didi, Daimler and they started to offer better terms, than the financials VCs. And then we shifted more to strategic ones.” INT 1

“But in the beginning, I wouldn't say there was too big preferences, because it was actually hard to get money.” INT 1

Other companies pointed out that they were following their clients and partners when forming their initial internationalization strategy. Internationalization is considered a pure network phenomenon where companies are interconnected, which allows obtaining resources needed for foreign expansion (Madichie, 2008; Ratajczak-Mrozek, 2017). Originally described by Bell (1995) as “client followership” in this case seems to be a relevant concept describing the behaviour of the following companies:

“The demand came naturally and mainly from the customers who were already existing on the French market. Quite often it happened that our existing customers who were working for example in French market decided to buy our services let’s say in Germany. And then we started to open more and more countries for this customer and at one moment he was ready to buy all our traffic globally.” INT 2

“European Union is because my previous company has European roots and it is well known and we have plenty of customers. We better understand the procedures and the legal documents, how to check them well. We know for sure all countries from a compliance perspective and what their needs are.” INT 10

“We went, where the majority of our customers went. So it's a very account management based expansion, upside of it, is that money follows very quickly, once you expand driven by your customers. If you expand purely driven by a market opportunity you would start once you are up and running, you have to catch this opportunity. It's better to sell to customers that you already have.” INT 11

Internationalization using network-based perspective and following customers or partners seems to be a much safer strategy, as streaming information from existing sources minimizes the risks of bad investment. This idea has been mentioned by INT 11, who outlined that it is much easier to expand being driven by your customer, and much safer than being driven by a market opportunity. To elaborate on this argument, it is necessary to consider two additional factors: 1) INT 11 company operates in purely in B2B industry with enterprise sales 2) INT 11 did not mention a global vision as a main driving factor for internationalization, and was more driven by the fact of being profitable than Global. Thus, one cannot say that the same approach is relevant to other Born Globals.

It can be argued that in terms of internationalization there is no way of saying for sure either companies use entirely resource based perspective of acquiring and analyzing information using today's communicational and analytical technologies or rely purely on networking connections from their existing partners, clients, or venture capitalists. It is clear that Estonian Born Globals under this research use a mix of both as described by Simoes (2012) where both market size, cultural proximity and previous networking connections influence the decision on entering the specific market. With all, said the next chapter is going to sum up all the key aspects of this part and make a conclusion based on the analysis.

CONCLUSION

The aim of this work was to find out the reasons why companies become globally orientated from or close to establishment, where do they choose to export and what are the strategies and criteria for choosing international markets. The aim of this work was to find out the reasons why companies become globally orientated from or close to establishment, where do they choose to export and what are the strategies and criteria for choosing international markets. . Two researched questions have been covered in this thesis. Why do Born Globals start early internationalization? How Born Globals choose markets for their exports?

The thesis started with a theoretical framework describing the models of internationalization and their comparison. It continued with a description of the Born Global concept and its difference to traditional companies. It followed with the descriptions of reasons why they occur and how they internationalize. And then research done within Estonian context was mentioned, pointing out the works that had been done on internationalization and Born Globals.

The second part is the methodology part that described the research methods used. The research is performed using inductive view and qualitative research, that has been chosen due to fast and constant change of the reviewed subject. The data is gathered using semi-structured interviews with 12 Estonian high-tech start-ups defined as Born Globals. Content analysis has been chosen as the method of data analysis, which helps to understand the different viewpoints of Estonian Born Globals and compare them to one another. The analysis part includes direct quotes from the interviews and author's interpretation of the data, its connection to the theory and patterns within the interview answers.

It can be argued that most of the researched firms have been internationalizing due mostly to external factors caused by a small domestic market, and narrow niche segmentation strategies driven mostly by the nature of the product and specific of the business model. Besides it has been found that founders Estonian Born Globals are pushed into internationalization because of the founders' personal growth ambitions and global vision.

It seems that the reason why Born Globals start early internationalization lies within a combination of two groups of factors which usually are external factors and combination of either entrepreneurial and organisational. The importance of founders must be emphasized because without their ability to take risks, move forward, adapt to new circumstances and inspire a global vision, no Born Global would have ever been born. Some of the founders used network connections as a way of getting information from the markets, it can still be argued that at the first-place rational decision making about the potential of the market and personal ambitions of the founders forced companies to go abroad. This implies that most of them acted accordingly to the resource based perspective of the internationalization and confirm the framework offered by Aaby and Slater (1989) in which export performance is influenced by external environment and internal factors like competencies, strategy, and firm's characteristics.

Most of the researched companies initially started their export activity to distant markets such as North America, Australia, UK and Western Europe, while a small part exported to physically close markets. The reasons for choosing such markets lies within the value that firms are getting from exporting there, product market fit or the optimal strategy for entering the market. Most of the researched Estonian Born Globals used rational decision making when deciding on the initial export markets. Some of them have advanced life time value prediction models, some calculate the return on marketing investment and some the cost of customer acquisition on different markets. Small group of the researched companies have initially entered geographically close markets, but within some time and learning, have changed initial strategy for rational decision approach based on industry trends and business strategy. As it turned out, sometimes entering a small neighbouring country might take longer than a larger distant market that has bigger potential and a better product market fit.

It can be argued that in terms of internationalization of the Born Globals and their criteria and strategies for entering foreign markets there is no way of saying for sure either companies use entirely resource based perspectives of acquiring and analyzing information using today's communicational and analytical technologies or rely purely on networking connections from their existing partners, clients, or venture capitalists. It is clear that Estonian Born Globals under this research use a mix of both as described by Simoes (2012) where both market size, cultural proximity and previous networking connections influence the decision on entering the specific market.

The above-mentioned findings could be useful for the future founders of the Born Global organizations to understand how to develop efficient export strategies. This thesis is different to most of the works performed in Estonia as it also outlines some mistakes and problems that occurred during the internationalization process. Some of the findings show absence of knowledge within some of the researched companies. For instance, almost no one knew about European Funding systems for innovation and research. Policymakers could increase the awareness of such programs as it would help to raise additional capital to Estonia. Considering that the hi-tech start-ups quite often are driven by a word leading innovation, it seems that most of the firms are losing good opportunities for development. Also, it has been found that some of the firms are left behind the start-up community, that does not allow to get any mentorship help at early stages. It seems that reasons lie behind the language barriers, and small awareness about such possibilities. For instance, regional governments could inform start-ups about such organizations as Garage48 and Lift99.

Some recommendations and advice have been given by the founders and key people of the Born Globals that should be mentioned in this work which is based on their mistakes. It seems that for some of them it would have been a better game if they had started to internationalize only when the domestic market was on peak. Some suggested becoming international as soon as possible, and invest into sales personnel if you have a SaaS company that offers products. It turned out that in Estonia, companies invest heavily into engineering, whereas in the US they have 2 sales executives per one developer. Another founder suggested asking the question “why” at least 5 times from the customer, and trying to avoid customization. The biggest mistakes that founders make in Estonia is that they believe that they have the best product in the world. Companies should not forget about the culture, which should be formulated and written in the code of conduct from day 1. One of the founders mentioned that it is very important to have a thick skin, as you have to be ready to hear a lot of No’s in your life. If someone tells you “no” and it breaks you mentally, it means you are doing a wrong thing.

This paper covers two research questions and has analysed only 12 hi-tech start-ups defined as Born Globals. In future research it could be wise to divide Born Globals into more specific categories and not mix B2B and B2C organizations, as it might lead to different results. Besides, it would be interesting to analyse the specific strategies used for acquiring export markets, and compare to the theory of internationalization as this research did not cover this question.

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APPENDICES

Appendix 1. Varying definitions of Born Globals

Publication	Coverage	Maximum time before starting international activity	Minimum share of international foreign sales as a % of total sales	Minimum number of markets exported	Other characteristics
Rennie (1993)	Australia	2 years	75%	multiple	global mindset of management from the outset
Knight and Cavusgil (1996)	n.a.	2 years	25%	n.a.	global mindset of management from the outset
Autio and Sapienza (2000)	UK	3 years	n.a.	multiple	competitive advantage from the international use of resources or international sales
Madsen et al (2000)	Denmark	3 years	25%	n.a.	n.a.
McDougall et al (2003)	USA	6 years	n.a.	n.a.	young enterprises (not older than 6 years at the time of research); independent firms (no holding spin-offs, no purely investment funds)
Chetty and Campbell-Hunt (2004)	New Zealand	2 years	80%	worldwide	n.a.
Luostarinen and Gabrielsson (2006)	n.a.	n.a.	50%	n.a.	global vision and/or global growth path

Svetličič, 2006	Slovenia	2 years	65%	n.a.	n.a.
Loane et al (2007)	n.a.	6 years	n.a.	n.a.	employ less than 250 independent firms; internet presence (e.g. website)
Zhou et al (2007)	China	3 years	20%	Multiple	n.a.
Sanchez and Rodriguez (2008)	Spain	7 years	25%	n.a.	n.a.
Sundqvist et al (2010)	n.a.	3 years	25%	3 continents	n.a.
Halldin (2012a/b/c)	Sweden	4 years	25%	n.a.	export level needs to be maintained at least 3 consecutive years (stringent definition)
Mascherpa (2012)	Italy	6 years	25%	n.a.	export level of 25% needs to be attained within 6 years after the first international activity
Ripollés and Blesa (in press)	Spain	5 years	25%	n.a.	belonging to a network; independently owned and operated new ventures; internationalise at least one activity of its value change different from that of sales

Source: (Mandl and Celikel-Esser, 2012, p. 10) Different characteristics of Born Globals

Appendix 2. Estonian companies defined as Born Globals

Company name
Transferwise
Bolt
Veriff
Paxful
Starship Technologies
Monese
Milrem Robotics
Playtech
Skype
Cleveron
Creative mobile games
Skeleton Technologies
PipeDrive
Adcash
Comodule
Messente communications
Scoro
Ampler Bikes
Threod Systems
Click & Grow
Katana MRP
Skysselect
Klaus
Xolo
Modularbank
Realeyes OÜ
Testlio
Admiral Markets
Get ID
Estateguru
Fiizy
synctuition
Multilogin
Insly
3commas
sixfold
Qminder

Source: *Estonian startup database 2021*. Startup Estonia

Appendix 3. Coding frame based on semi-structured interviews

Link to the Coding frame file

<https://docs.google.com/spreadsheets/d/1zUN4KHFQuY3SB0mO84zF56ikMsXBgX3eyifaculHBk/edit?usp=sharing>

Link to the transcribed interviews: https://drive.google.com/drive/folders/1ppdNq-ZREGQUt9wx-arZg_Xw0zYv6HUw?usp=sharing

Appendix 4. List of interview questions

4. When was the company established?
5. How many employees do you have?
6. How many years after the establishment of the company you have started exporting your product or services to the external markets?
7. Can you name markets where do you sell your products or services at the moment?
8. What is the % of export sales compared to the total sales, in other words, what is the proportion of international sales to the total revenue of the company?
9. What is the background of the company's founders?
10. What was the unique idea (or advantage) behind your product or service at the moment of company establishment?
11. What were the reasons for the early internationalization of your company?
12. Did you raise funds? Why did you decide to raise funds and which methods you used for that (EAS; EU funds, venture capitalists)?
13. What were the criteria for choosing a specific funding method?
14. Why did you believe that you will succeed in international markets?
15. Why did you want to grow as fast as possible?
16. How do you segment your customers: culturally, geographically, or using other criteria?
17. What was the initial export plan? What was the dream?
18. What was the initial export market?
19. Why did you decide to export there and what were the criteria for choosing the market?
20. How did you change your strategy after the first export markets? What criteria did you use for choosing export markets? In case you changed, why did you change the strategy?
21. What domestic network connections (partners or customers) you used that helped you in your international sales? Please name these companies and say how did they help?
22. Please say how did international network connections from VC's involved in funding help in international expansion?
23. What has been the biggest lesson learned and what could you suggest to future founders of the BornGlo bals in Estonia?

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