

My view: Many companies are born to be global

By Jerry Haar

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What do Skype (Internet/software application), Mavi (clothing), HTC (smartphones), and Cochlear (medical devices) have in common? These firms from Estonia, Turkey, Taiwan and Australia, respectively, are all “born global” companies — enterprises whose genesis stems from a major (and sometimes exclusive) focus on foreign markets rather than their own ones.

The phenomenon of born global companies has been growing rapidly in recent years; and our own community of South Florida benefits from this trend. Witness FIU’s recent Americas Venture Capital Conference now in its third year where many presenting companies were born global, such as Open English, a Coconut Grove firm that targets Venezuela and other Latin markets, and Idea.me, an Argentine crowdsourcing company, akin to Kickstarter, with subsidiaries in five countries.

Just what are the forces in the macro-business environment that are spawning and nurturing born global companies? They include: access and affordability of technology; the democratization of innovation — for example, Priceline required \$3 million in technology in 1997, but could be launched today with only \$1,000 in start-up funding; lower costs of travel and communication; ever-lowering barriers on trade, investment and financing; and the continuous migration of talent.

At the firm level, there are a number of characteristics unique to born global companies. First, they are very active in international markets from or near the beginning — they have to be. For example, with 1.3 million people in Estonia — half the population of Houston — there are not enough current or potential Skype customers to make the enterprise worthwhile. Although the tech sector dominates born global companies, these firms are also found in processed foods, consumer goods, furniture and other areas.

Another feature is that the CEO and leadership team possess an international entrepreneurial orientation. The mindset of the leadership of born global companies is one that sees foreign markets not as a mere extension or expansion of the domestic one, as do large multinational firms, but as the prime focus of the firm’s core business. This is especially true of knowledge-based industries where the creativity, knowledge and resourcefulness that characterize such companies foster an international entrepreneurial organization, as well.

Limited financial and tangible resources is another characteristic. Unlike multinational firms, most born global firms tend to be small and self-financed while aggressively searching for angel and venture capital investment. Commercial banks, with their conservative lending orientation, are highly reluctant to lend to born-global companies in those firms’ initial phase of business.

Born global firms usually focus on a differentiation strategy. The development of differentiated designs and highly distinctive products that often target niche markets, initially, but with capabilities to roll out to wider audiences and become scalable are another feature of born global firms. Swedish ready-to-assemble furniture firm IKEA and Israel’s M-Systems, inventor of the USB flash drive, are illustrations.

An emphasis on superior quality is another feature. Born global companies tend to be at the leading

technological edge of their industry or product design. Their products and services are not “commoditized” but rather have unique, inimitable characteristics. For example, the Dutch company Microflown Technologies develops and markets highly innovative products in the field of sound and vibration testing. Austria’s Glock handguns, used by 65 percent of law enforcement agencies in the U.S., is another example.

Finally, leveraging technology is another feature of born global firms — their employment of advanced information and communication technology to increase the efficiency and effectiveness of their manufacturing or services and to engage with partners, suppliers and customers. Spanish clothing giant Zara, a born global company, is the focus of a Harvard Business School case precisely because of its leverage of technology for design, production and supply chain management.

Writing in *Small Firms, Global Markets*, University of Illinois Professor Maija Renko and I argue that people, markets, technology and networks are the prime drivers of born global companies. Human capital — technical, operational and managerial — especially at the start-up phase are the most important determinants of born global firm success.

One should not overlook the importance of ecosystems to born global firms — the most important one which is anchored around universities, companies and facilitating institutions (foundations, public-private partnerships, economic development agencies, chambers of commerce) that support the flow of knowledge, technical expertise and capital to foster competitiveness among born global companies — start-up, early stage, later stage, and well-established.

What does this all mean for our community? New technology ventures are popping up all over South Florida — just go to www.MapYourStartup.com . An increasing number are born global. South Florida is positioned to capitalize upon the knowledge economy, developing and retaining the talent and attracting new talent, as Start-up Chile is doing in that nation (500 companies and 900 entrepreneurs from 37 countries since 2010).

The emerging born global firms of today are poised to become the multinational companies of tomorrow.

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