

[DOI: 10.20472/BMC.2016.003.011](https://doi.org/10.20472/BMC.2016.003.011)

NIKOLINA KOPORCIC

Åbo Akademi University, Finland

BORN GLOBALS IN INTERACTIVE BRANDING ENVIRONMENT: A CASE OF THE BONALIVE

Abstract:

Interactive Branding (I-Branding) environment consists of business network environments in which companies cooperate with each other through mutual interactions that are based on three dimensions: internal, external and mutual branding dimension. I-Branding as an activity is therefore presented as a business strategy through which a company is positioning itself in a local and foreign network of business relationships. Internationalization provides a new lens for this process, in which different networks of large distances are all interconnected through interactions of three branding dimensions.

Born global companies are small companies with early and rapid internationalization, which are successfully implementing their strategies and fighting for a favourable position in foreign networks. In order to discover challenges and opportunities of becoming successful so rapidly, a family owned company in the pharmaceutical industry is followed over the years. Based on case findings, the paper suggests managerial implications for start-ups and born global companies, together with some direction for a future theoretical and empirical research.

Keywords:

Interactive Branding, Born Globals, B2B, Business Networks, Internationalization.

JEL Classification: L19, F20, M13

Introduction

The importance of Born Global companies has been in a focus of research around two decades by now. These small and young companies are accomplishing a rapid internationalization, even when missing considerable tangible resources. Their strength comes from irreplaceable and essential intangible capabilities, such as knowledge and personal network connections of a founder (Knight and Cavusgil, 2004). Unique and non-imitable products also play an important role and can even provide a source of “monopolistic advantage” (Hymer, 1976), especially for the high-tech industry. Besides that, strong business relationships and connections with important suppliers and distributors in different countries result with the higher performance in various networks (Knight and Cavusgil, 2004).

In today’s business environment, networks are becoming globalized and interconnected with each other, which presents both a challenge and advantage for born global companies. On the one hand, there is a fierce and boardless competition and constant higher demands from the market. Challenge for small companies is seen through finding a way to compete on these markets. On the other hand, companies are getting ability to achieve notable competitive advantage in multiple countries. Therefore, the Interactive Branding (I-Branding) concept is introduced, presenting a strategy that companies are using in order to position themselves in different networks of business actors (Koporcic and Tornroos, 2015). It presents a socially constructed value outcome of mutually interacted processes between different business actors of networks, with a focus on individuals, as human actors, with their managerial decision-making processes and strategies. These individuals represent companies and provide previously gained knowledge and personal network connections to their companies (Zander et al., 2015).

The article however is not focusing solely on individuals and their social capital, instead, the purpose of a paper is to look at companies from the inside of network structures, where their internal, external and mutual branding dimensions overlap over time, through a process of interaction (Koporcic and Tornroos, 2015). In this way, social, organizational and technical features of companies are taken into consideration (Håkansson and Waluszewski, 2002). Therefore, the article is structured as follows. It starts with the literature review and theoretical background on born global companies, together with their main characteristics. After that, the I-Branding is introduced as a concept from a business network perspective, which presents a strategy of born global companies in the internationalization process. The following section presents a method used for a case study, which is longitudinal, process research. A small, family-owned pharmaceutical company BonAlive is followed through its past, present and future and described in the following section. After that, discussion is presented together with the conclusions. The last section provides theoretical and practical implications with future research suggestions.

Literature review

Born Global companies

Certain small, entrepreneurial and middle-sized companies with a rapid internationalization do not follow linear and stage approaches, or traditional theoretical assumptions of internationalization process (about stages of internationalization see Johanson and Vahlne, 1990). Instead, they are involved with international activities right from their birth, or very soon after. They do not perceive domestic vs. foreign markets, but the whole world as their marketplace (Halldin, 2012). These companies started to be in a focus of academic research from the 1990s (Rennie, 1993; Madsen and Servais, 1997), when rapid internationalization of small companies became universal phenomenon. However, “it can be argued that it was the recognition of the phenomenon that was novel, rather than the phenomenon itself” (Zander et al., 2015, p.33).

One of the general definitions of “born globals” describes them as companies younger than 20 years, with experience of internationalization within first three years and with minimum of 25% sales abroad (Knight and Cavusgil, 1996). These companies hold knowledge, capabilities and innovations for rapid internationalization, and the key for success lies in their size, which provides flexibility, less bureaucracy and conditions for easier innovations (ibid.). However, as Coviello (2015) says, this fairly young area of academic research faces some challenges in terms of definitions and terminology. Born globals are often referred to as “international new ventures”, “instant internationals”, “instant exporters” or “global start-ups”, even though the concepts slightly differ from each other. Therefore, a better understanding of born globals, their internationalization process and dynamics is clearly needed (Coviello, 2015).

Interactive Branding

Branding, as a source of competitive advantage (Aaker, 2001), is specifically important for small, young companies with limited resources, which cannot compete easily on a market with big, multinational firms. Neglecting branding and marketing in general has been one of the main reasons for their unsuccessful business endeavours (Altshuler and Tarnovskaya, 2010). However, while big companies are building their brands over the years, another challenge appears for born globals, which need to do it rapidly, with limited time framework, resources and company size (Gabrielsson, 2005). Even though there are numbers of challenges, born globas have some successful factors in common, such as global orientation, motivation and experience of their founders (Altshuler and Tarnovskaya, 2010). Founders of born globals are presenting their companies, interacting with other representatives and participating in production, sales, as well as internationalization (Medlin and Törnroos 2009; Koporcic and Törnroos, 2015).

Internationalization can be defined as: “a process of developing networks of business relationships in other countries through extension, penetration, and integration” (Johanson and Vahlne, 1990, p.20). Based on this definition, it can be concluded that

in today's globalized world companies are mutually interconnected and interdependent, where different networks of business actors and relationships are playing an important role. This interdependency between various networks can be researched through three dimensions, namely: internal, external and mutual dimension (Koporcic and Tornroos, 2015):

- Internal dimensions present companies embedded in a network through their corporate identities;
- External dimensions consist of various reputations of companies, which were created by other network players (direct and indirect, potential and existing business partners);
- Mutual branding dimension is presented as an in-between place where internal and external dimensions are interconnected and where interaction between them creates relational value.

These three presented dimensions are the main building blocks for the Interactive branding in business networks, which is a business strategy that born global companies use in order to position themselves inside of a foreign network(s). It can be described as a socially constructed process of building company's identity, reputation and capabilities, through interaction with other companies from the network (Koporcic and Tornroos, 2015). I-Branding goes in line with a business network literature, where it is stated that business relationships are socially constructed and presented by human actors, and where external and internal factors can influence the choice of establishing and maintaining business relationships (Andersson et al., 2015).

Method

In order to study Interactive Branding in a business environment of a born global company, a longitudinal, process research of a Finnish pharmaceutical company BonAlive was conducted. Process research is chosen based on a gap in internationalization, both in academia and practise, where time dimension has been highly neglected by now (McAuley, 2010; Welch and Mantymaki, 2014). As Welch and Mantymaki (2014, p.2) pointed out: "Empirically, we have not achieved enough in terms of longitudinal studies". Research by now was mostly focused on the foundation of born globals and their business, ignoring the need for further understanding how these companies evolve and develop over time (Zander et al., 2015).

The aim was therefore to follow the company from its start and to see how it develops and grows over time, but also what have happened before and during the internationalization process. The focus was not on the financial outcomes, but instead on general effects of internationalization on the company and its business network (similar notions from Kuivalainen et al., 2012). Based on that, the answer was provided on a question: "How does the issue emerge, develop, grow and terminate over time?" (Van de Ven 2007, p.145). Instead of measuring variables, events were followed as a unit of analysis for the process research (Welch and Mantymaki, 2014). This longitudinal case study involves narrative analysis (Pentland, 1999). The data have been collected through semi-structured interviews with the founder,

management, and other responsible decision-makers. Data triangulation (Yin, 2003) was achieved through secondary data, collected through official web pages.

The case

BonAlive Biomaterials Ltd. is a small, family-owned company based in Finland. It was founded in a year 2010, with 11 employees. By today that number has grown to 50 employees. The company is manufacturing products for bone regeneration that save operation time as well as costs, and which surgeons are using in cranio-maxillofacial, trauma and orthopaedic surgeries. The vision of BonAlive is: “to become the world-leader in providing synthetic biomaterial solutions for the treatment of chronically infected bone.” BonAlive was previously a part of Vivoxid Ltd, but soon after becoming a fully independent company it managed to build both local and international brand reputation. The reputation furthermore can be looked upon from the personal (founder’s) and corporate brand’s perspective, which are in this case interconnected and function as one. Even though company have no specific branding department, throughout owner’s personal network connections and word-of-mouth, it managed to build its powerful network positions.

BonAlive was chosen based on company’s interesting characteristics. It is a small, family owned company that internationalized quickly. At the moment it is operating in Europe, Middle East, Asia-Pacific, Africa and Brazil. It uses a professional network of distributors, which highlights the importance of good network connections. BonAlive can be described as a Born Global company because it is younger than 20 years, it had a rich experience of internationalization within first three years, and more than 25% sales abroad. Company has been presented on various conferences, medical congresses, international trade and other events; academic articles are written on the case of BonAlive and its products, medical successful experiences and innovativeness; lectures, courses and conference presentations are given both by academics (professors from universities) and practitioners (doctors that are using products).

Based on key variables that present rapid internationalization (Freeman et al. 2006), BonAlive is associated with:

1. A limited size of domestic market: Finnish market is too small for their needs, based on specialized high-tech products that are not targeted for a mass consumption.
2. The idea of internationalization wasn’t foreign to their founders: a founder had some previous international experiences.
3. Founder’s personal network: founder had connections from his previous jobs, which are both domestic and international. However, that personal network is constantly growing.
4. Competitive advantage through unique products and technology: BonAlive is using the 3rd generation of biomaterials, which is shifting from traditional bone replacement towards bone regeneration technologies. They are producing

BonAlive granules, putty, as well as plates, which are products from bioactive glass.

5. Future growth through partnerships: BonAlive's reputation is spreading fast through different countries by word-of-mouth, positive experiences and specific cases, and that development is predicted for a future as well. As their vision describes, they are aiming to become the world-leader in providing solutions for the treatment of infected bone.

Finally, for characterizing BonAlive as a born global company, these objectives have been fulfilled (Tanev, 2012):

- a) Notable activity in internationalization from the start.
- b) Financial and tangible assets were limited.
- c) Spread across more than one industry: Even though BonAlive is technological company, its work is present beyond the technology sector.
- d) Founders have international entrepreneurial orientation and outlook: Going abroad can sometimes even be as a result of personal or business relationships of a founder and CEO of another company (Aharoni et al., 2011), which was the situation of BonAlive.
- e) Focus on strategy of differentiation.
- f) Focus on high quality of its products.
- g) Good use of information and communication technology (ICT).
- h) For entering and serving foreign markets, professional distribution network has been developed: BonAlive is completely dependent on its professional distribution network.

Discussion and conclusions

As a growing phenomenon worldwide, born global companies are achieving an important place in the international trade and business environment. More and more research is being done, as a result of globalization and growth of an international exchange system, in which companies regardless of experience, size, age, or resources, can become a part of an international business world (Knight and Cavusgil, 2004).

BonAlive is a high-tech firm, as majority of born globals are. Some of the reasons how and why the company became a born global was discussed already in previous sections, but can be summarized once again. Just as Kudina et al. (2008) listed, based on their research on 12 technology companies from the UK, born global company is:

- The company that operates in a high-technology or knowledge-intensive industry;
- The biggest and most important customers are mostly multinational and foreign companies;
- Domestic market is not big enough for supporting the operational and business scale of the company;

- Most of potential buyers have international operations, in which they will use company's products;
- The biggest competitive advantage is having strong intangible assets;
- Product or service is only facing few trade barriers;
- There is a high value of a product, in comparison with its costs;
- Buyer's needs are standardized;
- There is an important first-mover advantage of a born global and its offering, with a network effect that will keep suppliers and lock out competitors;
- The strong management team have a rich knowledge and experience in international business and entrepreneurship;
- The most important buyers, suppliers, as well as competitors are also internationalized, or will become soon. They all create a deep and broad international business network.

The case of a BonAlive consists of above mentioned characteristics and follows the pathway of a born global company. Throughout of this, BonAlive has become interconnected and mutually interdependent on companies from its international business network. Besides partnerships with companies, founder developed his personal network, which is closely interconnected with a business network. All of that is a result of I-Branding strategy, in which international relational value is accomplished through various business interactions. Mutual branding dimension, as an in-between place where interaction between companies provides influences on each other's reputation, provides an important factor for a BonAlive and its positioning in global markets.

Furthermore, born globals have different opportunities for growth (Zander et al., 2015): some companies can strive to be acquired, in order for founder to generate money; some will continuously innovate and offer "big hits" on the markets; and some will aim to grow by expending on various new markets and networks. The latter one is the option BonAlive choses as its business strategy, which goes in a line with I-Branding strategy. From the start, BonAlive was internationally focused and been involved in various networks, which helped with faster internationalization. As Ruzzier et al. (2006) argued, even though previous research in academic literature defined small companies as passive victims of globalization, today they are considered as active players of internationalization.

Implications and future research suggestions

This study on Interactive Branding of a born global company provides several theoretical contributions. By introducing the network approach to the emerging literature on international business and entrepreneurship, it gives a new aspect on evolving phenomenon of born globals. The following contribution is in a line with branding strategies of small born global companies. The way they should be understood, combined, used and presented depends on individuals, as human actors from companies. This also provides a valuable insight for practitioners. The importance of individuals in strategizing aided in understanding that personal and

business connections are one of the most valuable assets that small companies can own. Therefore, managers should deepen their understanding of branding possibilities, the importance of building a strong reputation in the networks and closer personal relationships.

Internationalization is viewed as a capability development, network positioning and learning process of companies, which can sometimes result in tensions between these processes (Welch and Mantymaki, 2014). Future research is therefore needed for studying these intersections, as well as for recognizing new network realities through introduction of new theories of internationalization (Axinn and Matthyssens, 2002). These theories will need to conceptualize time, process and dynamics of internationalization, both for big (multinational) and small (born global) companies. Furthermore, I-Branding as a strategy of born globals needs a step further in empirical research, by moving towards more cross-industry and multiple case comparisons. As a mutual branding dimension is presented by individuals that present companies and do business through interactions, their behaviour, especially decision-making processes should be studied in more depth. Already from the 1990s, models of internationalization started to include role of decision-making, but at that time managers were considered as completely rational, without acknowledging the importance of emotions, as an important, multi-dimensional phenomenon of a business world (Bagozzi, 2006).

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