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

Executive summary

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

Key findings

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

Due to the lack of a harmonised definition of 'born global' and standardised data dealing with this enterprise form, it is possible to provide only an approximation of their extent and contribution to the economy and labour market. According to available estimates, about one-fifth of young enterprises in Europe are born globals but with considerable differences among countries (from less than 10% in, for example, Hungary, to up to 40%–50% in Romania, Belgium or Denmark).
Because of their young age, born globals tend to be mainly micro or small enterprises. Nevertheless, as they are young they are observed to possess high job creation potential. Entrepreneurs and staff in born globals are highly skilled and educated, particularly in their knowledge of technology and languages, and command higher than average wages. Furthermore, due to their relationships with other firms and their way of doing business (for example, through outsourcing production) there is anecdotal evidence that born globals cause positive ‘knock-on effects’ in terms of job creation in other companies.

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

Policy pointers

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

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

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

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

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

Further information

The report, Born global: The potential of job creation in new international businesses, is available at http://www.eurofound.europa.eu/publications/htmlfiles/ef1265.htm

For further information, contact Irene Mandl, Research Manager, at ima@eurofound.europa.eu