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Value Creation in Globalizing SMEs

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Introduction

Value and value creation are both subjective terms with a broader and narrower meaning. In the narrow sense, value creation refers to the increase in value of shareholders' equity. This chapter adopts a much broader meaning. Bowman and Ambrosini (2000) make a distinction between perceived use value and exchange value. Use value is highly subjective and defined by customers according to their perception of the usefulness of the product or service. Exchange value is realized in the sales process. According to Priem (2007), value creation involves innovation that establishes or increases the consumer's valuation of the benefit of

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consumption. Sheth and Uslay (2007) argue, however, that the value creation paradigm allows us to even look beyond value in use (e.g. value in disposal). In this study, the value creation perspective is extended towards the service dominant logic by Vargo and Lusch (2004), who claim that various actors actually co-create value by interacting through mutual service provision (see also Bettencourt et al. 2014). From this perspective, value creation is no longer perceived to reside within the firm, but value is co-created among various actors within the networked market (Nenonen and Storbacka 2010). Such networked value creation is likely to involve various supply chain partners and interconnectivity between business-to-business (B2B) and business-to-consumer (B2C) relations. Daxböck (2013) shows that value co-creation is an important precondition in service business models. Therefore, extending the value concept by Hsieh et al. (2012), value in this study is seen as the difference between the benefits enjoyed by international customers and partners of a smaller company and its cost of provision and delivery.

Globalizing small and medium sized enterprises (SMEs) are defined in this chapter as SMEs whose vision is to become global in terms of market reach. Global means being represented all over the world. The term globalizing SMEs is used in this study to stress the global aspirations of these SMEs. The more common terms 'born global' and 'international new ventures' are indeed closely related, but stress more the speed than the reach of internationalization. The word globalizing also has a more dynamic and process related connotation than simply global or international.

Value creation in the internationalization process often requires innovative adjustments to the business model in order to make the value proposition more suitable in the changing business environment. The dynamic nature of internationalization is a characteristic of SMEs that intend to become global. Due to their smallness, these enterprises tend to have limited capital for expansion. Griffith (2007) argues that scarcity of material resources in the context of small economies can be compensated for by having superior knowledge resources. This is also true for SMEs. Globalizing SMEs can use their specialist knowledge and networking skills to facilitate international expansion despite the limited availability of other resources.

The specialist knowledge and capabilities might involve, for example, the agile incorporation of new technological platforms into their business model and subsequent new value propositions either to large partners or to customers. Such extensions across various platforms serve to increase the appeal of the globalizing SME as a potential partner for network cooperation and joint expansions. This is just one indication of how interwoven the internationalization and innovation processes of SMEs often are. Networking skills are equally important in boosting the global expansion process. Regions differ considerably in terms of their cultures, development levels, and other socio-economic characteristics. The value proposition to local customers also has to be adjusted according to legal restrictions. Therefore, several knowledge-based global SMEs seek to find a balance between building a global brand image for cross-border partnerships and the localization of the services according to regional opportunities.

The value proposition for larger global or regional partners could depend on the scale of activities as well. Large companies tend to seek trustworthy network partners that could provide value adding support services not only in a few target markets, but at least a wider region. Therefore, as globalizing SMEs expand, they gradually become more attractive as partners for larger multinational enterprises.

The aim of this chapter is to provide a qualitative framework in conjunction with preliminary case-study evidence about the combined role of technological advances and organizational arrangements in the evolution of value creation processes in globalizing SMEs. How do the value creation processes of globalizing SMEs evolve over time on the basis of structured technological and organizational developments? That is the research question this study seeks to answer. In this respect, Estonia, as a small open economy, offers several interesting cases of knowledge-based global expansion of SMEs based on innovative value propositions. The case-study evidence will be based on three cases of unique solutions offered by globalizing SMEs. This diverse comparison of globalizing value creation processes should make it easier to generalize the results.

The novelty of this contribution is in the establishment of a qualitative framework for the analysis of value creation dynamics in globalizing SMEs. This framework is aimed at using case evidence to identify the generalizable patterns in the establishment of unique dynamic value propositions during the globalization process. The proposed framework seeks to link technological and resource-based aspects with organizational efforts that leverage co-operation and networking to create more value. Thus, it builds upon knowledge from various discourses in a novel way to focus specifically on value provision to consumers and to network partners. The agile nature of the modern globalization of smaller companies prescribes the development of suitable knowledge resources and dynamic capabilities that allow using very flexible strategies and that tolerate sudden disruptions in business model conceptualization. This low path dependency of globalizing SMEs is also a relatively novel value creation perspective in international business discourse. This chapter shows how the internationalization process in globalizing small companies is simultaneously an element of evolving value creation by supporting technological and organisational changes, which enhance value propositions to the partners and customers of such companies. This makes it possible to seek a better connection between discourses of international business and innovation management in smaller companies.

The chapter starts with a discussion of theoretical considerations and earlier research, predominantly about value creation in dynamic new ventures (including born globals). A framework of value creation dynamics in the globalization setting is established on the basis of this theoretical analysis. The section continues with an explanation of the research methodology used for the empirical analysis and the case data. This is followed by the case-study analysis and comparison of three Estonian SMEs in the context of their global expansion. A general discussion of the results from the perspective of earlier theoretical and empirical contributions will then follow, and the chapter will end with conclusions and implications for theory, policy and management practice.

Value Creation Framework for Globalizing SMEs

The general properties of value creation were already explained at the very beginning of this chapter. In this section, the focus will first be on the various concepts often used in international business studies to explain the internationalization processes. However, here they will serve as building blocks for the establishment of a comprehensive theoretical

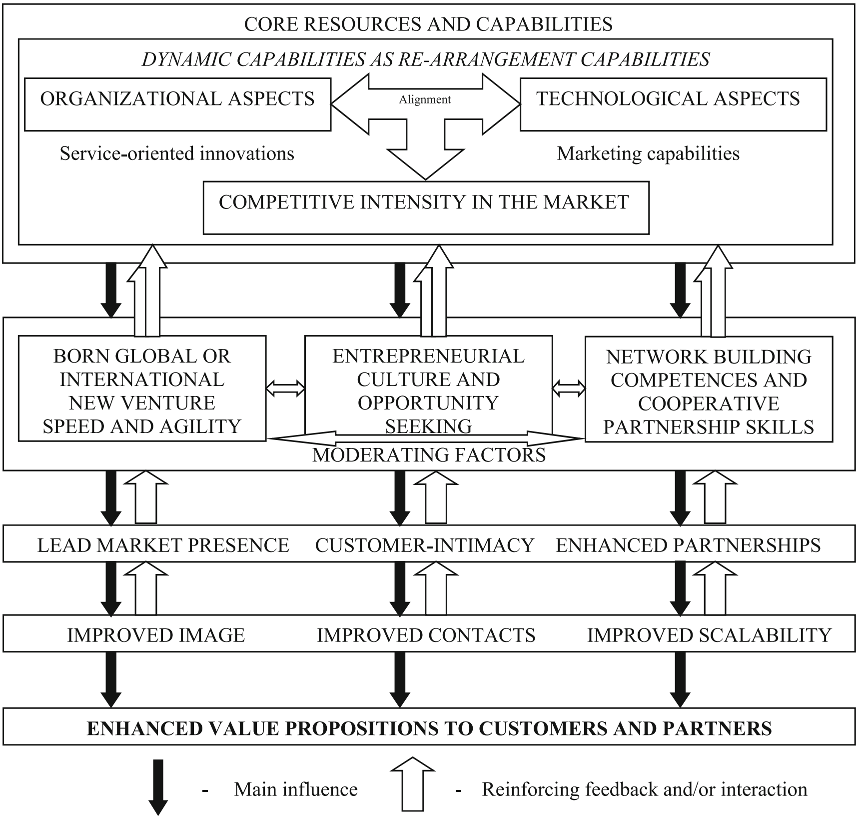

Fig. 2.1 Framework of dynamic value creation in globalizing SMEs (*Source*: Based on the author's synthesis of various findings outlined in the literature)

framework. In this analysis, value creation serves initially as an implicit research context or somewhat tacit goal until it becomes explicit in terms of rendering enhanced value propositions to customers and partners, as reflected in Fig. 2.1. Such a research approach might seem peculiar. Yet, just as technologies are built upon various elements that initially may look unrelated, international business related concepts are similar elements of this exploratory view of the value creation dynamics. Furthermore, the internationalization process is seen in this study as an important element of value creation that makes it possible to establish or increase various benefits to customers and/or partners, while improving the performance of a company. Relevant theoretical aspects can be found in various streams of literature. These include elements of the resource-based view (especially discussions of dynamic capabilities), the literature on 'born globals', the international new ventures approach as well as elements of the network approach. In addition, business model scalability will also be addressed.

The resource-based view of the firm outlines possible linkages between the learning aspect of gradual approaches, networks and the ownership aspect of the OLI (ownership, location, internalization) paradigm. The concept investigates a company as a collection of inimitable resources and capabilities. Differences in competitiveness result from the unique abilities a company may possess in order to accumulate, develop, and deploy resources and capabilities. They use these abilities to formulate and implement value-enhancing strategies. Jacobsen (2013) traces the origin of the resource-based view back to E. A. G. Robinson's work in 1931. Therefore, as with entrepreneurship, the core ideas of the concept were developed long ago.

Barney (1991) argues that these valuable, rare, imperfectly imitable, and not substitutable resources and capabilities are sources for sustainable competitive advantage. Fiol (2001) somewhat opposes this view by indicating that the derivation of sustainable advantage from single inimitable core competencies is questionable. The modern business environment changes so rapidly that the skill and resources of organizations and how they are used must change to produce continuously changing advantages. The more contemporary idea of the increased environmental dynamics is shared by several authors, more recently by Andersén (2010) and Arend (2014). Barney's response to these claims is that the ability to be adaptive could itself be considered a (dynamic) capability and a source for competitive advantage, as long as it renders additional value from reacting properly to instabilities in the environment (Barney et al. 2001). Therefore, the resource-based view incorporates changes in the business environment without major changes in the underpinnings of the concept. However, Wu (2010) showed that in the context of environmental volatility, the dynamic capabilities view does offer better explanatory power than the traditional resource-based view, while both are useful concepts.

Wiengarten et al. (2013) combine the resource-based view with the use and development of information technology resources in companies. They conclude that in order to gain full support from IT improvements other organizational factors have to be aligned with that technological advancement. Similar contingency theory aspects of the resource-based view that interpret organizational structure as a valuable resource are discussed by Pertusa-Ortega et al. (2010) and Wilden et al. (2013). Wilden et al. (2013) also analyse the external fit of dynamic capabilities with competitive intensity in the market. Zhuang and Lederer (2006) have shown earlier that the e-commerce performance of firms is determined by their business and e-commerce technology resources as well as by process redesign skills, but not by their human resources.

Kindström et al. (2013) outline the importance of dynamic capabilities in making the shift from product-centred management to a product and service view, which requires new capabilities for service innovation. Purposeful use of processes in order to build dynamic capabilities that support service innovations in project-oriented entrepreneurial service firms has been discussed by Salunke et al. (2011). Nath et al. (2010) found that the financial performance of firms is most influenced by marketing capabilities where firms should consider focus on a narrow product or services portfolio and a diverse geographical market. Therefore, market diversification is positive, while high product diversification might have an adverse influence on performance. Auh and Menguc (2009) show in addition that the use of marketing resources and capabilities also depends on institutional factors, including the potential unwillingness of managers to take some actions.

During recent decades, the concepts of 'born globals' (Rennie 1993; Knight and Cavusgil 1996) and 'international new ventures' (Oviatt and McDougall 1994 or recently Rasmussen et al. 2012) have become more important. Efrat and Shoham (2012) distinguish between the short-term and long-term performance of 'born globals'. They conclude that while short-term performance tends to be influenced predominantly by external environmental factors, the long-term performance and success depends more on internal factors, such as managerial capabilities, technological capabilities and marketing effectiveness. Sapienza et al. (2006) argue that early internationalization reduces the probability of firm survival, but increases the probability of growth. This effect is moderated by managerial experience so that the earlier foreign experience of managers reduces the negative influence of internationalization on the firm's survival and increases the positive effect on growth. Very fungible resources have similar moderating effects. Li et al. (2012) show that firm size and experience tend to influence the firm's early internationalization of high-tech 'born globals' in the shape of an inverted U, whereas research and development (R&D) intensity matters as well. Early internationalization does, according to them, have a significant positive effect on performance. Interestingly, strategic alliances did not have a significant impact on the early internationalization of such firms.

Kalinic and Forza (2012) find the distinct strategic focus to be a key aspect that helps SMEs to succeed as rapidly internationalizing 'born globals'. Park and Rhee (2012) argue, however, that prior experience of managers in 'born globals' as well as networks influence the firm's knowledge building capability, where absorptive capacity has an important moderating role. The firm's knowledge competencies have in turn an impact on international performance. Fernhaber and Li (2013) indicate in terms of networking that older international new ventures benefit more from formal partnering within international strategic alliances and younger ventures from informal networking with geographically proximate firms. Freeman et al. (2010) indicate that in addition to prior knowledge, 'born globals' tend to use proactive advanced relationship-building capabilities to acquire new knowledge from useful partners, where technological experience is often more important than market or process experience. Technology allows them to seek and to transfer new knowledge quickly, while developing new links.

Melén and Nordman (2009) use the internationalization speed characteristic of 'born globals' to differentiate between low committers, incremental committers, and high committers. The first type of 'born globals' use only low commitment modes, incremental development here means a shift from low commitment modes to high commitment later on, and high committers use both types of entry modes from inception. According to Ripollés and Blesa (2012), the selection of high commitment entry modes might be determined by the firm's marketing capabilities. Kahiya (2013) concludes that a firm's internationalization path depends on the perception of export barriers because gradual internationalizers feel strongly about their lack of skill and knowledge, while international new ventures (INVs) relate to positive managerial orientation. Uner et al. (2013) also support the argument that 'born globals' or INVs perceive export barriers differently from traditional, gradually internationalizing, firms.

Gabrielsson and Gabrielsson (2011) investigated the use of internet-based sales channels by 'born globals'. They found that the internet is often combined with more traditional channels and that internet-based multiple channels are more characteristic of already highly global firms than those in the early stages. The development of local channels and co-operative ties with multi-national corporations are still important even when internet-based channels are used extensively. Mort et al. (2012) identify four key elements of entrepreneurial marketing used by 'born global' firms. These include legitimacy, customer intimacy-based innovative products or services, opportunity creation and resource improvements. Advanced customer orientation is outlined by Kim et al. (2011) as an important source of innovations in 'born globals'. Therefore, an intimate knowledge of customers can give competitive advantages to small global firms. International entrepreneurial orientation and information intensity are the factors that support the development of information technologies in small 'born globals', while IT capabilities in turn support performance (Zhang et al. 2013).

Danish evidence by Rasmussen et al. (2012) suggests that international new ventures indeed take a more global business perspective, where international ventures are usually established by multiple partners, while domestic new ventures are often established by a single owner-manager. This shows that globalization efforts require diverse competencies. The entrepreneurial nature of international new ventures offers another relevant discourse.

Several researchers address the role of entrepreneurship in technological learning that takes place in foreign markets when high-tech industries internationalize. Entrepreneurship has been found to facilitate these learning processes, while also improving performance (Zahra et al. 2000). Entrepreneurial orientation as a determinant of early internationalization of small high-tech firms, sometimes even from its inception, has been discussed by Jones (1999). In terms of internationalization, the entrepreneurial culture might in some cases be viewed as a sole engine driving the entire process. Eventually, Oviatt and McDougall (2005) have offered an even more holistic model of international entrepreneurship.

Dimitratos et al. (2012) offer a scale of international entrepreneurial culture that combines international dimensions of entrepreneurial orientation, market orientation, motivation, learning orientation, networking with competitors, and networking with non-competitors. These six-dimensions of international entrepreneurship should offer a more elaborate understanding than the one-dimensional constructs. Dimitratos et al. (2010) also propose the novel term 'global smaller firm' to denote a firm that develops considerable market presence in the leading international markets/countries in its industry. The leading locations feature differentiates this term from 'born globals' or international new ventures.

Fink et al. (2008) propose that the co-operative internationalization of entrepreneurial SMEs is facilitated by self-commitment to such co-operation, which is not supported by formal controls and sanctions. Zahra et al. (2005) stress the importance of the cognitive perspective in research into international entrepreneurship in order to identify the role of opportunity identification and the exploitation in global markets. O'Cass and Weerawardena (2009) found that international SMEs are characterized by an intensity of organizational innovations, which is in turn facilitated by the firm's size and by entrepreneurship. They actively seek novel ways to provide value.

International entrepreneurship is also closely linked with Sarasvathy's effectuation approach that suggests entrepreneurial risk-taking and tests of real host market situations instead of extensive reliance on experiences or market reports (see Sarasvathy 2001; Sarasvathy and Venkataraman 2011). Goel and Karri (2006) interpreted this as a situation of over-trust, where entrepreneurs have more trust in international markets than they should. Andersson (2011) argues that the effectuation approach is useful in explaining how entrepreneurs create opportunities together with local network partners, and therefore, are able to enter global markets fast. This indicates connections of effectuation with the network approach.

The network approach emerged from the criticism of sequential internationalization (see Turnbull 1987; Rao and Naidu 1992). The founders of the sequential approach, Jan Johanson in particular, have investigated and acknowledged even further the importance of the multilateral or network aspect of the internationalization process (Johanson and Mattson 1988; Johanson and Vahlne 1990, 2003, 2009). They consider it an important improvement that transforms the initial incremental process in the direction of opportunity recognizing and relationship building.

Musteen et al. (2010) suggest, based on Czech evidence, that geographically extensive and diverse networks enhance performance, while an overly extensive reliance on personal networks might even be a barrier to the success of the international venture, especially if it is owners first. A shared language with network partners seems to increase the pace of internationalization. Hilmersson and Jansson (2012) propose that SMEs reduce their liability of being an outsider in relevant international networks by becoming insiders through three types or phases of networks. The initial exposure network serves the purpose of exposing the firm to many new relationships that might be weak. The formation network builds more relevant weak links into stronger ties, and finally the sustenance network means a focus on high-commitment entry modes within the framework of well-selected sustainable partnerships. While the classic network approach helps to avoid the concentration of administrative complexities that are characteristic of highly integrated hierarchies, it retains many elements of control and co-ordination. Therefore, networked operations help to achieve more effective and more competitive solutions on a higher level than intra-firm operations, while the specialization within a network helps to avoid organizational problems and to facilitate the changes needed in modern business environments.

Scalability is an important feature of computer systems that in general form refers to 'how well the solution to some problem will work when the size of the problem increases' (Macri 2004: 68). In the modern era, the term has been adopted in business and economics literature to denote the 'hockey stick' type company growth curve where returns increase faster than the costs of inputs. In economics, the scalability means increasingly positive returns to scale. This phenomenon is especially characteristic of e-commerce and high-tech fields dominated by R&D costs, which are fixed in nature and do not depend on the accumulative output provided.

Some venture capital based business ideas might not be well scalable without alliance support (Patel et al. 2011) and there are several scalability challenges (see for example Hallowell 2001; Kipley and Lewis 2009; Hosman 2011). Business model scalability can be achieved by market expansion, where the costs of entry grow slower than the returns from a more extensive market presence. Increasing returns in comparison to input costs implies that successful scalability has a strong connection to productivity growth and improved value creation. Scalability as a phenomenon is not risk free. In the case of unsuccessful market penetration, the input costs are likely to exceed the returns.

The elements from various streams of theoretical discussion allow us to propose the value creation framework depicted in Fig. 2.1. The dark arrows in the figure outline the main pattern of inputs, moderators, and various outcomes from top to bottom. The light horizontal arrows indicate the interaction of framework elements (including potential synergies) and the light vertical arrows indicate reinforcing feedback effects (e.g. the improved scalability of the business model could help to create even better partnerships, which in turn contribute to networking competencies). Some interim steps, like seeking lead market presence, customer-intimacy, and enhanced partnerships are represented within the same box because they are separable yet often highly interwoven elements. This is also so with the interim outcomes of improved image, contacts, and scalability.

This framework outlines the important role of intra-company resources and capabilities, which for value creation require alignment between organizational, technological, and market aspects. The focal elements in modern capability development are increased service-orientation and marketing capabilities. The value provision of dynamic capabilities is moderated by the speed and agility of being born global, entrepreneurial opportunity seeking, and networking skills. These moderators are highly integrated and interactive. They reinforce capabilities as well as their influence on value creating strategic choices, like lead market presence, customer intimacy using modern channels in combination with traditional channels, and various partnerships. Such strategies help to establish a company's good image, vital contacts and/or additional scale effects that enhance value creation processes.

Research Methodology

This research discusses the management and networking processes that relate to global value creation using information and communication technologies or other modern technologies. The internal logic of such processes and related managerial perceptions can be revealed by using case-study analysis. This qualitative approach helps to gain elaborate insights into the motivations, beliefs, and experiences of managers, who have been responsible for the internationalization process in their companies. According to Yin (1992) a case study is an empirical inquiry that investigates a phenomenon within its real-life context when the borders between the phenomenon and its context are not evident and in which multiple sources of evidence are used. Chetty (1996) argues that the case-study method is an important and widely used method of research in social sciences and in management studies. Eisenhardt (1989) elaborates the idea that case-study research is a suitable tool also for theory building. Thus, the method is suitable for an exploratory study about the proposed value creation framework. Hillebrand et al. (2001) show in turn the usefulness of case studies for theory testing purposes. Piekkari and Welch (2011) offer additional support to the idea that in international business research, case studies have several acceptable forms and purposes. This study incorporates framework building as well as the initial testing of that framework. In order to generalize from the results of inter-case analysis, the case data from companies are combined with data and information from other sources, including public data.

In this chapter, the phenomenon under investigation is value creation in the global expansion of SMEs. Thus, the research context is formed by intra-company and external factors. This study is an exploratory study attempting to determine the dynamics of value creation in the internationalization process of globalizing SMEs. Yin (1994) provides a detailed description of exploratory type case studies. This form of case study should have a purpose, but it might not have clearly defined research propositions because potential causalities are yet to be identified in the exploration process itself. It is a controversial method from the perspective of clarity. Exploration may follow intuitive research paths, which could be considered confusing by some readers.

In order to obtain both intra-case and inter-case evidence, the multiple case study analysis was selected as a sub-method. The intra-case narrative helps to highlight the specific features of the phenomenon in that particular unit of research (in this study a company), while inter-case evidence makes it possible to make some generalizations based on the common features of several case companies.

The case companies were selected on the basis of theoretical sampling (Eisenhardt 1989). The main considerations related to the goal of internationalization (companies that have clearly shown global business aspirations), company size (focus on SMEs), and current levels of foreign commitment (companies that are at somewhat various stages of becoming global). The case information was collected primarily from secondary sources, and in that sense the current study provides a meta-analytical view of developments. However, the desk research of several data sources has been reinforced by short interviews and informal contact with company managers. The focus on secondary data could be seen as a limitation, but it helps the author to obtain a more diversified understanding of the dynamics of processes over time because historic records show the timeline of paramount events. The intra-company views are represented not only in the form of short additional interviews, but also information from various public presentations and interviews. The cases are summarized in Table 2.1 after the case narratives because knowledge from the narratives makes it possible to provide a better overview.

Table 2.1 Comparison of value creation in Fortumo, ZeroTurnaround and Click & Grow

	Fortumo	ZeroTurnaround	Click & Grow
Market focus	B2C and B2B	B2B	B2C
Product/service	Mobile value-added services and platforms – **electronic service**	Java programming developer tools – **electronic product**	Intelligent flowerpots and herb selection pots – **physical product**
Business model	Transaction service fees	Licence sales	Product sales
Main markets	USA, China, India	USA, Western Europe	USA, Russia

Table 2.1 (continued)

	Fortumo	ZeroTurnaround	Click & Grow
Key partnerships	High-traffic content providers and telecoms	Experienced co-owner from USA and other Java dynamics developers	Tech-savvy plant grower communities around the world, Kickstarter
	Mainly non-equity partnerships, one occasion of equity sale	**Equity based partnerships**	**Non-equity based community creation**
Enhanced solutions	Focus on payments new in-app platforms	LiveRebel Java updating tool as follow-up solution	Smart Herb Garden as cheaper better solution for growing three herbs
Main value proposition	Easy to use payment system for online products and services	Enhanced productivity of Java programmers and updaters	Easy and carefree plant-growing option for non-skilful or lazier people
Year of establishment	2007	2009	2009
First year of exports	2007	2009	2011
Number of locations	3 (Tartu (Estonia), California (USA), Beijing (China))	4 (Tallinn (Estonia), Tartu (Estonia), Prague (Czech Republic), Boston (USA))	2 (Tartu (Estonia), California (USA))
Number of employees	**2014:** 55	**2014:** 90+	**2014:** 14 (planned 23)
(Employment growth)	**2012:** 31 (55 %) **2011:** 20	**2012:** 61 (321.1 %) **2011:** 19	**2012:** – **2011:** 6
Total sales (euros)	**2012:** 12,704,013 **2011:** 8,569,945	**2012:** 5,079,729 **2011:** 1,748,624	**2012:** ~640,000 **2011:** 120,009
Sales growth (2012/11)	48.24 %	290.50 %	~533.29 %
Sales within EU (euros)	**2012:** 8,350,837 **2011:** 5,528,324	**2012:** 2,156,061 **2011:** 872,714	**2012:** – **2011:** 111,660
Sales outside EU (euros)	**2012:** 4,353,176 **2011:** 3,041,621	**2012:** 2,923,668 **2011:** 875,910 euros	**2012:** – **2011:** 8,349 euros

Source: Based on the analysis of various public sources, including reports, interviews and press releases

Only full-time marketing and product development employees (production outsourced)

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Fortumo's Partnerships and Adjustments to Their Value Proposition

Mobi Solutions, the predecessor and parent company of Fortumo, was founded in 2000 by students from the University of Tartu, who created the first SMS service as a course project. This company offers and develops mobile value-added services for various organizations (companies, public agencies) and private individuals. Mobi Solutions is best known as the developer of SMS-based entertainment, marketing, or public administration services, whose profit model relies on a small percentage from the price of each transaction message. This is about 2 %, which in comparison to the 43 % going to the mobile operator, and 55 % going to the web-service provider, is relatively minute. Mobile value-added services in general are services that mobile operators do not provide as their main services (main services being calling services, short messaging services, and internet connection services). This means that short messages or other applications themselves are not the core of Fortumo's business, but the additional value and functionality for the clients is (advertising, consumer voting and questionnaires, delivery tracking, recording of memos, match-making services, web-page access authorization, lottery, downloading of mobile sounds and other similar services) (Mobi Solutions 2013; Fortumo 2013).

Until 2005, Mobi Solutions was predominantly oriented towards the domestic market. In that year, the company founded subsidiaries in Latvia and Lithuania in order to increase growth through exports. Back then Mobi Solutions offered SMS payment solutions such as SMS-Gateway, mobile marketing campaigns, bulk delivery of SMS messages and Everybody's M-Business. The last being the newest service that represented around 10 % of its turnover in 2005. In addition, Mobi provides solutions for public administration such as M-Government and M-City. Everybody's M-Business meant offering a standardized platform for mobile payments that allowed all interested parties to create an SMS payment add-on for its web-page quickly and simply without any start-up costs or monthly fees (Rannu 2007).

In 2007, this service was re-branded as Fortumo, and Mobi Solutions established a new affiliate company aimed at the international provision of Fortumo's service offering. The international provision of that standardized mobile solution is complicated by regulatory differences across countries and regions. These differences and limitations require thorough preparations in order to make sure that the market entry process commences according to the rules (Fortumo 2013).

In essence, Fortumo's platform offers intermediation between web-based or mobile-based content providers and their clients. Consequently, international success is highly dependent on the attraction of high-traffic content providers (e.g. game producers) for the mobile payment solution. The fact that Fortumo's solution does not require any programming skills nor cause any cost unrelated to turnover is a valuable, but insufficient condition for gaining attention. Fortumo conducts targeted promotions of its service in various internet forums and other web-pages frequently visited by potential users. Over time, however, it has become evident that internet-based channels have to be used in combination with targeted participation in selected trade fairs, conferences and industry meetings to gain personal contacts with key representatives of companies that are potential partners (Kodres 2013).

Global expansion with Fortumo's service does not require a physical presence in each and every target market. There are larger markets, like the USA and China, where the company has chosen to make extra efforts. For example, on the US market software companies have clustered in Silicon Valley with at least representative offices. This includes content providers. Therefore, Fortumo has established an office in the US and employed some local professionals with a good portfolio of network contacts. The initial experience with US employees was, however, a failure because the personnel did not fully commit to the contact establishment tasks. Instead of extensive reliance on host country managers, the key executives at Fortumo now make extended trips to their offices in San Francisco and Beijing. This up close and personal approach is naturally more expensive than a virtual market presence. Yet, in the case of a very attractive target market, such additional effort might render considerable payoffs. US regulations on service number usage also make it more difficult to share resources between various users cost effectively just by separating services not by number but by message keyword. In addition to the USA, special attention has been devoted to Asian markets first by recruiting experienced Taiwanese marketing people in order to support market penetration and sales in Asia. In this case, the marketing people worked initially in Estonia and not in the target region, but now their marketing efforts are focused in China and Fortumo has established a subsidiary in Beijing. Due to the developmental differences of various mobile and online services, the value proposition of Fortumo seems even more appealing in less developed Asian markets than in mature markets (Kodres 2013).

In addition to Scandinavia, Central and Eastern European countries, several Asian countries, and the US market, in 2010, Fortumo turned its attention towards South American markets. These markets have higher economic and political risks, but due to these complexities also a less competitive environment than in Europe. South American people use value-added mobile services actively. In technical matters Fortumo relies on local partners there (mainly mobile service operators), but the marketing side is still handled by the company. Due to regulatory considerations, entry into Argentina and Brazil proved to be more complicated. Therefore, Fortumo started its services first in Chile, Mexico, Columbia, and Venezuela. Now, the services are also available in Argentina and Brazil.

In total Fortumo solutions are now available in 75 countries and on several continents. Fortumo is global in terms of the availability of its services, but penetration of markets in terms of sales still requires considerable development. This is done through targeted marketing efforts oriented towards the establishment of partnerships with major telecoms and other network partners. Such efforts are reinforced in Asia and the USA by local offices, but highly mobile managers operate in other markets as well.

In general, the company has established an impressive global presence with its standardized service platforms during the last three to six years. Yet, the key issue seems to be the depth of market penetration in terms of attracting content providers who have high-traffic rather than large user numbers. However, the latter might serve as a useful stepping-stone towards more focused and profitable client portfolios. The trick seems to be in convincing high-volume users that even fast, simple and standardized solutions can serve most quality sensitive and somewhat specialized needs. Fortumo has started reference programme type advertising as well in order to support deeper market penetration and brand development. The dynamics of Fortumo's value proposition to clients are represented by continuous development of new payment platforms, including in-app payments for Windows 8 and Nook as well as other adjustments to the smart phone era. Solely SMS-based services are therefore becoming replaced by modern applications, where the core nature of direct mobile billing without credit card or bank transfer remains the same.

Identity development means that in this sector the number of target countries covered by a value-added service provider makes the difference between being considered a partner or not. Therefore, large companies that provide web-based content monitor the coverage capabilities of support service companies like Fortumo. In this respect, internet-based solutions help Fortumo to grow fast and expand continuously. In this process, it builds identity as a global partner. In May 2013, this identity helped seal partnership deals with Norwegian Telenor and Spanish Telefonica, which are major telecoms in these markets. Fortumo has also partnered with mobile phone producer ZTE for app billing and in-app purchasing.

According to the Chief Revenue Officer at Fortumo, their larger clients are operating simultaneously in 20–25 target markets or more. Initially, Fortumo served users who operated in 2–5 markets. This means that internationalization has helped them obtain critical growth towards higher market coverage. This enables the company to serve international clients. To gain this access to larger multimarket clients was one of Fortumo's main aims because it makes it possible to replace the market-based approach, where clients have to be found on each local target market using a client-based approach. The latter is more cost effective, because some business functions can be centralized. Scaling growth together with clients means, in the interconnection with previous advantages, that sometimes when Fortumo enters a new target market, international clients are already there. This means additional income without considerable costs. Fast international expansion reduces the risks by balancing income flows between various target markets. This diversification makes the company less dependent on single-market developments because losses on one market can be compensated with profits from others. This shows that the managers at Fortumo view internet-based expansion predominantly as a cost-effective opportunity to build a global identity that is attractive to large-scale international clients. The technological aspects seem in this respect far less important than the ability to expand rapidly and continuously. Although social networks are sometimes used as tools for making initial contacts with prospective international partners, the role of personal contacts and meetings remains high. Often, initial setbacks lead to adjusted value propositions, which are more in line with the business interests of client companies. This adaptive marketing has proven to be an important networking skill (Kodres 2013). Fortumo's value creation process is depicted in Fig. 2.2. This figure offers a somewhat simplified sequence of value creation elements instead of replicating the entire framework of Fig. 2.1, because some aspects of the

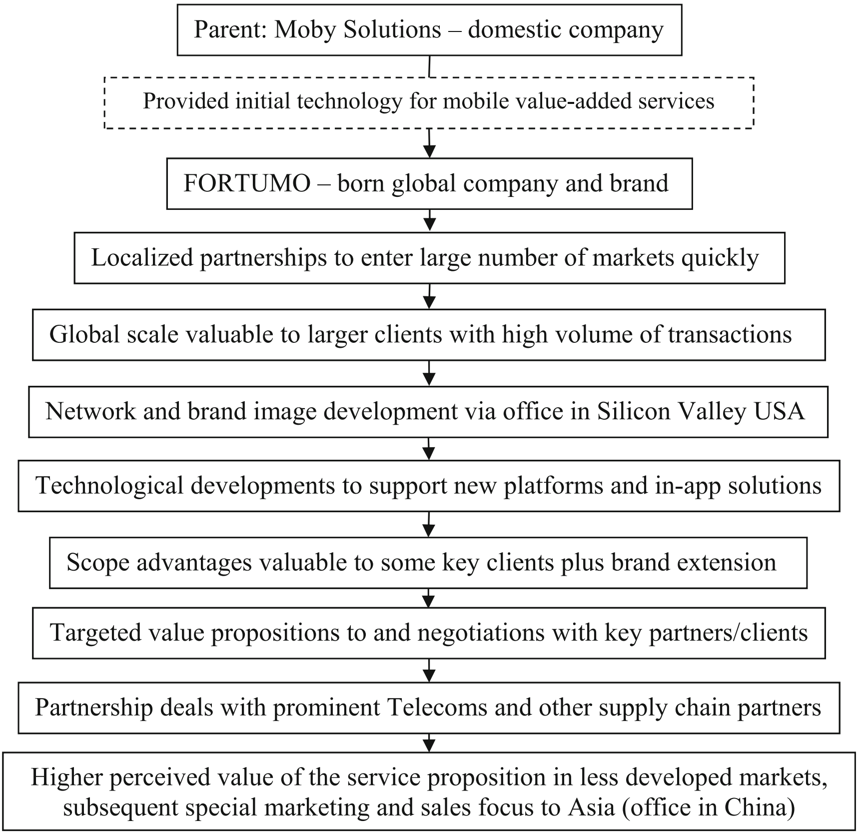

Fig. 2.2 The value creation process and its dynamics at Fortumo (*Source*: Author's creation)

framework are much more rigorous or partially implicit empirically than they are in the generalized conceptual form. Therefore, the figure is aimed more at capturing the dynamics of Fortumo's value creation and not its entire complexity. The latter was explained in the case narrative. In this sequence, some steps take into account the results and feedback from earlier developments. Therefore, it is already an amalgam of the general dark arrow pattern and light arrow feedback loops of Fig. 2.1.

The location of Estonia is problematic because the particular industry is going through rapid changes, and in relatively peripheral Estonia, management would miss a lot of vital information clues, and ultimately would be unable to retain sufficient dynamism. The solution devised for this problem suggests that development work should stay in Estonia because offshoring it would considerably increase costs. However, the management team and selected business developers try to participate in key business events as much as possible and to spend around 5–6 months each year in the USA. This makes it possible to be closer to clients, to gain access to vital market information and to remain 'in the picture', which hopefully facilitates access to local communities. Such corporate management also leads to a split identity, where in Estonia Fortumo is perceived as a domestic company, whereas in the USA and Asia its portfolio of large clients and representation in Silicon Valley serve as better selling points. In a way, the Fortumo brand does not stress its Eastern European origin because at the stage of initial contacts with partners such considerations might even be slightly detrimental.

The Fortumo case highlights the importance of scale and scope effects in the globalizing SME that operates in the field of supportive solutions. It also indicates the importance of intra-community networking in the cluster core. This aspect in particular requires case multi-location management, which goes beyond the fly-by management style based on the short visits practised in modern multinationals. Stays in focal target markets have to be longer and more frequent in order to be identified as a quasi-local player and as a result accepted into the local community. This localization aspect of the value proposition is supported by the continuous development of technological platforms to serve the needs of various client communities. The following two short case examples are based on public sources. They are provided in order to generalize certain trends in the global development of high-tech SMEs from a post-socialist country.

ZeroTurnaround in the Java Development Process

In 2006, the Java specialist Jevgeni Kabanov, then working as R&D manager for software development company Webmedia (now Nortal), and his colleague Toomas Römer, found a solution to the Java-based programming problem that code had to be uploaded to servers and re-run for testing. The JRebel software helps to check the code without time consuming breaks. This tool offers a considerable increase in the efficiency of Java programming and it was invented during intra-company development work. Soon it became apparent that within Webmedia the solution had too little potential for sufficient marketing exposure and sales efforts. In 2007, the development of this solution became the independent spin-off 'born global' company ZeroTurnaround, although it was officially registered as a separate company two years later in the third quarter of 2009. Webmedia invested around 192,000 euros in the development of JRebel, and then a further 237,000 euros jointly with Enterprise Estonia in the foreign market entry project in 2008. Smaller investors provided around 74,000 euros in addition. The company is led by the co-inventor Jevgeni Kabanov as the CEO. The other co-inventor and founder Toomas Römer works as Director of Engineering.

Initially, the former parent company, Webmedia Group, was instrumental as the venture capital investor, but in mid-2011, it sold its share in ZeroTurnaround to US company Bain Capital Ventures that has a global investments portfolio of 65 billion US dollars and has made more than 125 venture capital investments since 1984. It has offices in Boston, New York, and Palo Alto. In addition to the Webmedia shares, this company also acquired the shares of some smaller angel investors, who had invested in ZeroTurnaround at the early stage. The new co-owner from the USA has provided strong support and impetus to the success of the marketing and rapid growth of JRebel licence sales in the USA. The marketing division of ZeroTurnaround has been located in Boston since November 2011, and there are plans to increase the number of employees in that division from 47 to about 100 by 2014. The new investor has brought considerable growth and made the business model truly scalable. In 2012, sales increased 2.6 times to 5 million euros. This fast growth is expected to continue. About 99.5 % of sales are made outside the origin market, Estonia. By 2010, around 50 % of sales came from the US and about 35–40 % from Western Europe. According to its managers, JRebel software was actively in use also in China, India and Russia, but these countries did not tend to pay for it, indicating software piracy problems. ZeroTurnaround solutions are used in about 80 countries around the world, but their target market is not so geographical, as focused on global corporate clients.

Since 2007, the company has grown into a company with close to 100 employees. As explained above, the commercial side of the business and marketing is now located in Boston, Massachusetts. This corporate entity employs predominantly US locals as marketing and sales managers. The software development units are still located in Estonia with offices in Tallinn and Tartu. The company now also has a subsidiary in Prague. In March 2013, ZeroTurnaround acquired Danish software development company Javeleon and all its patents. This company was established in 2012 as a spin-off from a Danish research institution in order to commercialize the research-based technology focusing on the dynamic updating of Java software. Danish scientists and the founders of Javeleon, Allan Gregersen and Michael Rasmussen, moved to Estonia and became part of ZeroTurnaround's development team. This acquisition shows ZeroTurnaround's ambition to become the leading provider of Java development tools.

The B2B software development tool JRebel increases the developer velocity in Java programming by about 40 %, saving about four weeks or one month in terms of development time per year. Therefore, the main value proposition is increased focus and productivity for programmers. ZeroTurnaround followed JRebel with a second developer tool, LiveRebel, which makes it easier to make live-app updates and eliminates server downtime during this process. These revolutionary software tools have been licensed by several large multinationals like Oracle, Apple, HP, eBay, Disney, Twitter, US Federal Reserve, and more than 3,500 other Java users. According to ZeroTurnaround's President and COO working in the Boston office, in the case of annual licensing contracts the JRebel tool costs a client company around one US dollar per programmer per day. The second support tool LiveRebel shows that this company is more than a 'one hit wonder'. The Java solution updating tool LiveRebel can be interpreted as an enhancement to the initial value proposition because it solves an issue that is closely linked to Java development.

Founder and CEO of ZeroTurnaround, Jevgeni Kabanov, has stressed in several interviews with the Estonian media the importance of entrepreneurial ambition and dedication to progress as the core values in his team selection. According to him, Estonia is a great location for start-ups because as in the USA, people are ready to make serious entrepreneurial effort in order to learn, develop, and achieve results. It makes sense to start a company with only dedicated top professionals, who have a good skill set that they keep enhancing. Then later on, you can hire more and more similar people. Equally important is to know your own strengths and weaknesses well and to develop on the basis of that. Mr. Kabanov also believes that a good company should have constructive conflicts and discussion around development choices. Sometimes, the final word is his, but more often, he tries to reach mutual agreement with other managers. Jevgeni Kabanov likes product management tasks that make it possible to create new visions based on feedback from clients the most.

In terms of value proposition, the company's ideology is not to offer great value at low prices, but to ask from its customers as much as they find sensible to pay for solving these productivity problems. This helps to distribute the added value between the supplier and client more fairly, while offering sustainable profit margins and development opportunities. Often, start-ups from former socialist countries like Estonia, account for their lower labour and resource costs and try to compete with lower prices. ZeroTurnaround has clearly opted for a value-based over a costs-based pricing strategy, and it has been a successful choice. However, the software tool is so popular that some developing countries, as indicated above, tend to use pirate copies.

The CEO's own dedication to effort and progress is best illustrated by the fact that despite leading a fast growing global start-up, he managed in April 2013 to defend his PhD in IT on more productive methods of using Java ecosystems. ZeroTurnaround as a company is also actively engaged in scientific research and in supporting Java teaching at the university level. In June 2012, the company and the local University of Tartu signed a co-operation agreement concerning both research and teaching. This co-operation includes the development of the course

'Java Fundamentals' for a cohort of international students, offering topics that focus on combining theory with business practice for final dissertations, and stipends for students. The joint research activities produce patents, articles, and enhanced knowledge as a social by-product of the commercial value offerings. However, such close co-operation with the academic community also serves the purpose of finding talented new employees.

The similarity of ZeroTurnaround and Fortumo is that the value proposition is marketed to companies through the localization of this task in the US market, which is among the leading markets in the industry. Both companies sell software solutions, although this ZeroTurnaround is more oriented towards corporate clients than Fortumo. The strong partnerships have also played a crucial role in the globalization process. The co-ownership with Bain Capital Ventures since 2011 has been instrumental not only in terms of better funding, but in terms of shared knowledge, experience, and leading market contacts. This acquisition from the initial parent Webmedia gave the young Estonian company organizational tools and choices that helped scalable global marketing of great technological capabilities, retained and developed in Estonia, to the very competitive US market. The acquisition of Danish developer Javeleon tells another story of how the value creation improvements via a first partnership with Bain Capital Ventures led to new opportunities and business extensions. The introduction of LiveRebel shows that, much like Fortumo, ZeroTurnaround intends to keep up with market developments and the growing expectations of its global clients.

Click & Grow Moving Forward with High-Tech Plant Growing

Around 2009, the advanced technologies for plant growing used by the US space agency NASA gave Estonian inventor and entrepreneur Mattias Lepp the idea of introducing these smart plant growing technologies to ordinary people, who liked to grow flowers or herbs, but did not have the skills, willingness, or patience to take care of these plants on a weekly basis. In autumn 2009, he entered the local competition for business ideas called 'Ajujaht' ('Brainhunt') sponsored by Enterprise Estonia and several private companies. At first, it seemed that the judging panel of entrepreneurs, trainers, and financiers were sceptical about the concept, but by spring 2010, when the competition ended, the idea had become one of the leaders by also introducing a working prototype. Ultimately, the idea of a smart flowerpot won the competition and not only received the prize money, but also found its first investor during the mentoring process. A group of Estonian angel investors under the name WNB Project gave Click & Grow its first 250,000 euros allowing it to continue with more serious product development efforts. Mattias Lepp has said in public interviews that it proved to be an extremely difficult journey because every possible thing that could go wrong initially went wrong. They made numerous bad choices and took the wrong steps before getting it right.

Finally, Click & Grow started to produce smart flowerpots in 2011. The first shipment in autumn 2011 was acquired by a Swedish customer, who came to Estonia with cash in hand and demanded the product. Such a pull demand was possible because during the development period Mattias Lepp engaged in considerable public relations and marketing efforts by sending out press releases and making phone calls to the global technology media. Consequently, the Click & Grow smart flower pot idea received good global media exposure in *TechCrunch, Wired Magazine, Fast Company* and even the *New York Times*. Therefore, awareness among potential target customers was built in parallel with product development long before the first shipments were ready.

The initial value proposition of Click & Grow was a retail solution for high-tech hydroponic plant growing. The product is a square plastic flowerpot with a soil and seed cassette inside to which the user needs to add couple of AA batteries and some water. Then in around 2–3 weeks, the flower or herb (depending on the seeds) sprouts without additional care, reaching full size within 2–4 months. The Click & Grow flowerpot has been enthusiastically welcomed by home gardeners around the world. The market is inherently a global niche market of people who enjoy fresh flowers or herbs but are not skilful in nurturing plants. In the Nordic climate, however, the high-tech solution indicated the need for extra light, which is now made available through an LED-based low energy accessory that is sold separately for 49 US dollars, the pot with installed cassette costs around 79 US dollars.

To improve global marketing and sales, this start-up company also established an office in Palo Alto, California USA. Since autumn 2012, the smart flowerpot has been sold through US retail chain Brookstone in addition to using internet-based sales. This chain was established in 1973 and focuses on selling high-quality well-designed products that have not yet become widely available. In that segment, Brookstone is one of the leading retailers in the world. As such, it is a good channel for retailing such a novel product like the Click & Grow smart flowerpot. The flowerpot has now found owners in more than 40 countries. In 2012, the company sold around 90,000 flowerpots worldwide. The expected turnover of 6–6.9 million euros should also bring in the company's first profits, which are currently unknown.

The second-generation product has entered the global market as well. The Smart Herb Garden shipped in January 2014. This enhanced product has three different herb cassettes in one casing and comes with an eye-friendly LED-light as part of the product. It is also a comparatively cheaper solution than the initial flowerpot. For this product the company used the Kickstarter joint financing portal in the USA, and instead of the initial 75,000 US dollars for development works it raised 625,851 US dollars from 10,477 enthusiasts. In addition to the funding, this experience provided valuable feedback from future users in terms of consumer expectations of delivery options, product design, seeds, seedless cassette options and so on. According to interviews with Mattias Lepp, the market testing and customer feedback before starting the production were perhaps even the primary reasons for using Kickstarter. Indeed, in terms of raising funds for new product development, the company has already been able to get more than 1.5 million euros from various venture capital investors.

This second-generation solution represents an enhanced value proposition that has incorporated the lessons learned from the first product into a cheaper, more diverse, and technologically upgraded garden with three useful herbs or other plants. Such a solution is not entirely unique. There is, for example, the Herb:ie pot from the Finnish company Indoor Gardening that retails in Estonia for 100–150 euros and looks relatively similar in design. Mattias Lepp has explained that Click & Grow's Smart Herb Garden is easier and more economical to use in the home. Its advantage is derived from the use of newer technology that is easier to handle, much less noisy, and has a considerable price advantage with prices at just 60 euros. At present, the Click & Grow products are produced in the origin market Estonia, but as the global sales volumes increase, outsourcing production to some less developed economy might be worth considering.

Click & Grow offers a physical product that has to be shipped, but there are similarities with Fortumo and ZeroTurnaround in terms of network building and marketing efforts in the USA. The US market is indeed one of the primary markets targeted by the company because it has a great number of potential customers with suitable purchasing power for high-tech design products. Once again, the Estonian origin is not exactly hidden in the process, but it is more about establishing a local presence in a vital consumer hotspot.

There is, however, a different marketing and sales experience from a secondary target market, Russia, where Click & Grow opted for door-to-door sales efforts to corporate clients by simply walking in with a product presentation. This strategy of the personal touch proved successful, but it is relatively costly to scale. Therefore, in comparison with door-to-door sales, solid co-operation with a well-known retailer or good availability via internet sales channels that indicate a growth trend, are still more promising outlets for building global sales. Yet in terms of serving corporate clients, the direct approach might still have potential if it initiates bulk purchasing. In general, the Click & Grow smart flowerpot or herb selection pot seems to be among those value propositions that are creating a lot of positive buzz and interest even among people who might not be the direct customers. Table 2.1 offers a comparison of value creation in all three case companies. The sales and employment data are provided mainly in order to illustrate the growth of these three companies. In terms of marketing-based value creation, they are merely indirect proxies of user value and/or partnership value that the companies provide.

The value creation processes reveal that all three companies have global aspirations with clear recognition that the US market, as the lead market for various technologies, is an important gateway to global customers. This does not have to be the final consumer, but can be the corporate customer, or even a combination of both. Despite the differences in their business models, all cases outline the importance of partnerships, community building, and product/service developments that enhance and fine-tune the value propositions to partners and customers. The three companies have devoted considerable effort to brand and awareness building. In light of the framework presented in Fig. 2.1, the comparative view of the case evidence suggests that technological knowledge needs to be supported by appropriate organizational arrangements and partnerships in order to achieve sufficient scalability and through that enhance value creation opportunities. Sometimes this requires equity sharing with new experienced partners, whereas on other occasions non-equity networking on the basis of mutual benefits will do.

Discussion

The case evidence from Fortumo, ZeroTurnaround and Click & Grow indicates that the resources of 'born globals' have a significant role in the value creation process. Even in terms of the traditional resource-based view (Wernerfelt 1984; Barney 1991), the case companies have relied on unique, valuable and rare technological resources and capabilities. This is especially evident in the case of ZeroTurnaround, whose Java programming tools are so unique in the industry that several customers had to be convinced that such changes are technologically possible. The platforms of Fortumo and Click & Grow offer competitive advantages as well. The results are also in line with the discussion of dynamic capabilities because all three companies have leveraged their initial capabilities by offering additional or enhanced products and services on global markets, and these have required a certain amount of re-thinking the resource usage. In particular, Fortumo has also benefited from scale effects. This is in line with work by Arend (2014). All three globalizing SMEs have combined advances in information technology with organizational and marketing developments. This pattern is in accordance with earlier results by Wiengarten et al. (2013) and Pertusa-Ortega et al. (2010). The response to market considerations for the dynamic capabilities outlined by Wilden et al. (2013) can be identified as well. All three companies set great importance on the customer service considerations, which relate to dynamic capabilities according to Kindström et al. (2013). The marketing capabilities, investigated earlier by Nath et al. (2010) and Auh and Menguc (2009), were of special focus for the managers in all three case companies, as were market diversification and a focused product portfolio, which also characterize all three SMEs. The customer base outlined by Westhead et al. (2001) proved to be a valuable resource for all the case companies.

All three can be described as 'born globals', but Fortumo and ZeroTurnaround have at present perhaps slightly more global reach than Click & Grow. In accordance with the results of Li et al. (2012) and Sapienza et al. (2006), early internationalization has indeed had a positive effect on the performance of Fortumo and ZeroTurnaround. In the case of Click & Grow, the period of operations has been too short to draw such a conclusion. All three companies have benefited from networking and technological knowledge without prior global experience in their particular industries. However, the distinct strategic focus stressed by Kalinic and Forza (2012) has had a key role as well. The proactive advanced relationship-building capabilities identified by Freeman et al. (2010) seem to have had an important role in the value creation process for Fortumo. Case evidence also supports the findings of Gabrielsson and Gabrielsson (2011), Mort et al. (2012), and Kim et al. (2011) in regard to the use of internet-based channels in combination with personal contacts, customer intimacy-based innovative products and services, and advanced customer orientation. In line with the results of Rasmussen et al. (2012), Fortumo has also diversified competencies by inviting Gerri Kodres, who has considerable marketing experience in Arab countries and Asia, into the company.

Evidence also reveals a strong entrepreneurial, market and learning orientation as well as intrinsic development motivation and networking interest in all the studied companies. This matches the dimensions in scale offered by Dimitratos et al. (2012). Fortumo, ZeroTurnaround and Click & Grow could be seen in accordance with Dimitratos et al. (2010) as 'global smaller firms' because the US market is indeed the leading market in their industries. The role of opportunity identification and exploitation in global markets, stressed by Zahra et al. (2005), has been clearly recognized in Fortumo as well as in other case companies. The relative lack of prior global experience in these companies suggests the possibility of the effectuation approach introduced by Sarasvathy (2001), the initial negative experiences with Fortumo's manager in the USA point to this kind of risk-taking and trust pattern.

The experiences of Fortumo and Click & Grow show that being an insider in the relevant networks does indeed help reduce the liability of foreignness as was suggested by Hilmersson and Jansson (2012). In the case of Fortumo, extensive networking has already proved to be valuable in terms of enhanced performance, which is in line with results by Musteen et al. (2010). The network support has also reinforced the scalability of value creation processes, especially in Fortumo and in ZeroTurnaround. In the latter case, more intensive global sales efforts started only when experienced US venture capital became a strategic partner. Therefore, value creation processes are very intricate.

Conclusions and Implications

The aim of this chapter was to provide a qualitative framework in conjunction with preliminary case-study evidence about the combined role of technological advances and organizational arrangements in the evolution of value creation processes in globalizing SMEs. The framework of this study focuses on the role of intra-company resources and capabilities, including dynamic capabilities. The value creation processes call for the alignment of organizational, technological, and market aspects. Focal developments relate to increased service-orientation and marketing capabilities. The company's value provision is moderated by the speed and agility of being born global, entrepreneurial opportunity seeking, and having networking skills. These moderators also reinforce the link between capabilities and value creating strategies, such as lead market presence, customer-intimacy, and various partnerships. These strategies facilitate the establishment of a good corporate image, vital contacts, and/or scale effects enhancing the value provision.

The case-study analysis of three high-tech globalizing SMEs shows that the value creation processes in such companies are based on the innovative use of resources and capabilities, including dynamic capabilities, in combination with organizational developments and entrepreneurial learning. Entrepreneurial marketing in such companies leverages proactive relationship-building skills as well as the combination of key partnerships with the personal hands-on involvement of management personnel around the world. Global growth is induced by a strong combination of technological knowledge, marketing networking, and business model scalability with extended scope.

This contribution has certain limitations. The three cases presented here are perhaps somewhat insufficient for extensive inter-case comparison. The data collection based on written responses and public information does not offer good opportunities for additional clarification and might provide an overly narrow understanding of the intricate management issues. This is a qualitative study with inherently limited potential for generalizing the results. However, the approach allows us to investigate the phenomenon in detail and to gain an in-depth insight into the dynamics of value creation that globalizing SMEs face in the global expansion process. The incorporation of several cases increases the possibility of discussing the results in a more general context.

The implications for the theory suggest the need for additional research to focus on the dynamics of value creation processes in rapidly internationalizing small companies. This discourse could perhaps benefit most from the combination of dynamic capabilities literature with the network approach in an entrepreneurial context. There is considerable overlap between entrepreneurship research and the dynamic capabilities discussion within the framework of the resource-based view, while the discussion of motives and capabilities tends often to be detached from network and scale-scope considerations, which are also crucial.

In terms of implications for public policy, the governments of developing and post-socialist economies should devote more attention to building co-operative ties in business promotion with knowledge clusters in leading markets. These co-operative connections help start-ups to become insiders in key networks. In the long-term perspective, such close connections might help to improve the image of peripheral countries because of strong virtual cluster relations with leading global centres.

The management implications suggest that global value creation by internet-based or mobile channels cannot entirely replace personal face-to-face contacts. In the case of new market entry or office establishment abroad, managers have to build first-hand network contacts or transfer knowledge by regular longer visits to key locations. Highly internet-based software industries and mobile solutions reinforce management supported by the frequent mobility of managers. However, even in the case of traditional material products, like the flowerpot of Click & Grow, internet-based sales channels and personal networking in lead market hotspots seem to gain importance.

Future research should address the origin aspect of 'born globals' in terms of its impact on performance in a more focused manner because the majority of high-tech start-ups from Estonia seem to relocate marketing and sales to leading markets not only because of the sales potential there, but also in order perhaps to gain a better brand image. The comparative study of low-tech and high-tech globalizing SMEs from emerging economies could also offer valuable knowledge about the relevance of technological knowledge in the rapid globalization of companies.

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