Thesis

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The Internationalisation Coin: A Tale of Two Perspectives

An explorative case study into the non-financial support given by Venture Capital firms to start-ups during the internationalisation

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Abstract: Research on international entrepreneurship has recently gained traction as an increasing number of start-ups embark on the path of internationalisation at the earliest possible stage. When new firms embark on this quest, they still face the same resource constraints as they have in the past. As a result, they turn to their venture capitalists to help them overcome the obstacles in the process, especially the knowledge needs that underpin internationalisation. Using a qualitative multi-case study, we explore how the non-financial support between the venture capital firm and start-up is perceived by examining four types of knowledge needs as prerequisites for internationalisation. Our analysis shows that there are knowledge needs to which VC firms can respond with non-financial support successfully. However, we find a discrepancy in expectations regarding the scope and environment in which non-financial start-up support is provided. We also introduce and revise a framework that visualises our findings and opens avenues for future research. We also provide recommendations on how founders and VCs can overcome the discrepancy in the perceived value of non-financial support by understanding their respective perspectives.

Keywords: International Entrepreneurship, Entrepreneurial Finance, Non-Financial support, Expectation management

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Stockholm, May 15th 2022

M.Sandberg

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Glossary

VC	Venture Capital firm or partner
Knowledge need or Knowledge prerequisite for internationalisation	Seen as synonyms in this study

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1 Introduction

International entrepreneurship is an opportunistic field, with cunning founders and majestic obstacles (Oviatt and McDougall, 2005). Seizing and exploiting opportunities, especially for start-ups operating in smaller markets, may entail the need to expand their business internationally. As population size significantly limits the growth potential of start-ups operating in smaller markets, internationalisation may be the only option to expand and continue their growth trajectory (Lu & Beamish, 2001). The growing need for internationalisation may be a consequence of an increasingly globalised world, in which national economies are increasingly entangled. This development, driven by digitisation and reduced transaction costs for foreign trade and investment (Gabrielsson et al., 2004; Oviatt and McDougall, 1994), creates a new international environment that allows start-ups to enter new markets faster, increase production and sales volume, grow larger and, most importantly, increase their survival rate (Lee et al., 2011). Internationalisation can provide opportunities to exploit market imperfections, as different markets offer specific market conditions that may enable start-ups to utilise their specific resources to gain a competitive advantage (Hymer, 1976). Overall, geographical expansion is an important business strategy for value creation and continued growth of start-ups (Lu and Beamish, 2001).

However, exploiting international opportunities is resource-intensive, requiring resources that young firms do not necessarily have (Fernhaber and McDougall-Covin, 2009). As a result, international entrepreneurship is determined by the supply of financial and non-financial resources (Jarillo, 1989). Due to the inherent scarcity of resources, young firms may have difficulty internationalising. New markets may have differences in both supply, demand and institutional frameworks, which may lead to internal competition for resources, and entry into a new market may sometimes lead to the cannibalisation of profits from existing domestic activities (Winch and Bianchi, 2006). In addition to managerial challenges, the internationalisation process is complex (Mejri and Umemoto, 2010), leading to an increasing need for resources, in particular knowledge (Johanson and Vahlne, 1977). Knowledge about the market and specific local activities forms the basis for internationalisation, as firms have to learn how to deal with specific cultural, technological and political conditions of foreign markets (Agwu and Onwuegbuzie, 2018; Winch and Bianchi, 2006; Johanson and Vahlne 1977). Internationalisation is fraught with uncertainty due to externalities such as competitors, market and economic changes but also legal changes, all enhancing the need of knowledge (Mejri and Umemoto, 2010). Despite all these challenges, some founders transform their firms into successful international companies operating far beyond their domestic borders (Lutz and George, 2012).

Different internationalisation scholars explain how start-ups get the knowledge they need to overcome the challenges associated with internationalisation. According to process models such as the "Uppsala model", internationalisation is a step-by-step process. The knowledge needed for international expansion can be acquired by gradually increasing activities and participation in a foreign market in a trial-and-error process (Johanson and Vahlne, 1977). A process that is not only capital and time intensive, but less efficient in today's rapidly changing markets. In recent research, external sources such as VCs, alliance partners and networks that enable the acquisition of specific market knowledge and business practices essential for internationalisation have become more prevalent (Oviatt and McDougall, 2005; Fernhaber and McDougall-Covin, 2009). Founders' use of external sources to acquire specific market knowledge, which is essential before entering a foreign market, has intensified the internationalisation of start-ups (Fernhaber and McDougall-Covin, 2009).

VCs play an important role in this context as an external source of knowledge, as their non-financial support can help fill the knowledge gaps that founders may encounter when internationalising (Fernhaber and McDougall-Covin, 2009; Lutz and George, 2012). The role of VCs as knowledge providers is linked to the non-financial support that VCs can provide to the firms in their portfolio (Park et al., 2014). Yet, research on venture capital-founder exchange is often measured by firm performance rather than by how founders and VCs experience non-financial support and how it has affected founders' internationalisation and knowledge gaps.

Therefore, using a qualitative approach, this thesis investigates how founders and VCs experience non-financial support, analyses its impact and how founders have benefited from the support in their internationalisation.

1.1 Research gap

Practitioners and researchers see a need to further understand the exchanges and outcomes of collaboration between VCs and founders and their impact on internationalisation. Park et al. (2014) calls for more qualitative research on the impact of different knowledge components on internationalisation and on the contribution of VC firms' knowledge to these categories. In addition, Meneses and Ribeiro (2020) call for more research on the perception of VC firms as catalysts for internationalisation and on the reasons why VC-backed firms may not share this perception. Fernhaber and McDougall-Covin (2009) raise the impact of non-financial support from VC firms on the performance of international start-ups as an area in need of further research. We address this theoretical gap through the following purpose and research question.

1.2 Purpose and research question

We are responding to the call from researchers and practitioners of international entrepreneurship. Our research aims to develop theory and understanding of how founders and VCs experience non-financial support during internationalisation. It aims to investigate the knowledge required by founders and the inputs from VCs they consider essential for internationalisation. The objective of our research is therefore to examine the hereinafter posed question:

How is the non-financial support provided by VCs during internationalisation experienced by both VC and start-up managers?

1.3 Expected contributions

The contribution of the study is to add to the literature on entrepreneurship and international finance by looking at the expectations of founders and VCs about the exchange and the outcome of their collaboration. The study aims to provide inexperienced founders with practical guidance on the knowledge that VCs can bring to them in the context of internationalisation. It further aims to guidance on the exchanges with and between VC and the start-up by highlighting both perspectives on internationalisation. In the case of VCs, the aim is to contribute to how their communication and value proposition about their non-value-added services can influence founders and their expectations. Our research aims to advise VCs on how and where founders may need support to successfully enter a foreign market.

2 Literature Review

The theory presented in this chapter will start with an introduction to entrepreneurship, international entrepreneurship and the knowledge perspective. Following that internationalisation, the different types of knowledge and the relationship between entrepreneurs and VCs will be presented.

2.1.1 Entrepreneurship

Research on entrepreneurship is exhaustive, as it is of interest to academics, industry players and policymakers (Mcdougall and Oviatt, 2000). In recent decades research on entrepreneurship has seen rapid development, resulting in the expansion into many sub-fields through different scholars (Carlson et al., 2013). Consequently, multiple definitions of entrepreneurship have emerged (Sharma and Chrisman, 1999), and they each present different meanings to the contextual observer (Gartner, 1990; Carlson et al., 2013). This paper will use the widely recognised definition by Shane and Venkataraman (2000), which defines entrepreneurship as the "examination of how, by whom, and with what effects opportunities to create future goods and services are discovered, evaluated, and exploited."

2.1.2 International entrepreneurship

One rapidly growing sub-field of entrepreneurship that has garnered interest is international entrepreneurship. A development propelled by the globalisation of the global economy (Hitt et al., 2002) and the accelerated internationalisation of firms (Mcdougall and Oviatt, 2000). Morrow (1988) first coined the term international entrepreneurship, explaining that new cultural awareness and technical advances opened new foreign markets to ventures (Hitt et al., 2002). Like the beginnings of entrepreneurship research, interest in the field quickly grew and resulted in diverse definitions of the term (Jones et al., 2011). Thus, for this study, the definition by Oviatt and McDougall (2005) is used "International entrepreneurship is the discovery, enactment, evaluation, and exploitation of opportunities across national borders to create future goods and services.". This research will investigate the "organisational behaviour that extends across national borders and is entrepreneurial" (Oviatt and McDougall, 2005) but also the entrepreneurs' ability to "evaluate and exploit possibilities to create future goods and services in an international environment" (Oviatt and McDougall, 2005).

2.1.3 Knowledge perspective

A significant section of international entrepreneurial research focuses on understanding the process and the factors that enable internationalisation and specifically how resource shortages within the firm are overcome (Casillas et al., 2009; Fernhaber and McDougall-Covin, 2009). Knowledge as a resource constitutes a significant factor in the internationalising behaviour of a firm (Casillas et al., 2009). As start-up's resources are constrained by nature, they must exploit and rely more on intangible resources such as knowledge to create and maintain international competitive advantages (Park and LiPuma, 2020). Knowledge is seen as the essential strategic resource of the firm when taking a knowledge-based perspective (Grant, 1996) and is a recurring factor in multiple internationalisation process theories (Johanson and Vahlne, 1977; Fernhaber and McDougall-Covin, 2009; Casillas et al., 2009, Mejri and Umemoto, 2010). Thus, this research will scrutinise internationalisation from a knowledge perspective.

2.2 Internationalisation

Internationalisation is a complex phenomenon influenced by multiple factors (Mejri and Umemoto, 2010). Due to complexity, different perspectives on the phenomena and the underlying drivers have been discussed by different scholars. One stream analyses the internationalisation process as a gradual increase in a foreign market (Johanson and Vahlne, 1977; 1990). Many theories date back to the "Uppsala" model by Johanson and Vahlne (1977), as many argue it paved the way for internationalisation research (Hult et al., 2019; Prange and Verdier, 2011). The "Uppsala" model sees the firm's knowledge base as a driver for internationalisation and the internationalisation as a step-by-step process that increases in line with the firm's knowledge acquisition about the foreign market and operations (Johanson and Vahlne, 1977; 1990; Schweizer and Vahlne, 2022). The model sees the lack of knowledge about that specific market and operations as the main barrier to internationalisation, which can mainly be overcome by gradually operating abroad to acquire needed knowledge. Two types of knowledge are distinguished, experiential knowledge that can only be acquired through personal experience, e.g., in a trial-and-error process and objective knowledge that can be thought (Johanson and Vahlne, 1977). Process models like the Uppsala model see the market-specific experiential knowledge as a critical element in the internationalisation process, both as a driver and explanatory factor (Eriksson et al., 1997; Johanson and Vahlne, 2003; Zaheer, 1995).

The Uppsala model has been revised to include the business network the firm is embedded in, both constraining and enabling the firm. In the revised model, Johanson and Vahlne (2009) argue that business relationships significantly affect the chosen internationalisation as the relationships enable opportunity recognition in foreign markets and enable firms to exploit them. A business relationship provides extended and unique resources that can be coordinated with the firm in the opportunity recognition and internationalisation phase (Johnson and Vahlne, 2009)

Another model, "The innovation-related internationalisation model," sees internationalisation as an adaption of the firm to international environments where the firm may internationalise by recruiting experienced executives that push for international expansion (Calof and Beamish, 1995). As a result of start-ups lacking knowledge about the new foreign market and having high uncertainty (Madsen and Servais, 1997). These models have in common that they see the process of internationalisation as slow and incremental. Therefore, overall increases in knowledge acquisition by the start-up accelerate the internationalisation (Johanson and Vahlne, 1977).

Stage models have been criticised for being too predetermined and in a new, more globalised environment of limited value when trying to explain the internationalisation of start-ups (Nordström, 1991; Oviatt and McDougall, 1994). The criticism of the traditional stage models stems from the emergence of non-sequential internationalisation of some start-ups. In their study, Oviatt and McDougall (1994) focused on the phenomenon of new international ventures, or the more common term, Born-Global start-ups. These companies focused on rapid internationalisation from their inception. This phenomenon was not entirely new in small countries like Sweden and Switzerland due to their limited home market size (Zahra and George, 2017).

However, the mainstream drivers were rapid technological innovation and lower trade barriers, leading to start-ups acting on international markets early on and not following the sequential, step-by-step model (Andersson, 2011; Oviatt and McDougall, 1997; Oviatt and McDougall, 2005). This phenomenon was further propelled by changing market and industry conditions and increasing international competition (Chetty and Campbell-Hunt, 2004).

Early research by Oviatt and McDougall (1994) finds that founders of Born-Global start-ups have unique perspectives due to their outlook foreign markets. This ties to Paul and Rosado-Serrano (2019), who find that Born-Globals often offer a niche product or technology, resulting in the venture only serving a narrow market segment. Thus, forcing start-ups to turn to global markets for growth (Baronchelli and Cassia, 2011). Research has found that the geographical location of foreign market entry is significantly determined by the founder's experiential knowledge (Andersson and Wictor, 2003).

However, not all start-up founders possess specific market knowledge and sufficient resources to overcome the liability of foreignness and internationalisation barriers to initiate a rapid internationalisation process (Oviatt and McDougall, 1994). To overcome internationalisation barriers and acquire the missing knowledge, Freeman et al. (2006) and Chetty and Campbell-Hunt (2004) found that start-ups may leverage their partners' local knowledge and competence in a foreign market entry. Thus, start-ups may source the needed experiential specific market knowledge from an external partner or hire an individual to facilitate a rapid internationalisation (Brennan and Garvey, 2009).

As shown above, knowledge is a pivotal contributor to start-ups internationalising. Knowledge constitutes a significant part of a venture's international behaviour (Casillas et al., 2009). It is a means to overcome barriers to internationalisation and a driver of internationalisation (Brennan and Garvey, 2009). In Process theory and Born-Global theory of internationalisation, knowledge is a significant driver of start-ups' foreign market entry (Zucchella et al., 2007; Brennan and Garvey, 2009; Autio et al., 2000; Casillas et al., 2009). Oviatt and McDougall (1994) argue that the founders' experiential knowledge is a critical factor that enables them to be more alert and opportunity-seeking to the possibilities of multiple national markets. The experiential knowledge as a driver is further enhanced by Johanson and Vahlne (1990), who argue that it generates business opportunities. Evidence suggests that knowledge intensity is connected with significant levels of internationalisation and that industries are becoming increasingly knowledge-intensive (Brennan and Garvey, 2009), further enhancing the influence of knowledge.

2.3 The different types of knowledge

Knowledge is a broad concept and a crucial economic resource. This study will use the economic knowledge definitions outlined by Lundvall and Johnson (1994); Know-what, Know-why, Know-who, and Know-how.

Know-what refers to the knowledge required for decision making, exists in codified form and is factual information (Zook, 2004; Lundvall and Johnson, 1994). Know-what knowledge includes objective facts specific to that market, for example, local regulations and demand and supply mechanics (Mejri and Umemoto, 2010). Johanson and Vahlne (1977) divide market knowledge into experiential market knowledge and objective market knowledge. Institutional knowledge about norms, rules, and governments is essential to Know-what knowledge (Fletcher and Harris, 2012). Know-what knowledge plays a critical role in the pre-internationalisation and internationalisation phase (Mejri and Umemoto, 2010) and affects the speed and scope of internationalisation (Park et al., 2014). At the inception of internationalisation, it facilitates opportunity recognition and enables entrepreneurs to see where the opportunities are geographically located, affecting decision-making processes (Park et al., 2014).

Know-why knowledge is connected to the cause and reasoning behind actions and is tied to the firm's overall strategy (Lundvall and Johnson, 1994). The Know-why knowledge in internationalisation drives the venture abroad, as it enables opportunity recognition in the foreign market and creates the strategic reasoning for internationalisation (Park et al., 2014; Mejri and Umemoto, 2010). Know-why knowledge affects the strategic decisions as it enables founders to connect the geographic extension of the firm with growth, value and context creation (Lu and Beamish, 2001). Knowledge about the people in the foreign market, their values, behaviours, and thought processes, also referred to as cultural knowledge, is part of Know-why knowledge (Mejri and Umemoto, 2010). Know-why is crucial at the beginning of internationalisation as it affects decisions to enter a foreign market (Park et al., 2014).

Know-how is the knowledge concerned with the actions required to accomplish internationalisation, specifically the activities and techniques required for foreign market entry (Park et al., 2014). According to Johanson and Vahlne (1977), Know-how knowledge constitutes the market-specific, strategic knowledge regarding business climate, market system, cultural patterns, and costumers' preferences and competition that enables internationalisation. Knowledge about other business' procedures in a foreign market can be the key to the firm's strategy (Zook, 2004). Park et al. (2014) argue that a venture's knowledge of foreign market business procedures may be the foundation of its strategy, enabling internationalisation. Experiential Know-how knowledge through exposure to a foreign market has been highlighted in research about Born-Globals and is often seen as a cornerstone for their rapid internationalisation process (Oviatt and McDougall, 1994; Sharma and Blomstermo, 2003).

Know-who is the knowledge concerned with personal and business networks and how such networks are leveraged during internationalisation. Personal and business networks can accelerate and support internationalisation (Mejri and Umemoto, 2010). In the revised version of the Uppsala model by Johanson and Vahlne (2009), the Know-who knowledge has been incorporated due to its importance in internationalisation. They argue that a firm's network of business relationships can bridge knowledge gaps and extend its knowledge base. The network is essential for firms that lack Know-how knowledge (Sharma and Blomstermo, 2003). Leveraging networks to bridge knowledge gaps can facilitate rapid start-up internationalisation (Oviatt and McDougall, 1994; Coviello, 2006). The Know-who knowledge is a critical intangible resource for an internationalisation process as it can provide market access, financing, referrals to investors, customers, and suppliers (Coviello, 2006; Oviatt and McDougall, 1994). Research by Nordman and Tolstoy (2016) highlights the importance of Know-who knowledge in internationalisation as it can facilitate combinations of resources to enable founders to develop business opportunities in foreign markets. Network knowledge is critical in the pre-internationalisation stage as it affects foreign market selection and can encourage and force founders to internationalise. (Mejri and Umemoto, 2010; Sharma and Blomstermo, 2003).

2.3.1 External partners as a source of knowledge

The use of external partners as a source of knowledge to accelerate internationalisation has been widely acknowledged (Fernhaber and McDougall-Covin, 2009; Fletcher and Harris, 2012; Oviatt and McDougall, 1994). Fernhaber et al. (2009) found that start-ups may use different external sources such as customers, partners and VCs to acquire different knowledge. However, to bridge the specific knowledge gap for internationalisation, Johanson and Vahlne (1977) argue that the external source will need market and firm-specific knowledge. This makes VCs, focusing on accelerating the growth of the venture and broadening their network, a key partner in start-up internationalisation (Fernhaber and Mcdougall-Covin, 2009; Park et al., 2014).

2.4 VC – Entrepreneur Relationship

In the following we outline theory that unfolds the complex investor-investee relationship.

2.4.1 Why do VCs get involved?

To build high growth international ventures, an external resource is often needed. Venture capitalists play an essential role as external resource providers (Lutz and George, 2012). Shleifer and Vishny (1992) state that investors ensure a return on their investment through corporate governance. VCs can, in addition, act as the extended arm of the start-up and can introduce additional internal capability. This is shown by the positive correlation between active VCs and successful (received follow-on funding rounds) portfolio firms (Bottazzi et al., 2008).

Furthermore, VC-backed firms have a far higher likelihood of reaching the IPO stage than companies that solely receive grants (Hsu and Kenney, 2005). The focus of this study is independent VCs who tend to get more involved as they do not have that much money and therefore need to prioritise. Providing internal capabilities is a "cheaper" and more profitable option than investing in more companies (Maula et al., 2005). Further, within many independent VCs, the partners have "skin in the game", which leads to them wanting to pick successful firms and provide continuous support to them (Fulghieri and Sevilir, 2009).

2.4.2 Effects of VC involvement

According to Da Rin and Hellmann (2020), entrepreneurs face challenges in internationalisation that can be broadly categorised into four areas. Front-end, sales challenges, back-end production challenges and internal organisational challenges. VCs can and should add value in each area to ensure success (Da Rin and Hellman, 2020). VCs may give support that enhances time-to-market by keeping founders focused on critical strategic challenges or by their knowledge of business structures, in particular for firms that are innovators rather than imitators (Hellmann and Puri, 1999). For example, firms with new, ground-breaking business models will benefit from the VCs' ability to instate a strong business structure (Da Rin and Hellmann, 2020).

Innovative firms tend to become even more innovative following the investment, as shown by the number of patents applied. Their growth rate also outperforms that of non-VC backed start-ups (Bronzini et al., 2017).

VC involvement may impact the professionalisation of start-ups, which was first touched upon by Hellmann and Puri (2001), who discovered that professionalisation occurs through improvements of internal human resource capabilities, stock option plans for employees and crucial executive hiring. Croce et al. (2013) note that VCs tend to "imprint" their mark on the companies, which manifests mainly in the first years after investment through higher efficiency rates in internal processes. Puri and Zarutskie (2012) discover higher rates of efficiency as well and argue that it is signalled through higher growth rates post-investment. Further, it is found that VC-backed start-ups experience patience as they benefit from the security of not being forced to make rash decisions that could ultimately lead to their demise.

Chemmanur et al. (2011) argue that overall VC-backed start-up efficiency and supernormal growth can be sustained through follow-on funding rounds. They denote that most of the efficiency gains post-investment can be attributed to advanced product-market performances, i.e., better product-market-fit and reductions in input costs.

2.4.3 How is the value added?

Sapienza et al. (1996) denote four main ways a VC may add value to their portfolio firm: strategic advice, adding pressure, mentoring the founders, and providing a network.

2.4.3.1 Mentoring:

Mentoring is a broad term, but it can be described as i.e. expanding the founder's horizon and educating him on "the power of persuasion and the power of personality" (Da Rin and Hellmann, 2020). Fried and Hisrich (1995) found that the VCs help the founders with formal planning, having a profit-orientated mindset, thinking about organisational development in terms of quality and helping them prioritise. Maula et al. (2005) coin the term "enterprise nurturing" when it comes to the mentoring of portfolio firms. It describes the idea that independent VCs can fall back on a broad experience base and ease the founders in times of crises as they "have been there before."

2.4.3.2 Adding Pressure

Strategic pressure can take a variety of forms in this context. Most of the time, the pressure is exerted through the board of directors by establishing values and a mission guideline. This can be particularly important as founders may get distracted or lose focus so that an external party can act as a corrective and realign them with their original plans (Krause and Bruton, 2013; Lutz and George, 2012). Further, the VCs can prod to convince founders to re-evaluate strategic decisions at certain stages of the firm's expansion (Popov and Roosenboom, 2012). They can influence the intellectual property strategy of the firm
(Kortum and Lerner, 2000). At the same time, Bottazzi et al. (2009) caution that harsh investor control to the extent of firing a founder is somewhat limited and frowned upon in Europe, meaning it often limits itself to pressing the founders to cease non-profitable activities or focus on cutting costs in harsher times.

2.4.3.3 Strategic Advice

Contrasting to mentoring, strategic advice occurs solely on an enterprise level, meaning personal feelings should not matter. Most VCs have core competencies to consult on inevitable market frictions across various fields. Most of the time, these areas include marketing, operations, financing, and recruiting (Horowitz, 2014). Sapienza (1992) found that concerning strategic advice, "the most effective venture capitalists are those who maintain frequent, open communications while minimising conflict" and that "opportunities exist for adding value in all venture stages". VCs, understand that their role is often far more than a provider of funds and need to be able to give strategic advice as part of their core value offering (Sapienza et al., 1996). Knockaert and Vanacker (2013) found that investors who focus on the firm's entrepreneurial team and financials during the vetting process tend not to be as capable of giving strategic advice in general. VCs that focus on technology tend to give more strategic advice overall and specifically on technological issues.

2.4.3.4 Network

Networks are a crucial part of any expansion, national or international. Having the right network means contacts to work with and contacts to get funding from (Park et al., 2014). Shane and Cable (2002) investigated start-ups of MIT graduates and their ability to raise funds. They find that simply being a graduate of a high-ranking university is not enough to succeed. Instead, the founders rely on their connections to find an investor match. Networks are heavily utilised by the VCs (Hochberg et al., 2007). Lindsey (2002) investigated the Keiretsu effect within VC portfolios and discovered an increased probability of symbiotic relationships among start-ups with the same VC. Guler and Guillén (2010) find that a firm's network developed in their domestic market may help develop a network in the foreign market that may be used for knowledge acquisition, thus reducing the liability of foreignness. VC networks may help connect to local networks in foreign markets through syndication as Sorenson and Stuart (2001) find that if a VC is central in their local network, they tend to construct touchpoints to foreign networks. Further, Aestebro and Serrano (2015) found that the VCs networks may provide strategic benefits such as distribution channels, which benefit growth and international expansion.

3 Theoretical Framework

The above literature review serves as a base for the analytical framework. The study considers the interactions between founders and VCs to understand how both VCs and start-up managers experience the non-financial support from VCs during internationalisation. We evaluated identified themes in the literature review to construct a framework to guide us in exploring the process between the VC and founders. The framework aims to identify the different knowledge components that are barriers to internationalisation. It depicts the different VC activities on one side, separated into financial and non-financial activities. Non-financial activities, according to Sapienza et al. (1996), should not be seen as ranked but rather as a pool of tools that VCs can utilise to pollinate the individual knowledge needs for internationalisation of the start-up. The aim is to understand the gaps founders may experience prior to internationalisation and how VCs provide non-financial support towards them.

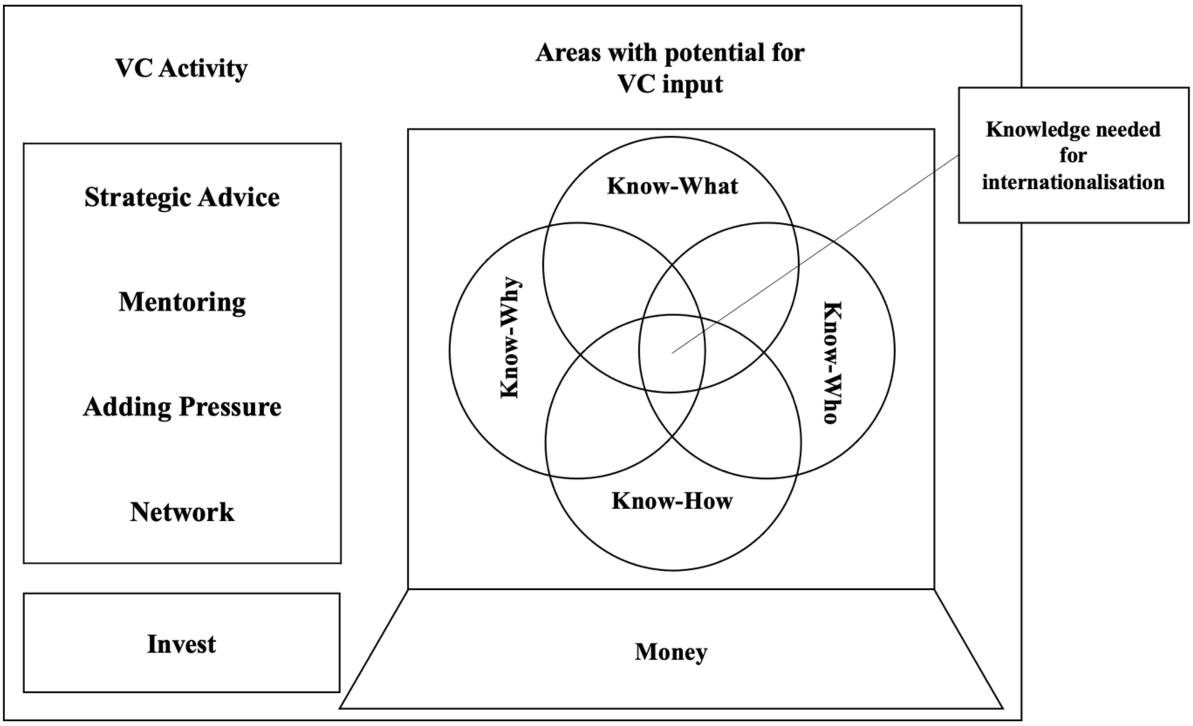

Figure 1:Proposed Theoretical Framework

The chosen approach framework highlights the dichotomy of the relationship and tries encapsulate how it is understood by the stakeholders, based on current literature and the pre-study. In the following we will show how the four knowledge components are connected to the non-financial value-adding services.

3.1 Know-how

3.1.1 Strategic Advice

Strategic advice most commonly occurs in the Know-how section. Here the four VC core capability areas of marketing, operations, financing, and recruiting (Horowitz, 2014) come together. VCs will try and advise from personal experience as a founder, from their professional experience in areas of consulting or finance and their knowledge from education. VCs will try and give frameworks of internationalisation or strategies on how to grow organically.

3.1.2 Adding Pressure

VCs will use pressure two-fold. One way is to nudge founders in a particular direction. In knowing how to internationalise, pressure can mean gentle "prod" to re-evaluate specific outlines for a particular expansion plan (Popov and Roosenboom, 2012). Pressure may mean more forceful action and often involves the utilisation of the board to replace executives or enforce the company's goals (Krause and Bruton, 2013).

3.1.3 Mentoring

Through mentoring, VCs can help the founders of their portfolio companies efficiently manage operations in a new foreign context and therefore connects mentoring with the Know-how knowledge component. (Park et al., 2014).

3.1.4 Network

The network connects to Know-how as VCs may use their network to provide information and strategic benefits about, for example, distribution channels to their portfolio companies (Aestebro and Serrano 2015). VCs may provide their portfolio companies with contacts to help founders gather information on how to enter a foreign market and reduce the liability of foreignness (Guler and Guillén 2010).

3.2 Know-why

3.2.1 Strategic Advice

Understanding the reasons for internationalisation is crucial as it gives the whole endeavour a purpose. When the founders can give profound reasoning for the motivation of the challenge of internationalisation, VCs will let them and encourage them. The strategic advice will come from a gatekeeper who stands in the way until all boxes have been ticked.

3.2.2 Adding Pressure

Adding pressure, in this case, is the more severe form of gatekeeping mentioned above. VCs will actively stop start-ups from expanding if they believe that they do not fulfil the prerequisites to develop internationally.

3.2.3 Mentoring

Mentoring is connected to Know-why as VCs, with their mentoring can help founders realise non-business strategic reasons for going international (Fried and Hisrich, 1995).

3.2.4 Network

The network is closely connected to Know-why as VCs networks can help founders to gather information and develop an understanding of cultural knowledge and foreign markets that may enable founders to recognise opportunities in foreign markets and strategic reasoning for entering a foreign market (Mejri and Umemoto, 2010; Park et al., 2014).

3.3 Know-who

3.3.1 Strategic Advice

The effect of strategic advice is limited in this section as it mainly connects to the networks. Here, the strategic advice primarily focuses on building the network through tools.

3.3.2 Adding Pressure

There has not been a connection identified in academic literature between knowing someone and pressure being added by the VC.

3.3.3 Mentoring

There has not been a connection identified in academic literature between knowing someone and mentoring occuring by the VC.

3.3.4 Network

The network is mainly connected to the Know-who knowledge component as VCs may use their business network to help their portfolio companies to bridge knowledge gaps and extend founders' knowledge base (Johanson and Vahlne, 2009). VCs may also provide their business networks to accelerate and support their portfolio companies' internationalisation (Mejri and Umemoto, 2010).

3.4 Know-what

3.4.1 Strategic Advice

Strategic advice in this section means ensuring that founders are aware of all the foreign market facts. Grand and Baden-Fuller (2004) found that if start-ups possess Know-what knowledge, it encourages further strategic involvement by the VC through the addition of more profound knowledge.

3.4.2 Adding Pressure

Adding pressure seems to be comparatively weak to strategic advice in this section. Liesch and Knight (1999) found that through the VCs intervention, barriers to internationalisation are not only overcome but are surpassed by a significant margin.

3.4.3 Mentoring

Mentoring as non-financial support can help founders in their prioritisation and decision making as VCs can fall back on their experiences and guide founders in non-business strategic decisions and are therefore connected to Know-what (Da Rin and Hellmann, 2020)

3.4.4 Network

Network as a value-adding service connects to Know-what as VCs may connect their portfolio companies' founders to their network to acquire objective market knowledge and information about market foreign market opportunities (Amornsiripanitch et al., 2019).

4 Methodology

The following section will outline the methodological steps to resolve the theoretical gaps identified in the previous section. The first section will describe the applied ontology, the reasoning behind the chosen method and how the chosen method fits our research question. After that, we will describe the research approach. Finally, we will discuss the quality of the study.

4.1 Methodological fit

The analysis of existing research and its synthesis exhibited theoretical gaps in internationalisation exchange between venture capitalists and entrepreneurs. To understand the dyadic yet complex relationship between investor and entrepreneur, we need to explore their personal experience of the internationalisation, the action they link to their experiences and their perception of the exchange. Due to that, we aim to address a nascent area within entrepreneurial finance and international entrepreneurship research through a qualitative research method. A qualitative research method is effective when researching nascent areas (Flick 2014) and a suitable method for theory building and exploring personal experiences (Mills et al., 2010). An abductive approach is used to approach the research question and to develop theory in the context of VC funded international entrepreneurship. Understanding "how" the interplay on the non-financial side of the relationship between VC and entrepreneur works gives rise to the nascent area of research, justifying the abductive approach (Mills et al., 2010). This approach allows us to develop a theory concerning the knowledge development in the internationalisation of VC funded internationalising start-ups. Through data collection and analysis (Mertens, 2019), the practices and multiple realities of internationalisation are highlighted through the literature derived framework (Cassell et al., 2018). This is a functional approach for research investigating nascent academic areas without a rigorous framework.
This study explores multiple social constructions of knowledge that are vital pillars of the internationalisation of a start-up and how they are supported through VC value-adding activities. Thus the focus shifts away from defining a reality that results in generalisations, which at times is a perceived weakness of the explorative research approach. This results in qualitative-constructivist research (Cassell et al., 2018).

4.1.1 Research Approach

The identified subject area for this subject inhibits signs of underdevelopment. Therefore the initial aim was to overview the relationship between founders and VCs during the internationalisation and understand what underpins and drives it. To achieve said overview, we conducted a pre-study that aided us in deciding the appropriate theories and indicated the required steps of the study. We decided to interview four start-up founders and three VC-partners, all of whom were affiliated with the internationalisation of a start-up. This allowed us to understand better the relationship between founder and investor and the knowledge requirements start-ups have during this challenging process.

Further, it strengthened our initial assumption that VCs engage in a variety of value-adding activities during the internationalisation of their portfolio firms. Additionally, internationalisation is heavily reliant on the gathering and sensemaking of different types of knowledge. The drawn conclusion was that the role of the VC changes depending on the portfolio firm's requirements and typology.

We, therefore, concluded that a multiple case study would allow us to highlight the different knowledge requirements of the internationalisation, the value-adding activities VC can engage in, and the ones they do engage in. This process will involve two steps. Internationalising start-ups and their respective VCs are identified during the first one according to several parameters. The second step will be the multiple case study, during which the previous parameters will be treated as the independent variables so that patterns across knowledge requirements and value-adding activities can be studied and outlined.

4.1.2 Abductive approach

Abductive research is an approach that unites the derivation of theory from a phenomenon, induction, with theory testing through a phenomenon (Bell et al., 2019; Timmermans & Tavory, 2012). By utilizing an abductive analytical approach, this study is able to amalgamate pertinent theory given there is an empirical fit. In this way, we concurrently calibrated the theory and the empirical context and adjusted the relevant concepts in an iterative way (Eisenhardt & Graebner, 2007). Following Timmermans & Tavory (2012) two themes have guided the research. Firstly, defamiliarization, which means that during the collection of data is not only transcribed, but has notes attached to it and is subsequently coded. This allows for more in-depth analyses through syntax detachment as distance is created between data collection and analysis. This ties heavily into the second theme, revisiting (Timmermans & Tavory, 2012). As the research progresses, transcriptions, notes and codes are revisited and re-analyzed. The situational disconnection between individual experiences allows for a diversification of the frames of references allowing for novel interpretations given varied contexts.

4.2 Research Design

The research follows a two-step approach, starting with an explorative pre-study, followed by a multiple-case study.

4.2.1 Explorative Pre-Study

The first phase of the research in this study is an explorative pre-study due to the core research area having little qualitative research. The aim was to gain an insight into the exchange process between VCs and founders and the founders' knowledge needs. The goal was to narrow down the scope of the research project and point out important aspects worth investigating further.

4.2.1.1 Data Collection

Data was collected through semi-structured interviews with start-up founders and VC-firm partners. Semi-structured interviews enable different understanding and perspectives of the founders' and VCs' experience of their relation, internationalisation and exchange and therefore were conceived to be suitable. In addition, in semi-structured interviews, a deeper understanding is often developed as participants may explain events and processes and reveal personal opinions about the phenomenon (Bell et al., 2019; Moser and Korstjens, 2018). For the pre-study, an interview guide (See Appendix 10.2) was used, yet the interviews followed an iterative process meaning that the guide was subject to constant revision. The interviews were aided by company information from databases such as Crunchbase and by visiting the companies' websites. The aim of the pre-study was to get an insight into the internationalisation process from the opposing sides, investor and investee, but to also satisfy the abductive process (Timmermans & Tavory, 2012).

Interview	Country	Role	Company	Industry	Date	Duration
Interview 1	Sweden	Startup Founder	Startup	PropTech	04.02.2022	72 min
Interview 2	Germany	Startup Founder	Startup	HRTech	07.02.2022	42 min
Interview 3	Netherlands	Managing Partner	Venture Capital Firm	Tech	07.02.2022	32 min
Interview 4	England	Managing Partner	Venture Capital Firm	EdTech Accelerator	22.02.2022	41 min
Interview 5	Sweden	Startup Founder	Startup	PropTech	23.02.2022	48 min
Interview 6	Sweden	Startup Founder	Startup	FoodTech	28.02.2022	37 min
Interview 7	Sweden	Managing Partner	Venture Capital Firm	HRTech	02.03.2022	33 min

Figure 2: Interviews of the Pre-Study

Table 1 presents the 7 interviewed companies, which represent 7 interviews. The start-ups were represented by a founding or co-founding member, whereas the VC-firms were represented by a partner involved with the active portfolio management side. All participants had extensive personal experience with the internationalisation of start-ups.

Both researchers conducted the interviews together, with one individual as the main interviewer, whereas the other was the note-taker. At the end of the interview, the note-taker was able to ask follow-up questions. The interviews were conducted digitally via the Microsoft Teams Software and transcribed through the built-in transcription software. All interviews were recorded and anonymised following the interview participants' consent. Following the interview, a thorough review and, if necessary, the edit was conducted to ensure that the software had transcribed the interviews accurately. The interviews were conducted in English and lasted between 32 and 72 minutes. The number of interviews was regarded as adequate as they served the purpose of surveying the landscape and yielded sufficient insights to progress the study into its main phase.

4.2.1.2 Data Analysis

Interview analysis started with the verbatim transcription of the recording within 24 hours of the interview being held. This allowed for any non-verbal insights to be still remembered by both interviewers. Following the transcriptions, both interviewers reviewed it independently to reduce potential bias as part of the investigator triangulation (Bell et al., 2019).

The pre-study aimed to develop first-order codes that could be used as a baseline for future data analysis and create a guideline for the multi-case study. The first order codes were solely derived from empirical data. The analysis resulted in several significant insights into VCs' relationship and exchange process and internationalising start-ups. There are significant differences between the pre-deal communicated non-financial support and the one given post-deal. Second, there are fundamental knowledge prerequisite that founders and VCs find crucial when internationalising.

4.2.2 Multiple Case Study

After conducting and concluding the pre-study, we investigated the knowledge prerequisite for internationalisation from the founders' and VCs' perspectives and the knowledge and non-financial exchanges between them.

The pre-study revealed a set of knowledge components or prerequisites start-ups required during the internationalisation. Further, it revealed a set of value-adding activities by VCs that aimed to fill the start-ups' knowledge needs, which were used to varying degrees and effectiveness. Therefore, we decided to conduct a multiple case study to examine further the knowledge prerequisites and value-adding activities that contributed to fulfilling them. A multiple case study was chosen due to its possibility of generating a new empirical valid theory (Eisenhardt, 1989). Different contexts and patterns are investigated through the lens of multiple case studies, enabling compartment and theoretical reflection (Bell et al., 2019). The aim was to build a robust study through multiple cases (Yin, 2009). In line with Pauwels and Matthyssens (2004), we aim to have a balanced architecture in our study through "theoretical sampling, triangulation, pattern-matching logic, and analytical generalisation."

4.2.2.1 Case Selection

Following the pre-study, the typology of firms required and their relationship became evident. Theoretical sampling was used as a method as this research aims to develop novel theory; therefore, cases are selected due to their suitability and ability to offer theoretical insights (Eisenhardt and Graebner, 2007). To follow Pauwels and Matthyssens (2004), we selected four start-ups that had all internationalised to at least one country, and we spoke to their respective investing VC firm to ensure homogeneity within the case and allow for profound cross-case analysis.

Given the resource limitations of the research project, we deliberately selected four cases that met the knowledge requirements outlined in the preliminary study. We chose different cases per sector to optimise the relevance of the observed phenomena and to differentiate across the varying dimensions.

The potential list of studied companies was delimited as follows. Only early-stage investors have been considered. For the sake of this study, these are investors that invest in up to Series

B funding rounds. Further, the VCs chosen are independent VCs due to their higher involvement in their portfolio companies (Maula et al., 2005). Further, investors had to have experience, so at least 15 investments, of which several companies had to have gone through the internationalisation process.

Further, we only spoke to individuals in executive positions within the VCs so that the individual was actively partaking in the investment and management process of the start-ups. On the funding side, only start-ups that had received funding up to Series B and had expanded into at least one other country were considered. Further, the focus was on companies in the Tech sectors due to their ability to internationalise, their international outlook and the high focus in Sweden from VCs on Tech start-ups. We see these as adjacent and found exciting insights during our pre-study phase among such firms. Further, all start-ups had Sweden as their home market.

4.2.2.2 Data Collection

We made sure that we had at least one individual that fitted the above criteria from the start-up and the VC firm for each case. To gain further insights into the firms on either side of the spectrum, we utilised a waterfall approach. This led to a more significant number of interviewees, yet it could have led to potential selection bias on the side of the referee. Following Pauwels and Matthyssens (2004), we triangulated the empirical data through several interview rounds, content from the company websites and Crunchbase insights.

Interview	Country	Role	Company	Case	Industry	Purpose of Interview	Date	Duration
Interview 1	Sweden	Startup Founder	Startup	A	FoodTech	Main Interview	18.03.2022	63 min
Interview 2	Sweden	Partner	Venture Capital Firm	A	Tech	VC Perspective	25.03.2022	42 min
Interview 3	Sweden	Startup Co-Founder	Startup	A	FoodTech	Interview Co-Founder (Triangulation)	29.03.2022	44 min
Interview 4	Sweden	Startup Founder	Startup	A	FoodTech	Follow-up Interview	22.04.2022	38 min
Interview 5	Sweden	Partner	Venture Capital Firm	A	Tech	VC Follow-up Interview	26.04.2022	22 min
Interview 6	Sweden	Startup Founder	Startup	B	PropTech	Main Interview	22.03.2022	48 min
Interview 7	Sweden	Partner	Venture Capital Firm	B	Tech	VC Perspective	30.03.2022	37 min
Interview 8	Sweden	Startup Founder	Startup	B	PropTech	Follow-up Interview	08.04.2022	33 min
Interview 9	Sweden	Startup Founder	Startup	B	PropTech	Follow-up Interview	19.04.2022	28 min
Interview 10	Sweden	Partner	Venture Capital Firm	B	Tech	VC Follow-up Interview	03.05.2022	42 min
Interview 11	Sweden	Startup Founder	Startup	C	EdTech	Main Interview	28.03.2022	48 min
Interview 12	Sweden	Partner	Venture Capital Firm	C	Tech	VC Perspective	04.04.2022	31 min
Interview 13	Sweden	Startup Co-Founder	Startup	C	EdTech	Interview Co-Founder (Triangulation)	22.04.2022	62 min
Interview 14	Sweden	Partner	Venture Capital Firm	C	EdTech	VC Follow-up Interview	27.04.2022	26 min
Interview 15	Sweden	Startup Founder	Startup	C	EdTech	Follow-up Interview	03.05.2022	36 min
Interview 16	Sweden	Startup Founder	Startup	D	FinTech	Main Interview	04.04.2022	48 min
Interview 17	Sweden	Managing partner	Venture Capital Firm	D	Tech	VC Perspective	06.04.2022	43 min
Interview 18	Sweden	Startup Founder	Startup	D	FinTech	Interview Co-Founder (Triangulation)	22.04.2022	38 min
Interview 19	Sweden	Managing partner	Venture Capital Firm	D	Tech	VC Follow-up Interview	06.05.2022	33 min

Figure 3: Interviews of the Case Study

The result was 19 interviews across the four case studies. The interviews were conducted and transcribed identically to the first phase. The basis for the interview guideline was the pre-study interview guide paired with findings from the pre-study. Specific interview guides were prepared for the start-up representatives and the VC representatives. Still, the guides were adapted and iterated to fit the unique challenges represented in each of the cases. It is important to note that at this stage, data was collected and analysed simultaneously to allow for adaptation to emerging themes and the particular characteristics of a case (Eisenhardt, 1989). Adaptation to emerging themes and unique features of a case led to the strengthening of the internal validity of the findings. Therefore, at least four interviews were conducted, two per start-up and two per VC. This allowed for complementary perspectives and triangulation of information within the case.

4.2.2.3 Data Analysis

The data analysis followed the same principle as the preliminary study. Only the empirical findings came from two sides. One looked at the knowledge prerequisites, and one looked at the value-adding activities. The focus was on understanding the knowledge prerequisites and, secondly, how the value-adding activities were tied to them. So knowledge prerequisite related first-order codes were triangulated with company information such as Crunchbase insights, company-specific website information and company informational material found online. The research team then came together to discuss the first-order codes and start grouping them into areas of similarity. These groups, following further discussion, were assigned second-order themes as headings. These, in turn, underpinned the most crucial area, the aggregate dimension (Corbin and Strauss, 2008).

At the same time, the research team matched the aggregate dimensions with the value-adding activities. Here the focus was put on highlighting the effectiveness of each activity and its frequency of use by the VC firms.

The relation between VC activities and start-up knowledge needs is evaluated across cases and iteratively re-assessed and cross-referenced. This allowed for data and information management and sensemaking in terms of satiation of data. Ultimately, the aggregation of cases led to a revision of the initially introduced empirical framework to a more suitable one given the case results.

4.2.3 Ethical Considerations

To ensure the integrity of this study, we took into account the ethical aspects of data protection and informed consent during data collection. Therefore, all participants were carefully informed about the background and purpose of our study and were asked to give their consent to participate. They were also asked for permission to record the sessions. All participants were assured full anonymity and confidentiality to ensure a candid and open discussion of business strategies, participants' experiences and relationships, and exchanges between investors and entrepreneurs (Bell et al., 2019). Some background information on the companies is provided to put them into context. As information on the internationalisation process is non-traceable, the context of the companies' internationalisation is presented. The start-ups and VCs interviewed were given pseudonyms. Respecting the anonymity of participants and companies reduces the risk that disclosure of information about their partnerships, exchanges and strategies could damage the reputation of participants and their companies.

4.3 Quality of the Study

To ensure that this study presents high-quality research, we used Lincoln and Guba's (1985) quality criteria for qualitative research, including credibility, transferability, and confirmability. This will enhance and ensure the legitimacy and trustworthiness of our research results (Korstjens and Moser, 2018).

4.3.1 Credibility

Credibility in qualitative research focuses on the correspondence between the distinct realities defined by the researcher and the constructed realities of the participants (Lincoln and Guba, 1985; Bell et al., 2019). Consequently, it indicates whether the results of our research represent acceptable information from the original data collected from the participants and whether the interpretation of their original perspective is correct (Korstjens and Moser, 2018). Interviewer triangulation was used to increase the credibility of the study results by both researchers; the other researcher's interpretation was critically evaluated throughout the study to ensure and increase objectivity in both data collection and analysis. In order to critically evaluate the other researcher's interpretations, both researchers wrote memos immediately after the interviews in which they recorded the interpretation and significant themes that emerged during the interview. The memos were discussed within 24 hours of the interview to ensure that both researchers had correctly interpreted the participant's Lebenswelt. In addition, we used member checking, where all transcripts of the interviews conducted and our findings were sent to the interviewee so that they could provide feedback and ensure that we had correctly interpreted their Lebenswelt (Korstjens and Moser, 2018; Bell et al., 2019; Lincoln and Guba, 1985; Cho and Trent's, 2006).

4.3.2 Transferability

Transferability in a qualitative study that refers to the degree to which the results of the study are transferable to other settings or conditions with other participants (Korstjens and Moser, 2018, Bell et al., 2019). By providing as detailed a description as possible, without compromising the identity of the participants, and by providing a detailed description of their internationalisation context, we increase the transferability of our research. To enhance the transferability of our research, we describe the context in which it was conducted. The context provided and the descriptions of our participants should help other researchers assess the transferability of the results we present (Korstjens and Moser, 2018, Bell et al., 2019).

4.3.3 Confirmability

In qualitative research, confirmability is a quality criterion that represents the objectivity of the researcher (Bell et al., 2019). Confirmability determines the extent to which findings are separated from the researcher and their environment (Korstjens and Moser, 2018). With a detailed methodological section, in which we describe our research process from start to finish, and a detailed description of our results, we have tried to make our research as transparent as possible. We used semi-open questions in all interviews to ensure that our setting did not affect the participants. For the transcription of the interviews, we used a computer programme to minimise the risk of distortion and to ensure that the transcription was identical to the interviews. Researcher triangulation was applied, which further increases corroboration, as described in the Credibility section (Bell et al., 2019; Korstjens and Moser, 2018; Lincoln and Guba).

5 Empirical Findings

We will present the study's empirical findings, starting with the individual cases and their background. Afterwards, deciding factors and reasoning for internationalising ventures are presented. Then the experienced barriers for foreign market entry and the associated knowledge prerequisite and deficiencies are highlighted. After that, we will present the non-financial support expectations regarding the internationalisation of founders and VCs. Finally, the actual non-financial support given by the VCs is presented.

5.1 Background

The empirical findings are based on the four different cases. One case consists of one start-up and its VC. The chosen cases originated from the pre-study and were selected according to the *Case selection* segment.

The first selected case is a fast-growing Food-tech company, hereafter referred to as "Company A." The company was founded in 2019 and is headquartered in Stockholm. Their product was first offered on the Swedish market, and at the beginning of 2020, the company expanded into Spain. After successfully entering the Spanish market, the company is now in the early internationalisation phase in Germany and Denmark. Company A completed its Series A round in late 2021.

Our second case is a Prop-tech company founded in 2014 with its headquarters in Gothenburg, Sweden, hereafter referred to as “Company B.” The company is an international player with offices on two different continents. They completed their Series A round in 2017 and took in capital from three domestic VCs. Company B entered its first foreign markets in 2015 by entering Kenya, Switzerland, France, and the Netherlands. Due to foreign market entry barriers, the company withdrew its services from these markets. The company kept a part of its internationalisation process active by only focusing on entering the UK market in late 2017. After a successful launch in the UK, the company is now active in twelve different markets

The third case is an Ed-tech company founded in Stockholm, Sweden, in 2014, referred to as “Company C.” Company C offers different types of curricula, and their markets, therefore, are not defined by geographical borders. Therefore, all areas with the same curriculum are defined as one market for this company. After the opening of its first office in Stockholm, it shortly after set up an office in London. The company has accomplished four founding rounds, including one series A and B round, and is currently backed by three Swedish-based VCs.

The last case is a Fin-tech company founded in Gothenburg, Sweden, in 2016, referred to as “Company D.” The company has been active in the European market and, since 2021, in US and Australia. Company D started its operations in the Swedish market, entering Denmark and Finland next. The company’s first foreign market outside the Nordics was Belgium. The company completed their Series A round in 2019, taking in capital from two Swedish VCs.

5.2 Internationalization context

All cases started their business operations in Sweden and used it as a domestic market. The domestic market was explained as a convenient location to start from and to prove their concept as explained by A’s founder: *“Sweden is nice. It’s a great step. We are Swedes. It’s very convenient to start here, but we will just make a proof of concept here and then we will move on to European markets”* (Interview 1).

The interviews showed that even though they started domestic, all the founders had an international agenda from the inception, Founder C “*We never thought about only staying in Sweden or only doing the Nordics because we knew that our customers are internationally based”* (Interview 11).

The driving factors for an early internationalisation were in case B, C and D, driven by their niche market strategy. *"We quite early on started focusing in other markets primarily because our ideal customer profile was property portals, and there is only a few in each market"* (Interview 16). C's founder further enhanced the niche market strategy as an explanatory variable for an early internationalisation*; "It was international at the go because we started off with IB, the international baccalaureate"* (Interview 13).

Reasons for choosing a particular market and going international were found to mostly be connected to the customer demand in that market and the need to acquire customers in their specific segment, as stated by founder D *"When we are going into a new market, it's probably more about us going into a new customer, and that customer happens to be on the new market"* (Interview 18). Most founders did not see markets as purely defined by geographical borders*: "we see international as like one market since we are focusing towards the curriculum that happened to be spread across the globe"* (Interview 8). Further enhanced by A's founder, "*The western world is interesting, especially regarding food trends. It doesn't matter if you're in Norway, Spain or Ireland. We eat the same. We eat at the same time of the day, and we have the same price sensibility"* (Interview 4).

All founders saw internationalisation as an essential strategy for growth due to the size of the Swedish market, highlighted by Co-founder C*: "If you succeed with your international expansion, that's also succeeding with the business or not succeeding with the business because not many Swedish companies will be able to thrive in only the Swedish market"* (Interview 13).

5.3 Challenges with internationalisation

Before the studied companies considered expanding internationally, various obstacles and challenges had to be overcome. Culture and language is the most prominent theme mentioned by founders and VCs alike.

Culture and language, in this case, are overlapping themes as many of the founders voiced their difficulties with adapting to it when internationalising. First-time founders seemed to struggle in particular, as founder A states: "*you can't easily switch to another country even though it's the same language; understanding the culture has been difficult*" (Interview 1). Further, founder D adds, "*we made tries in a few countries where it didn't work out like France, Netherlands, and language and culture being a part of the reason. Being* *inexperienced was definitely part of it but definitely culture and not speaking the language*" (Interview 16). Experienced founders agreed on the culture challenge, as founder C stated, "*the language and the culture, hard to learn before you enter the market and very hard to know. The only way, we would know it would be that we hired someone locally and I think that's the learning now*" (Interview 6). Founder D mentioned the struggles language can present *"if you have, for example, an app consumer facing app, absolutely the language barriers are huge and you would probably want to localise everything and localising things, takes time and costs money"* (Interview 16).

VCs are very aware of the issue, as Investor D stated: "*let's say you have some sort of marketplace, and you're going to launch in a new market, just translating all the content and making it sort of adjusted to work with sort of local practices, can be challenging"* (Interview 19) Investor C recommends a solution to reduce the difficulty of the issue as a whole: "*In general it is important to look at markets with cultural similarities as your home market, I think that's very important. So typically, I work with the strategy that is, first to do the Northern countries, and then you choose Northern Europe and then maybe the US which I think is the traditional way of doing it"* (Interview 12).

Investors and founders underline the importance of a deep understanding of the market and culture and the difficulty of attaining it, as Investor B notes: *"It is so important that you have strong local knowledge and possibly a local connection"* (Interview 10) He also denotes *"it will always cost more and it'll always take longer time than you expect to launch in a new market"* (Interview 7).

5.4 Prerequisites

Before the expansion move is possible, various internal prerequisites have been discovered in the interviews. Some of them are set by the founders; the investors set others.

Almost unanimously, the topic of product-market-fit in the home market is mentioned. Investor C states, *"it is important to nail your core and your home market before you start lifting the car into another market"* (Interview 14). C's co-founder agreed, *"do you have a product-market-fit in your home market? Are you on a track to getting there? If you are still struggling, you will scale problems instead of scaling opportunities. Then you are scaling to another market where you sure do not have product-market-fit"* (Interview 13). Product-market-fit with specific market knowledge was seen as most important for internationalisation as Founder C states, *"If you are not doing good in your home market, then it is very unlike that you do better somewhere else. I think that product-market-fit with local market knowledge is most important"* (Interview 15). Co-founder C adds, "*What I think fails nine times out of ten is not making it in your home market. You earn a couple of millions, but unprofitably. And then you want to solve it by thinking that the grass is greener on the other side, which almost always crashes companies. Therefore, they need to have made it in one market before moving to a new one. When I say profitable growth, it should be underlying profitability in the unit economics* (Interview 13).

The next theme mentioned is the companies' internal capabilities, meaning can they sustain growth throughout the expansion. Investor B states, *"Do you have enough resources to continue scaling in your market while scaling to a new market? So you don't drop the ball"* (Interview 10). Investor D mentions the internal capability as well, *"You need to understand that it is going it is expensive and takes a long time to go internationally and that you need to have full-time dedicated resources to several of them to be able to succeed with it"* (Interview 17). Investor C reminds us, *"you have to keep in mind that you need to be able to assign a full-time, qualified senior resource into it without damaging your home market efforts much"* (Interview 12). He adds that this can lead to a loss of focus among the founders, *"When expanding, there is a high risk that founders lose focus on the domestic market as its more fun to expand"* (Interview 12).

Lastly, Investor A reminds us of product-market-fit and an understanding of the market, *"you need a framework to evaluate each market on, you need unit economics in place, or you need to have product-market-fit in place"* (Interview 2).

5.5 Knowledge Needs

As demonstrated in the framework, knowledge can be sub-divided into different categories, which are all prevalent themes in the international expansion process of firms. In the following findings, we will present the different knowledge categories founders may need to possess or acquire to successfully enter a foreign market and reduce the liability of foreignness. The empirical data is categorised and presented according to the framework. Frequently though, the categories are not necessarily straightforward and overlap. Therefore, some of the findings may fit into more than one category.

5.5.1 Know-why

Know-why knowledge in the international expansion was a significant step in the decision-making process as investor D states, "*Purpose! The purpose of why they're doing it. And given that that purpose is clear, I would just say, go for it"* (Interview 19). Investor B adds that clarifying the purpose is one of the key steps, *"Why do we want to go there? Super important. First, the entrepreneurs have to figure out why they want to go global and why they should start with a particular country"* (Interview 10). Even for experienced founders, the why is answered before every consecutive expansion *"That's a conversation that we have very early about why have we chosen these markets to expand to, obviously, there is a big financial element, does it make sense to go into a market like Germany or Spain"* (Interview 15).

When discussing knowledge needs in an internationalisation, founders highlighted the importance of knowing when to internationalise as essential knowledge. Not knowing about the optimal time for international seemed to be a common knowledge gap in internationalisation, *"I think that knowing when to expand is what many companies waste a lot of time and money on. They get slowed down by getting that one wrong. We did as well. If you have a good growth runway and you're not saturating the market, and you're growing in your core market, don't internationalise until you can do it without diverting the organisation's attention"* (Interview 11).

Investor C sees it as a critical knowledge as well, *"I'd say internationalisation is mostly connected to knowing why you want to go international, especially when it comes to internationalisation the most important questions might be to know when"* (Interview 12).

5.5.2 Know-how

Knowing how to expand will give companies the understanding and guidelines of what to do at every step of the international expansion process.

Start-up A followed the traditional desktop research method: *"We essentially started with a long list of potential markets. We did the desktop research to exclude as many as possible, narrow down to like four or five and then started speaking with people with local knowledge to understand market dynamics and if they fit us"* (Interview 3). While founder D followed the premise of learning by doing, stating, *"Entrepreneurship is always about running out, so the same thing goes here. Naturally, you cannot know how to expand nationally. You need to* *learn; you need to have super-fast situation loops and learning loops. Learn fast, make mistakes, document the mistakes, get experience, be successful"* (Interview 16).

VCs want to ensure that their founders are ready to expand and have done the due diligence. Investor A states, *"I would first ask them how will they do this? I would want to hear a clear structure, or a step-by-step plan and then probe to make sure they have a comprehensive understanding of every aspect of the internationalisation"* (Interview 2). Investor B adds to this, *"Putting together a solid go-to-market plan and internationalisation plan is killer because many companies think let's go and enter Europe, let's go and enter the US and underestimate how huge of a challenge it is"* (Interview 7). Investor D sees Know-how knowledge as a unique process: *"That is a huge question. That is the million-dollar question because they always have short runways and need to perform quite quickly. You really want to do it sequentially and make sure that you have the capacity to do it well and succeed"* (Interview 17).

5.5.3 Know-what

Know-what knowledge was found to be important in the internationalisation especially, the institutional fact seemed to affect internationalisation, as founder A explained, *"We focused on our product and how it had to be adapted, both from a customer and a regulatory point of view"* (Interview 1).

Investor A reminds us of the importance of a good overview, and the implications internationalisation has. *"Look at the big picture. What are the, you know, potential regulatory and legal aspects? Have you done that? Then what's it going to cost you? Do you have the funds needed? How is it affecting your runway?"* (Interview 5)

The importance of objective facts about the foreign market was seen as less critical by Investor D as it was knowledge quickly acquired. *"I mean, facts about the market and regulations that's basically something everyone can get, but it has to be accurate"* (Interview 19).

5.5.4 Know-who

Know-who is the network utilised in the internationalisation of the company. Using a network as a bridge to specific market knowledge was put forward as an effective method by both founders and VCs; "*You need to acquire the local knowledge either by having a great network that you can get advice from in that market or by having a local team"* (Interview

10). Investor C agrees by stating, *"I think you know, recruiting a local team can be important, but very expensive, and there are other ways to get that local knowledge, for example your investor"* (Interview 12).

Founder C mentions the importance of a local network: "*We start connecting a lot with people who know the market by activating the network there. You may get something from investors, but I think that's a minority"* (Interview11). To expand the Know-who knowledge Co-founder C reviled an interesting method they used instead of their investors to connect to local networks, *"I think LinkedIn has been a real life-saver; we have connected to many people abroad and have been able to expand our network through it"* (Interview 13).

Co-Founder A saw their VC's Know-who knowledge as an essential enabler for their internationalisation. *"Our investors have been real heroes as they connected us with their local connections, and we could really utilise those people to build our network abroad"* (Interview 3).

5.6 Relationship between VCs and the founders

Taking in a new investor is a significant step and the beginning of a normally long collaboration; *"If I started a company and I brought someone into my cap table, it's like, marrying them, you're going to be together for a long time, potentially longer than your marriage, who knows"* (Interview 7). This indicates that an investment is more than merely a monetary transaction. In the interviews with the founders, it became evident that they also expect more than just monetary support from their VCs. As founder A stated, *"We were such a young founding team, we realised that it would probably be nice to have some operative expertise somewhere, at least from the investor, just to help us avoid big errors"* (Interview 1). Expectations of receiving non-financial support and its importance in the relationship was acknowledged by Investor D: *"Looking at only the last couple of years, it's become much more evident that they are looking for more than capital, they want to have the right people on board with the right knowledge, the right experience"* (Interview 17). Further highlighted by Investor C: *"They are quite keen to, you know, really get the right investor aboard"* (Interview 12).

In the interviews, it was indicated that the non-financial support might affect the choice of VC for funding. *"We decided to go with our VC even though they actually came in with a slightly lower valuation specifically because we thought that they would support us more"*

(Interview 8). The non-financial support as a deciding factor was also apparent in the interview with co-founder A. *"They have a tech team, which they promised us or not directly, but as a partner in tech, we chose them"* (Interview 3).

When the founders' expectations on the relation and the non-financial exchange process with their VC were discussed in the interviews, founders pinpointed VCs communication and pitch as contributors to their expectations. *"We had different investors that pitched that they had all these support networks, contacts and so on"* (Interview 4). Which were further highlighted by co-founder A: *"They promised a lot of help, and they promoted themselves as a co-founder, so like a third co-founder for our company"* (Interview 3). The strong communication from VCs regarding their non-financial support was mentioned by founder B *"Most investors talk a lot about the value that they give"* (Interview 9)

In the interviews, it became evident that VCs often highlight the non-financial support they may offer their portfolio companies; *"we do have an extended rich advisory network that we have built and are expanding as we go"* (Interview 17). The same VC is positioning themselves on their webpage as a prominent partner that helps build companies with their profound skills, a VC that offers more than just capital. [1]

Investor B positioned itself as a solid strategic partner that supports companies in their development through extensive network and advisory services, especially in an internationalisation process. *"We can help them hands on with, with contacts, advisors, investors in many other markets"* (Interview 7). Which was further enhanced by their communication on their webpage where expansion support and deep sector expertise were highlighted as perks of being funded by them. [2]

The VCs acknowledge different expectations on the non-financial support: *"Especially first-time founders believe that they will get much value and those one that has experienced it before know that they will not get that much value"* (Interview 17).

Founders also adjust their expectations on non-financial support through their network: *"We were quite realistic in our expectations. We talked to a lot of their start-ups and got our expectations settle a little bit. So, we knew what we were going into"* (Interview 19).

[1] *For confidentiality reasons no reference to their webpage can be made*
[2] *Ibis*

Using the network to get a better understanding of what to expect where further enhanced by the founder C: *"We launched parallel to the Klarna and VOI founders, and they've taken in capital from the top investors in the world who have enablement teams at the ready. Still, all of them just say the same thing, that they pitch a lot, but in reality, it's not. So, after talking to them, we knew what to expect"* (Interview 15).

Both interviewed founders and VCs highlighted the importance of doing due diligence to settle expectations. *"Both investor and entrepreneur have to do their due-diligence on each other"* (Interview 7).

5.7 Important areas for support

The knowledge exchange and the non-financial support in an internationalisation were discussed based on four different areas strategic advice, network, adding pressure, and mentoring. Both founders and VCs gave their views on which areas were important for support in an internationalisation.

Both parties highlighted the network as an important area as enabler for knowledge exchange between founders facing similar problems and as a bridge to new financing. *"I would say the network definitely. The sort of connecting us with similar problems connect us with sort of success or they connected us with investors"* (Interview 9). Further enhanced by Investor D, *"What I can do is to connect my new entrepreneurs that want to go international with entrepreneurs from another company that has done it as I think it's even more relevant that they can learn from each other's"* (Interview 17). The network knowledge as a bridge to follow-on financing and new knowledge was also highlighted by Investor A*:" I think the network on many levels, I mean the global level, with investors, with all the great talents that we have in our network"* (Interview 5). Network knowledge was also considered concrete *"I would rate network, number one, cause network is always hands on"* (Interview 17).

Strategic advice is considered essential for the development of the venture and internationalisation*. "Strategic advice is important and more tangible. The more tangible it is, the more situational and specific it is"* (Interview 8). Strategic advice is considered a tool to minimise mistakes and point founders in the right direction. *"Obviously strategic advice pointing them in the right direction and pointing them away from the wrong directions"* (Interview 5). Investor B emphasised strategic advice as a risk minimiser *"So if I can help them not to make the same mistakes again and again, that is always quite helpful. They save* *time, and they save money and all that"* (Interview 7). All interviewed VCs emphasised the responsibility of the founders to embrace the advice. *"You can give strategic advice, but you know it will be the founder's decision, the entrepreneur, how to use that advice. So it will only be advice"* (Interview 12).

The third area: Adding pressure, from a VCs perspective, was considered to mostly matter when founders were facing problems: *"In my opinion, pressure will be applied when things are not working out"* (Interview 19). Adding pressure may also be used by VCs for accountability. *"Adding pressure, I would convert that to keeping accountable, like they know what to do. They tell you I'm going to do this; you make sure that they have done it"* (Interview 14). From the founder's perspective, adding pressure were considered positive, as: "*I just cried a bit for myself because they were so hard on me. But I mean, that's part of the package. If they all say good work, well then you start to slack"* (Interview 3).

Mentoring as non-financial support was only considered necessary by Investor D. *"It is really important for the entrepreneurs to have someone to talk to, so even if we are not on the company's board, we can still mentor them"* (Interview 17).

5.8 The outcome

In most of the interviews with the founders, it was shown that the non-financial support communicated in a pre-deal setting differed from the non-financial support given. *"We had different investors, that came with all these support networks, contacts and so on. I agree (seeing a benefit for the company) with that to a quite small extent"* (Interview 11). Further enhanced by their co-founder, *"My perspective is really that 90 plus percent of the value that investors can bring is money, which is a commodity"* (Interview 13).

All interviewed founders had experienced discrepancies in communicated non-financial support and support given. *"I have had experiences in the other direction before with investors that promise a lot and don't give anything, and I have heard it a lot"* (Interview 16). The absence of the non-financial support was clearly stated by the founder B when asked about the non-financial support received from their VCs in their internationalisation: "*Nothing, nothing, nothing. That is why I started my own VC firm with another entrepreneur because we want to be the necessary support that we would have wanted ourselves"* (Interview 9). When interviewed founders were asked how their investors had supported them in their internationalisation, a clear majority had not experienced non-financial support, as stated by the founder D*: "They did not push us. They supported us"* (Interview 16). VCs interaction with the invested companies were in the majority of the cases described as hands-off *"The way our investors interact with us is hands-off"* (Interview 11). A statement Investor C confirmed when asked how they interact with their portfolio companies "*I mean, I think it is very much hands-off, but I mean it depends on the company* (Interview 14).

Interestingly, not only VCs were found to overstate their abilities, but founders were also found to exaggerate their capabilities. Founders may overstate to secure the financing: *"I mean in the beginning, during pitching, we say we can achieve this and we can do that and we don't have any boundaries. The sky's the limit"* (Interview 3). The overstating of the founder's ability was also mentioned by Investor B *"I think in sixty percent of all cases, they say something. And once you actually start working with each other, it's a completely or at least slightly different"* (Interview 10). Securing future financing was found to possibly affect the communication from founders in a post-deal setting *"I want a follow-up investment in the next round, so it's always a matter of putting up as much strength as possible"* (Interview 4).

On the contrary, Investor D states the importance of trust in the relationship "*You want to have a relationship based on trust so that you can talk about everything in a very transparent way and have the end-goal in mind. It is a win-win situation. If both partners are open with it from the beginning, it will add more value and growth to the company"* (Interview 17). Even though most founders did not experience the same level of non-financial support communicated pre-deal, founder A got support in their internationalisation process: *"Very involved with everything we do. Moreover, they have been helping us a lot when it comes to growing the company"* (Interview 4). Co-founder A echoed,*" We will launch in Spain, Denmark, and Germany, and they have been very helpful on the journey, especially with the laws and terms of opening up a Spanish company"* (Interview 3).

Founder C also had a positive experience with their current VC, even though they had experienced a discrepancy in the past. *"You know, a good partner to discuss the plan with and the right person to ask the questions is the investor. Ours now is also investing quite a lot of their own money. So, I think they have fewer holdings"* (Interview 15). They explain how they used their VC as a sounding board prior to and during the internationalisation. *"We have used VCs as a sounding board, but it is more been sense checking, and it has not significantly altered our initial planning"* (Interview 15). This aligned with their Investor C statement, "*We are like a sounding board; otherwise, we would be drowning in work because everyone wants help"* (Interview 14).

Similar to the sounding board, VCs may act as a gatekeeper that asks for internal structure and KPIs to be in place before internationalisation begins: *"You can get financial rigour from investors. Financial rigour in terms of just questioning, what is profitable, the unit economics, how much money we make from one customer versus the customer acquiring it, or how we segment the business"* (Interview 18). Investor A sees the role of the preventive gatekeeper as a core task, *"I would not have done my job if I were not to question them. Otherwise, they go to a market when it is premature, and they would not fit…they cannot expand internationally if they do not have all the knowledge and prerequisites there"* (Interview 5). Investor B furthers this point, *"we go through an expansion playbook with them, covering many different areas. We ask them, for example, are there regulatory aspects they need to consider? Are there competitors or factors such as work legislation? Are we going to staff up? Things that you need to overcome and sort out before"* (Interview 10).

VC communicate network as a significant part of their non-financial support. Interestingly, in the interviews, founders have pointed out the importance of their network *"I learn a lot more from my network of other founders. They mainly, operationally run a business and investors tend to have an investment banking or consulting background"* (Interview 11). The importance of the founder's network was further explained by B's founder *"For instance, from my time at SSE I have several friends who run businesses that are B2B SaaS start-ups. Some have not come as far as us and some have come further, but discussing questions with them is more helpful than VCs"* (Interview 6). Founder C indicated that LinkedIn might replace VCs network as a source of knowledge in an internationalisation. *"Even for internationalisation it's been more helpful to just find people on LinkedIn and do a cold reach out. Try to find someone who's built some company that you've heard about in your industry, but not a direct competitor that has gone international. You can just reach out to their CEO, and just ask for half an hour or, or an hour, create a connection and ask many questions. I think that beats most VCs"* (Interview 15). The company did add that VCs network may still be significant to founders in some situations. *"Sometimes, if you don't have that network from the get-go, then I guess getting investors might be one way to get that network"* (Interview 15).

When discussing VCs as a knowledge source, Investor A saw himself as a contact and sounding board facilitator. "*They cannot come to my team or me asking, how should we do this? How should we do that? We can help them along the way. We can get them in the right direction. Furthermore, we can put them in touch with good people, but we cannot do the job and the work for them"* (Interview 2).

5.9 Complications with non-financial support

The discrepancy between communicated and given support and why it seemed so common to be missing was discussed with the founders. Founder B stated one possible reason; *I think it is always tricky with support. Cause when you are, when you are running a start-up in an early phase, everything is so unique. There are a lot of unique challenges to your context and whatnot. So, it is pretty hard for someone from the outside to give you support"* (Interview 8). A lack of practical experience may affect their effectiveness: "*Most investors do not have hands-on experience; it is more like they have seen and know the theories for entering new markets, but they have not done it themselves"* (Interview 13). The need for practical experience of building and internationalising a company as the founder was noted by Co-founder C*: One of our VCs built a company himself, he has a very different kind of mentality and support versus someone who has only been in the investor role"* (Interview 13). Practical experience of internationalisation may also affect the relevance of the support. "*One of the most crucial things is to get someone who has been there done that. Cause they would be able to give you a lot more relevant advice, which is more specific to the problems you face in an internationalisation"* (Interview 6). The founder's experience may also affect the exchange; "*As an experienced founder, you can get a little more out of them because you know how to leverage them in a better way. However, first-time founders also do not know how to request help, so they cannot make the most out of your investors, so you cannot leverage them"*
(Interview 11). Financial incitement was mentioned in the interviews as a possible explanation for VCs to offer non-financial support, which they may not be able to deliver. *"It helps them get deals, and in the end, they just want to deposit money somewhere and withdraw more money X years later. That is what they optimise for, and they try to find the best places to deposit money"* (Interview 6). Founder D has a slightly different theory, *"They want it to be about their identity. They want to be founder-friendly. They want to be the one who made it and then invest in others"* (Interview 16). Nevertheless, as Co-founder A states,

"When the rubber hits the road, you are six months in your fundraising, and you still have not closed. It is pretty hard to say that you should wait for a better investor" (Interview 3).

The discrepancy between communicated and given support was also discussed with the VCs, that mentioned complications with the support: "*You have to understand that it doesn't work. I mean, you can't go and ask the investor to basically work for you for free, because also if I'm investing in a company and gets 10% ownership and the entrepreneurs has 50, and then the rest of the ownership is my other investors, then I would basically work for free for the other investors. So, it doesn't make sense for me. I can't, I can't do that. It's impossible"* (Interview 17). Same VC pinpointed how resource demanding non-financial support may be, therefore needed to be restrained and balanced: *"Otherwise we would be drowning in work because everyone would want help. So, it's really all the time about balancing how much can we help with and what should they do themselves"* (Interview 17). The time aspect of the non-financial support was also highlighted by Investor C *"We invest only in a small number of companies that we can work with so, that means I have more time if the company need support or have question in comparison with VCs that invest in a lot of companies at the same time"* (Interview 14). A concentrated portfolio's effect on the non-financial support VCs may give was also pinpointed by Investor B*: "For that to work, you would have to have really super like passionate investors that supports maybe only like a handful of companies and puts all the time into that. Otherwise, you have to, you know, be quite realistic about how much time you can get from your investors"* (Interview 10). Even though VCs may want to give support to their portfolio companies, their lean organisational model may hinder their ability. *"VCs, I mean, they want to be as lean as possible when it comes to operations and sort of team because they want to make money for their investors"* (Interview 10). The willingness of founders to accept support may also present implication: *"A lot of companies also doesn't want a lot of input, so it is important to try to find a balance"* (Interview 14).

Lastly, investor A said, *"both sides want to sell a façade, founders want the money, investors want the best investments. It's a zero-sum game"* (Interview 5).

As D's founder expressed when discussing the differences and implications with overstated abilities, *"Of course, it's got to be hard if it's your first rodeo maybe, but that's simply the way it is"* (Interview 18).

5.10 The downside of the support

Support has a positive connotation, yet founders have noted that the supposedly beneficial activities of VCs are not constantly advancing the company, sometimes quite the contrast.

"What investors can do is to bring negative value by being destructive. They're not destructive on purpose, but they can be destructive by having ideas that they believe in, often with limited knowledge, especially less experienced investors and early-stage investors who tend to be less experienced and push the company in certain directions" (Interview 13). B's founder resonates with the above statement, "*It depends a lot on the investors. If you have great investors, I'm sure that they help you a lot. Though I'm also sure that there a lot of companies that are stuck with terrible investors slowing the founders and giving them terrible advice*" (Interview 9). The previously mentioned gatekeeping is not always beneficial as the founder of B states, *"I don't see it like that, my feeling is more that they are hurting than helping in that area, as they can require all this time-consuming research before taking a decision"* (Interview 9).

Founder D sees many faults in structuring deals: *"They can try to be very clever in how they structure shareholders agreements, which puts them in a power position that ends up taking much time from entrepreneurs and from building the business"* (Interview 18).

6 Analysis

This section discusses the findings from our main study in light of existing literature. Our aim is to focus on the experience of non-financial support and relate findings to the literature. This is done to enhance the findings and contribute to new theory.

6.1 Foreign market entry

The empirical results confirm the literature by showing that cultural knowledge and language are essential barriers to internationalisation (Johanson and Vahlne, 1977; 1990; 2003), and that practical knowledge of the culture is a crucial success factor for internationalisation (Zaheer, 1995) All founders interviewed experienced difficulties adapting to and understanding the culture and language of the foreign market they entered. The importance of specific market knowledge was evident in Case B due to its catastrophic first expansion and eventual withdrawal from the foreign markets. Even if a foreign market has the same language as the domestic one, cultural differences in the market present a significant challenge for expansion. Literature supports this view, as culture and language are related and market-specific during internationalisation (Johanson and Vahlne, 1977; 1999; Mejri and Umemoto, 2010). Our results are consistent with Casillas et al. (2009) as cultural challenges influenced the internationalisation strategy of VCs and, in particular, the experienced founders. Acquiring cultural knowledge pre-expansion proved to be an essential lesson from failures.

Another significant challenge founders experienced in internationalisation was knowing when to go international. It was discovered that investors and founders used the perceived achievement of product-market-fit in their home market as a signal for internationalisation. A strong product-market-fit in the home market was essential for internationalisation as expansions were found to be associated with problem acceleration. Product-market-fit, paired with specific market knowledge, constituting the Know-why knowledge (Zook, 2004), was identified by VCs and experienced founders as crucial prerequisites to international expansion. Interestingly, the product-market-fit in the home market was considered more important among experienced founders and VCs than inexperienced founders. Empirical findings show that inexperienced founders were not heavily reliant on performance KPIs, meaning that they valued internationalisation over sustained focus on guaranteed home market product-market-fit.

Empirical findings showed a difference in assessment metrics for product-market-fit among founders. Experienced founders saw the product-market-fit as fulfilled when a certain share of the market was captured and profitable, using growth and profitability as an indicator for internationalisation. Inexperienced founders saw product-market-fit achieved when a certain number of customers were acquired, using only growth as indicator, leading to a far earlier internationalisation in the firm and product development. This leaves the door open for problems down the line, as changing fundamental aspects of the firm when internationalising was found to leave firms stretched too thin. Therefore product-market-fit as an indicator and a barrier for internationalisation was found to be a variable that may affect the success rate of foreign market entries. In accord with literature, it was evident that both entrepreneurial activities and internationalisation are heavily constrained by resource shortages (Park and LiPuma, 2020; Winch and Bianchi, 2006). We discovered how resource constraints multiply as founders divide the resources between sustained growth in the existing markets and simultaneous scale to a new foreign market. Misjudgements about how best to allocate the resources and requirements of internationalisation was found to harm existing market presence and internationalisation, in line with Winch and Bianchi (2006). Estimating the time and resources needed for internationalisation is one of the most difficult challenges. It is therefore important that founders are aware of the complexity and the large number of obstacles involved in internationalisation. Expanding the leadership team to balance the additional tensions during internationalisation may be a viable solution.

6.2 Knowledge needs

Following the literature, knowledge was found to play an important role as a mean to overcome internationalisation challenges (Brennan and Garvey, 2009). Know-why knowledge is one of the most significant knowledge areas needing fulfilment prior to internationalisation according to our data and the literature (Park et al., 2014; Johanson and Vahlne, 1977; Mejri and Umemoto, 2010). Our findings indicate that the purpose of and the chosen foreign market must be congruent to succeed in the internationalisation. It may fail when the Know-why knowledge is incorrect or misaligned with the purpose as it builds the basis for strategic reasoning in that specific venture. The importance of Know-why knowledge became apparent in case B, as they entered several foreign markets with limited market knowledge and non-localised strategies, resulting in sub-par performances in the entered markets and eventual complete withdrawal from them. As a result, the company reassessed their internationalisation prerequisites, utilised a knowledge-based approach in future expansion (Grant,1996). So, when entering the UK, they had a clear purpose and a localised strategy, both of which were underpinned by fulfilled knowledge prerequisites, leading to a successful internationalisation attempt. Experienced founders and VCs are well aware of Know-why knowledge for internationalisation as scrutiny of proposed strategic decisions concerning a foreign market entry are expected, welcomed and described as an essential part of the process. In comparison, inexperienced founders and low-involvement VCs often do not inspect and analyse the rationality behind internationalisation decisions, which may negatively affect the outcome of a foreign market entry.

Mejri and Umemoto (2010) see that Know-why knowledge includes experiential cultural knowledge, which manifests itself as a significant challenge in our findings. Surprisingly, there was a reoccurring theme not covered in the literature, Know-when, which seems to be affiliated with Know-why and describes the timing of the internationalisation. Simultaneously, we would consider it an outcome that occurs once all knowledge prerequisites have been fulfilled. This means that founders understand their current catered to markets and the foreign market they want to expand to and now know when the right time to commit to internationalisation is. Cross-sectional knowledge regarding the firm and the foreign market has sub-consciously been used to determine the timing of internationalisation by both VCs and founders.

The Know-what knowledge constituting objective knowledge required for decision-making (Zook, 2004; Lundvall and Johnson, 1994) was discovered to be in assent with literature and play a role in internationalisation. This seems natural as, without it, founders would not be able to recognise opportunities in foreign markets (Mejri and Umemoto, 2010). Due to its ease of accessibility, the knowledge is sometimes overlooked and seen as given. Our data indicates that overlooked aspects of Know-what knowledge can lead to inaccurate predictions of internationalisation outcomes as some of the underlying assumptions are incorrect. Therefore, Know-what knowledge, no matter how trivial it might seem to some, is an all-important knowledge prerequisite.

Know-how knowledge was expected to be high up on the founders' list of knowledge needs. Nevertheless, VCs recognise the importance of Know-how knowledge. It was found that insights in this prerequisite are used to create an action plan for internationalisation. In accordance with literature, we found that VCs add to this through their experience in other markets (Zook, 2004), their internal capabilities (Horowitz, 2014) or by hedging their contacts to create symbioses, following Lindsey's (2002) Keiretsu effect. Due to the uniqueness of markets and contexts our research indicates the impossibility of knowing how to internationalise for every company and situation, our findings in opposite to the literature downplay VCs role as a source for Know-how knowledge.

When analysing the importance of Know-who knowledge in an internationalisation, we found it to play a significant role in the internationalisation in line with literature (Oviatt and McDougall, 1994; Coviello, 2006; Johanson and Vahlne, 2009). We found that founders utilised their personal and business networks to acquire local market knowledge with great success. The extent of the effectiveness of personal networks is often underestimated in academic literature, in opposite we found that VCs network often are overestimated. Even though, foreign market connections could replace aspects of the knowledge acquisition process. In line with Freeman et al. (2006) and Chetty and Campbell-Hunt 2004) we discovered that for founders, their network is a means to an end, as it helps them pollinate other knowledge prerequisites, such as understanding cultural barriers through conversations with local market experts. Aligning with Sharma and Blomsterbo (2003), who find that Know-who knowledge is essential for founders that lack the Know-how knowledge.

Taking thorough care in the completion of the knowledge prerequisites has been found to be vital as it affects the scope and speed of the internationalisation as problems are magnified during the process as outlined by literature (Mejri and Umemoto, 2010; Park et al., 2014).

6.3 Expectations

This section discusses and analyses how expectations are generated between the VCs and the founders and why the outcome differs from the expectations created in the pre-deal setting. It is important to note that the impact of this field is surprising as, in recent years, it has significantly altered both founder and investor behaviour. Unfortunately, academia has not yet committed itself to this nascent area of research leading to its absent in the literature review and framework.

6.3.1 Setting the expectations

As touched upon in section 6.2, all founders are experiencing gaps in their knowledge needs. Our findings and literature indicate that to succeed with a foreign market entry and create an international competitive advantage, the founder needs to fill them (Park and LiPuma 2020). Grant (1996) sees knowledge as a critical strategic resource. Looking at the knowledge needs of many founders, this seems to hold as they strive but struggle to fulfil, especially their Know-why and Know-how needs. As satisfying such needs is complex, yet internationalisation is a non-negotiable and natural next step for the firm, founders have been forced to find alternatives to satisfy their needs. Aligned with literature, founders have been discovered to seek knowledge from their VC (Fernhaber and McDougall-Covin, 2009; Fletcher and Harris, 2012; Oviatt and McDougall, 1994)). Taking in a new investor was found to be a significant step and beginning of a long collaboration, important to founders and VCs be aware of. Expectations on the collaboration and the exchange that may occur was found to have increased. Founders nowadays search for the proper support to fill the knowledge gaps required for the internationalisation, not just searching for monetary support. The increased expectations on the exchange process were found to be acknowledged by VCs as they have adjusted their value offer to the new demand, leading to a change in VCs' formal communication and sales pitch. We find that VCs highlight their non-financial support and promise an extensive exchange beyond the monetary support to secure the best investments.

As a potential creator of high expectations, the VCs were further found to position themselves as enablers of the founders. We find that they try to show the vast extent of their value-adding services and especially their exceedingly expansive networks.

The VCs' communication was discovered to enhance the expectations of inexperienced founders significantly. Inexperienced founders in this study had higher exchange expectations than experienced founders. The difference originated in the experienced founder often "having been burnt before". Therefore, having lower expectations, knowing the amount of support they could expect.

Interestingly, inexperienced founders with a solid professional network tried to use their contacts for due diligence on the expected non-financial support they would receive from the potential investing VC. This helped Case C adjust their expectations prior to investment.

In our findings, the communication from the VC and their potential non-financial support was expressed to be critical factors in the decision-making of whom to partner with within the internationalisation of the start-up. We conclude that founders may be willing to accept a lower valuation in exchange for a higher level of non-financial support, further enhancing founders focus on finding the right investor and hope for inputs beyond monetary.

6.4 Pre-deal hope vs post-deal reality

A significant mismatch between founders expectations pre-deal and post-deal were discovered. Participants experienced differences between agreed and delivered support either with the current or a past VC.

Interestingly, we found that even the VCs not thoroughly active in their portfolio companies presented themselves on their LinkedIn, Crunchbase and website as a strategic partner. The lack of strategic support during the internationalisation contradicts Sapienza et al. (1996), who suggest that VCs understand their role as more than a financial partner by incorporating strategic advice into their core offerings. We conclude from our findings that VC may not see strategic advice in internationalisation as a core offering.

Company A and C received non-financial support from their VCs. Nevertheless, only company A experienced the negotiated pre-deal conditions post-deal with their current VC. Company A received support in their foreign market entry, especially with their Know-how and Know-why knowledge. The VC suggested internationalisation frameworks, cultural knowledge stemming from personal experience and international connections. The findings indicate that VCs can contribute towards the knowledge needs of their portfolio firms. It further confirms that VCs aid in internationalisation, which concurs with the literature's idea of VCs' role as a facilitator of internationalisation (Fernhaber and Mcdougall-Covin, 2009; Park et al., 2014).

An insightful discovery that may explain the higher amount of support that both Company A and C experienced from their VCs is that partners had invested their own money into the fund owning the portfolio firms in said firms. This could explain why they received non-financial support, as the success and outcome of the internationalisation of these companies will affect the VC partner's financial situation. Our findings suggest having "skin in the game" positively affects the amount of support given aligns with Fulghieri and Sevilir's (2009) findings.

Even though many founders lacked their desired and promised strategic support, we did discover a function through which VCs may support internationalisation. It floats between the outlined strategic support activities outlined by Sapienza et al. (1996). VCs often act as gatekeepers or sounding boards for their portfolio firms when presented with plans for internationalisation. This partially aligns with Fried and Hisrich (1995), who denote the VCs' ability to gatekeep. Our study revealed a benefit founders did not anticipate receiving from their VC, financial and structural rigour. VCs were found to improve their portfolio companies planning and strategizing abilities and the accuracy of their KPIs.

Therefore, indicating VCs function as a gatekeeper and provider of advice are essential abilities that VCs need to possess. One area that is often highlighted as a key strength by VCs is their wide-ranging network as they believe in facilitating expansion and growth through it, which aligns with Aesterbro's and Serrano's (2015). In contrast, some of the networks of VCs were not found to be much of a strength in most cases. LinkedIn and other networks have lowered the transaction costs of building a personal relationship and have enabled founders to build vast networks themselves and come into contact with like-minded individuals.

The significant mismatch and the effect it had on inexperienced founders did surprise us as its not mentioned in the literature, therefore not a part of the framework. Our finding that expectations may affect the valuation of the company is a significant one as it may affect the growth and internationalisation phase of a company due to less resources being received. Accepting a lower valuation may also lead to founders giving a higher equity stake to the VC. The findings that VCs may contribute to high expectations as a mean to secure the best investment opportunity is a valuable finding as down the line founders may have to acquire the valuable knowledge they need at a costly price.

6.5 The process

In this section the implications and the outcome of non-financial support will be discussed in the light of existing theory.

6.5.1 Implications

Each internationalisation is a profoundly contextual and individualised undertaking, often requiring extremely specialised knowledge to solve, which VCs, with their generalised set-up, often cannot cater towards. Literature insinuates that for an external source to bridge a knowledge gap about a specific market, they need specific firm knowledge (Johanson and Vahlne, 1977). However, this does not mean that VCs cannot add to knowledge. It might just be knowledge that is often attainable to the founders themselves, so they do not see the need to ask the VCs for support then. This would still align them as an essential partner, just not to the extent that the founders and literature had envisioned it (Fernhaber and Mcdougall-Covin, 2009; Park et al., 2014).

Our data suggests a difference in the relevance of non-financial support given to founders by VCs with practical experience versus ones without it. Also, the extent and relevance of the support were communicated to be greater with the experienced VCs, leading to such founders having the impression that their VC was more of a strategic partner. We found that a lack of practical experience in building and internationalising a company may make VCs less capable of providing non-financial support needed in an internationalisation. This can be attributed to founders and VCs not being eye-to-eye.

Lack of practical experience from founders may also be assumed to influence the exchange process between founders and VCs as experienced founders may be able to leverage their VCs better to enhance the exchange process. The influence of the practical experience of founders on the exchange process was observed in the empirical data as experienced founders were found to know when, where and how to ask for help. Our study indicated non-financial support as a significant time-consuming task; therefore, VCs were found to restrict the amount of non-financial support they give to each company. We also saw that VCs with a concentrated portfolio could give more support than those with an extensive portfolio. This is confirmed by literature when looking at institutional investors that have large portfolios and focus on the "picking" of winners rather than the "making" (Maula et al., 2005).

The limited time available for portfolio companies might be a result of the VCs' lean organisational model, keeping employees at a minimum and focusing on the investment side, which contrasts the literature (Maula et al., 2005). These findings oppose Horowitz's (2014) and also contradicts the initially introduced framework as the VCs may be unable to provide support across the four knowledge categories.

Adding to the above, the willingness to give non-financial support to a portfolio firm may be tied to the size of investment in that firm. The connection between ownership share and non-financial support became evident as investor saw non-financial support as work for the portfolio company, and if the size of the investment is small, the willingness to do such work is reduced.

6.5.2 The downside of non-financial support

Surprisingly our findings indicate that non-financial support may have downsides, which were not touched upon by the literature.

Receiving bad strategic advice was the most common theme when analysing the downside of an active VC. Bad strategic advice was found to slow down the internationalisation process and push the company in the wrong direction, going against Mejri and Umemoto (2010). The recurring theme, investor experience, was seen as a possible reason for the downside of the support, where inexperienced investors may push companies in the wrong direction. VCs' attempt to have knowledge requirements in place may slow down founders as it was found to be restrictive and distractive from the perceived essential tasks. It was further argued that these requirements were only in place due to the VCs' way of structuring deals, where they end up in a power position. The negative aspects of the exchange between the partners are an exciting finding, not considered in our framework as the literature mainly focuses on the positive side and sees the VCs' contribution as enhancing and optimising the portfolio companies (Hsu and Kenney, 2005; Bottazzi et al., 2008).

6.5.3 Playing the game

It has become apparent that both parties want to show off their best side in a pre-deal setting, putting up a façade for each other. Founders do it to attract and secure funding, while VCs do it to get the best investment opportunities. Our data indicates that VCs are well aware that founders are searching for more than just capital, wanting the right investor with the proper knowledge to support them in internationalisation. Overstating abilities were found to be a strategy for VCs to gain a competitive advantage over their rivals. Experienced founders were also aware that VCs often overstated their value-adding services, which, as mentioned in the expectations section, made experienced founders see through the VCs' façade.

On the opposite, inexperienced founders were the ones that were negatively affected by the unfulfilling promises about non-financial support. Our findings showed inexperienced founders accepting lower offers due to the value-adding services VCs pitched in a pre-deal setting that did not match that offered post-deal.

Simultaneously, we find that it is not just the VCs playing the game and overstating their abilities. At times, founders deviate from the truth in both pre-deal and post-deal settings. In a pre-deal setting, it became evident that founders are eager to get the investment and therefore overstate their abilities. In a post-deal setting, founders was found to continue this track to be able to secure the subsequent funding round. Therefore, founders may not share negative news or show their knowledge deficiencies to their VCs. This may harm the non-financial support given to founders, as VCs may not be aware of the knowledge deficiencies in their portfolio companies. It was found that VCs may be well aware of founders overstating their abilities. Nevertheless, all parties see the overstating as "part of the game".

6.6 Is there a potential to learn from VC?

Guided by our framework, we located support VCs may be able to provide to fill founders knowledge gaps and support, founders experience as valuable.

Whilst the findings indicate that founders use their network to bridge knowledge gaps before internationalisation, network was still a significant support VCs could contribute. We identified VCs network as a bridge to other founders that have experienced the same or similar challenges and therefore could give relevant advice, thus seen as an enabler for internationalisation. Both parties considered this setting to stimulate and create a foundation for an adequate and relevant knowledge transfer. Using external partners for knowledge has been considered a cornerstone for rapid internationalisation (Fernhaber and McDougall-Covin, 2009; Fernhaber et al., 2009; Fletcher and Harris, 2012; Oviatt and McDougall, 1994). Our finding that founders value network as significant support is therefore not surprising. As VCs often invest in similar businesses, VCs networks can be seen as a knowledge source that even fulfils the need for specific firm knowledge (Johanson and Vahlne, 1977). Therefore, founders may be able to acquire the necessary Know-how knowledge critical for a foreign market entry opposing Park et al. (2014). Our findings indicate that the Know-how knowledge could be objective and transferable if founders are connected to the correct network. Our findings, therefore, convey that there is potential for founders to acquire Know-how knowledge from VCs.

Strategic advice was important for internationalisation from a founder's viewpoint due to its tangible nature. For strategic advice to be practical support in an internationalisation, as earlier mentioned in the *Implication* section, VCs should have practical experience running and internationalising a venture. Nevertheless, we did see in the data that VCs, even without the practical experience, could help founders avoid common mistakes and point the founders in the right direction by being outside, third-party to the venture. The findings that VCs may act as gatekeepers are crucial to founders as it forces them to fulfil the vital knowledge prerequisites for internationalisation, even though founders may experience it as overly time-consuming. Strategic advice may also lower risks for VCs as it reduces the risk of costly mistakes in the build-up to internationalisation. Thus, VCs can transfer Know-how and Know-what knowledge to founders, and strategic advice remains an important value-adding activity. Communicating its limitations, experience and time consumption should be done pre-investment to level expectations. This may result in the ability of VCs to support founders across all areas outlined by Horowitz (2014). The third area, adding pressure, is found to primarily provide Know-what knowledge to the founders, as adding pressure was found to keep founders accountable for their actions. The pressure was added to ensure specific processes were completed, which may help keep founders in the right direction and not lose focus. At the same time, it falls into the gatekeeping task of VCs. It can be beneficial and detrimental to the firm, so a careful balance and open communications are vital to the success of the internationalisation.

Lastly, mentoring in an internationalisation context may be associated with breaking the professional barrier and revealing weaknesses on the founders' side. Therefore, in opposite of Sapienza, et al. (1996), an area VCs support may not be beneficial.

Even though knowledge exchange between founders and VCs may not occur regularly and a significant mismatch between communicated and given support exists, founders may still benefit from knowledge exchanges with their VC if the VC has experience from earlier internationalisation. Even though founders may see the VCs process as slow and time demanding, it may be of potential value for them. Openness from the founders towards the processes may help founders avoid mistakes, making sure that they are prepared for internationalisation and have the Know-why, Know-what in place and are considering the significant Know-how challenges. The VCs' ability to connect founders with other founders that have been in the same situation and, most importantly, are in the same branch may present an opportunity for a mutually beneficial exchange. The VCs should always be seen as an untapped potential knowledge facilitator and not the knowledge provider, as only then they will fulfil their role as a facilitator of internationalisation.

7 Contributions

This section is divided into four segments, starting with the practical implications and theoretical ones. Limitations of this study are discussed, and possible future avenues for research are given.

7.1 Practical Contributions

The practical implications section divides itself into implications for start-up founders and implications for VCs.

7.1.1 Contributions for start-up founders

This study has outlined various challenges that founders may face during the internationalisation of their start-up, but if founders utilise the following recommendations, they will be able to maximise the experiences with their VC.

Before investment, founders should have internationalisation in their minds and actively discuss the topic with their potential investors. Here they should clearly state where they stand regarding their internationalisation knowledge prerequisites and what support they need. Parallel to this, benchmarking activities should be conducted to identify the strengths and weaknesses of the investor and manage the founders' expectations. Further, founders should ensure that they are a good match with their VC as the relationship is a long one, and a poor relationship affects the founders more than it does the VCs.

Achieving clear communication is not only a challenge in internationalisation but also one founder and VCs struggle with. VCs and founders have a vested interest in the start-up's success, so playing a game and creating a façade will only go so far. Instead, the focus should be put before investment on finding a VC that matches the start-up in terms of portfolio.

Some founders experienced very little support during their internationalisation, but they must still be guided. We, therefore, propose that they evaluate their internationalisation knowledge needs to be based on the four knowledge categories, Know-why, Know-who, Know-how, and Know-what. This will allow them to monitor their progress in the build-up and internationalisation. It will also give them a clear indication of which areas they need external support. This will aid in understanding how the VC may add value to that particular knowledge need.

7.1.2 Contributions for VCs

This research has discovered that VCs across many areas do not quite live up to the pre-deal expectations, yet they also do not have to. If VCs focus on their strengths and communicate those, post-deal disappointments can be prevented. Founders communicated in this study that the sounding board and gatekeeping activities were beneficial in the internationalisation process. This activity allows founders to be in a continuous feedback loop with their investors and get valuable feedback, all the while the VC has a clear understanding of what is going on within the firm. Then, even if they do not have the internal capabilities to give strategic advice themselves, they can utilise their networks accurately to set up a knowledge provision through an external source.

Further, utilising the network as a facilitator of knowledge remains a strength of VCs, so it should continue. Building up strategic knowledge to support the firm only adds a true benefit if the knowledge is an expert one, so rather than focusing on generalist knowledge, VCs should focus on their niche specialisation (Knockaert and Vanacker, 2013).

7.2 Theoretical Contributions

This research contributes to the literature in presenting an initial and now revised framework depicting the different knowledge components of internationalisation. The analysis highlighted the different knowledge components and their relative importance in internationalisation, answering calls from Park et al. (2014).

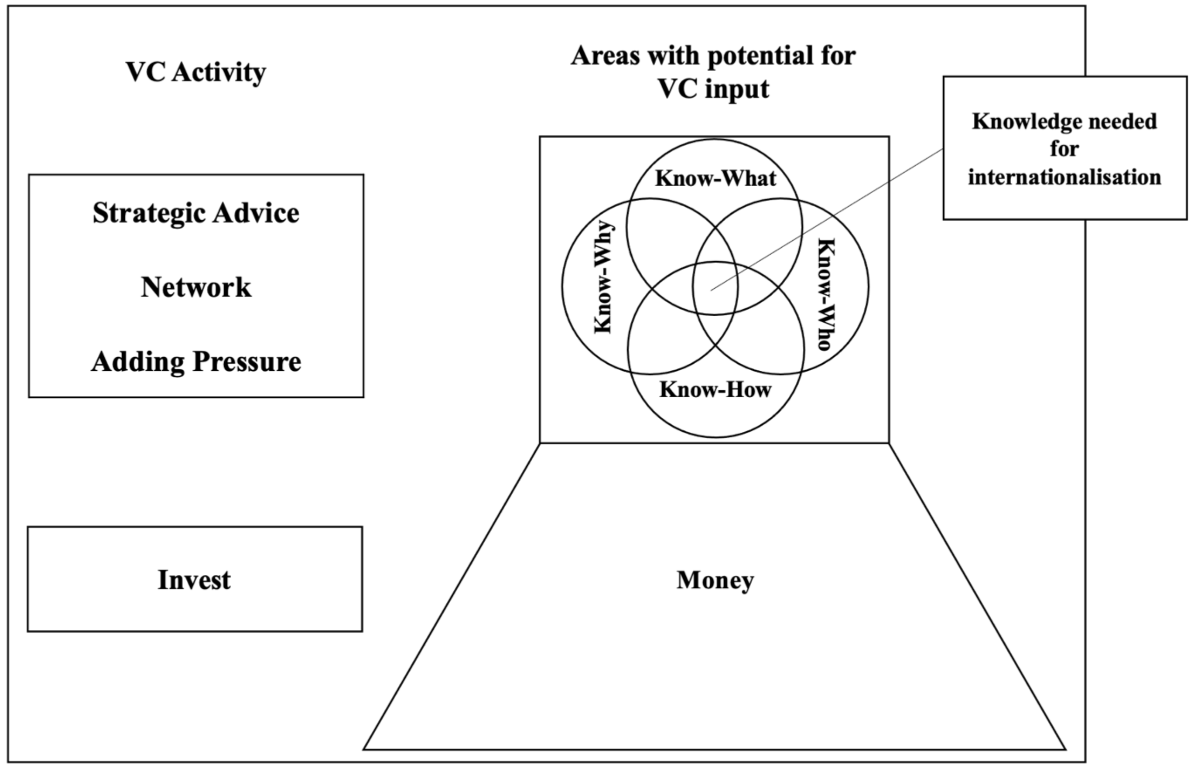

Figure 3:Revised Theoretical Framework

Further, the study revealed that VCs are indeed enablers of internationalisation, just not in the way Sapienza et al. (1996) present them as seen in the revised framework, having mentoring removed. It has to be noted that the sounding board and gatekeeping activity are crucial and should be seen as part of strategic advice. This responds to Meneses' and Ribeiro's (2020) call for future research and Fernhaber's and McDougall-Covin's (2009) one.

The presented framework highlights VCs' impact on internationalisation through their non-financial support. However, there still is a need for profound action on the entrepreneur's side, as VCs cannot act as replacements for internal start-up capabilities in the internationalisation. This emphasises that the vital activity of most VCs is likely still on the investment side rather than the management side of their portfolio.

7.3 Limitations of the Research

The qualitative nature of this study comes with a set of limitations. First of all, qualitative interviewing is less naturalistic (Bell et al., 2019). This means that an interview does not replicate the regular flow of interactions and conversations, even in its most informal form. Secondly, Atkinson and Silverman (1997) claim that interviews prompt participants to report on their past attitudes in a manner that valorises individual observations and accounts of the experiences. Bell et al. (2019) further this as they state that it can go as far as "concealing the deliberate identity work that is entailed in the production of such (auto)biographical accounts." This means that in the case of our case study, individuals might try and elevate themselves or skew their true identity.

Nevertheless, Bell et al. (2019) argue that interviewing remains the "gold standard" for qualitative studies. Lastly, interviews represent a verbal account of a situation in the past. This results in data relying on interviewees' memory of conversations and interactions in the past. This means that it is difficult to verify the reliability of information dating back a long time. Simultaneously, interviews might struggle with conveying all non-verbal cues given during interactions. To mitigate these limitations, we give recommendations in our future research section.

7.4 Future Research

Following our research, there are several avenues for future research. In the limitations of our research section, we highlighted three points. One was the difficulty of conveying naturalism through qualitative interviews (Bell et al., 2019). Further, the issues of individuals interviewed presenting themselves in a better light were raised. Lastly, we mentioned the difficulty of gathering reliable information as to is all memory-based and subjective. We, therefore, recommend conducting a participant observation study. Here the everyday flow events are not disturbed, ensuring naturalism. Further, the interactions of individuals can be studied accurately from an outsider's perspective to limit alterations in behaviour. Simultaneously, this type of data gathering would reduce subjectivity as data does not rely on interviewee memory.

We see further potential for research across the area of expectations. Here, the literature is limited, so expectation generation and management regarding non-financial support during internationalisation should bear fruitful results.

Further, changing this study's geographic scale and scope could bear exciting results. This study is based entirely on Swedish-based VCs and Swedish-born start-ups, so evaluating the relationship in other start-up hubs such as the DACH area or the US may result in different outcomes.

8 Conclusion

The aim of this study is to develop theory and a deeper understanding of how founders and VCs experience the non-financial support offered by VCs when internationalising. Therefore, we investigated what pre-entry skills may be required before venturing into a foreign market and how VCs can help founders meet them with their non-financial support. Given the emergent research area at the intersection of international entrepreneurship and entrepreneurial finance and the exploratory framework of this study, we apply an abductive approach to contribute to theory and fill the theoretical gap.

RQ: How is the non-financial support provided by VCs during internationalisation experienced by both VC and start-up managers?

We found a distinct difference between the way VCs and founders perceive non-financial support. VCs communicate a strong value proposition through the provision of substantial non-financial support across many knowledge domains. Unfortunately, this creates expectations that are often not entirely fulfilled, resulting in a mismatch between the experiences of founders and VCs. Therefore, in most cases, founders did not perceive non-financial support as being central to internationalisation. In contrast to the VCs' reported formal communication, we found that founders consider VCs non-financial support for internationalisation more as a tool of financial and structural rigour. We reason that they act as gatekeepers and sounding boards by ensuring that their portfolio companies meet the knowledge requirements to reduce the risk associated with entering foreign markets. Having this check was not directly perceived as non-financial support, nevertheless it was appreciated by the founders.

The most significant finding of our research is the impact of expectations on behavioral patterns. In particular we see an exchange of non-financial support for reduced valuations of start-ups. This is surprising as it potentially effects the overall outcome of internationalisation and therefore yields itself for further research.
Nevertheless, a significant discrepancy between the non-financial support and the formal communication, especially in a pre-deal setting, prevailed. In order to bridge the gap between founders’ and VCs’ knowledge of non-financial support and to enable a beneficial exchange, it has to be argued that partners should openly discuss their capabilities and knowledge gaps. However, we note that VCs may not be able to solely act as a replacement for internal knowledge deficiencies due to their lean organisational model or a lack of practical experience. Instead, due to their position, VCs may have a facilitating role in knowledge exchange and use their networks precisely to enable the delivery of knowledge from an external source. The role of VCs as promoters of knowledge exchange and providers of financial and structural rigour, rather than as sources of knowledge, means that VCs promote internationalisation and remain an important partner.

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10 Appendix

10.1 Interview Guides

10.1.1 Interview Guides Pre-Study

10.1.1.1 Interview Guide VCs

1) Could just tell us a bit about your background, the VC firm you are working for and your role at the VC?

2) How would you describe your relationship with your start-ups? Pure financial or more as a partner? And if as a partner in what way?

3) How do you work with your portfolio companies?

4) How are you supporting your companies during the internationalisation?

5) What are our experiences with the internationalisation of start-ups?

6) What are important contributors to the internationalisation?

7) What internal capabilities do your portfolio firms have to have prior to internationalisation?

10.1.1.2 Interview Guide Founders

- Could just tell us about yourself, your company and your role at the company?
- Did you have any Entrepreneurial experience before joining the company and if so in what way?

1. Why did you pick your home market, and did you plan in the beginning to go international?
2. At what point did you decide to go international? What were the driving factors in the decision-making process?
3. How has your experience been so far with the internationalisation of the company?
4. How would you describe the relationship between your company and your VC?
5. How does your VC support your internationalization efforts non-financially?

10.1.2 Interview Guides Main Study

10.1.2.1 Interview Guide VCs

1) Could just tell us a bit about your background, the VC firm you are working for and your role at the VC?

2) How would you describe your relationship with your start-ups? Pure financial or more as a partner? And if as a partner in what way?

3) How do you work with your portfolio companies?

4) Which value-added services do you offer to entrepreneurs during the internationalisation?

   a. Which of these would you say are most significant for the success and outcome of a start-up?

   b. How often do these value adding activities occur?

5) In what way does your value-added services distinguish you from other VC´s?

6) When investing in companies, do you choose companies that have a clear internationalization goal/strategy?

7) Which prerequisites in your experience need to be fulfilled before a start-up has the potential to internationalize?

8) What are the main struggles and barriers for a start-up going international and, in your experience, what are the main ways for entrepreneurs to overcome them?

9) How significant is the impact of the VC on the decision for entrepreneurs to go global and search for new markets?

10) In the internationalization process what would you say is the most important non-financial support for a VC to contribute with?

11) Which non-financial support do you contribute with when one of your portfolio companies want to go global?

12) How big effect has the VC´s on the success of an internationalization process?

13) Looking at past research from a knowledge perspective many researchers push for the importance of different kind of knowledge in an internationalization process. Do you agree with that statement?

   a. If so, which areas do you think are the most important and why?

   b. How do you help companies acquire these kind of knowledge gaps when the entrepreneur is lacking it?

14) One observation that has been recurring during our calls with entrepreneurs is that in a pre-deal environment, the VC often position themselves as a partner that can offer a large amount of non-financial support. But after the deal has been signed, the non-financial support is nowhere to be found and doesn´t match the USP the VC presented pre-deal. What are your thoughts about this?

15) Why do you think there is such big a difference in the expectations and delivery in the non-financial support?

16) From your experience would you say that entrepreneurs need to be better at demanding help and non-financial resources from their investor?

10.1.2.2 Interview Guide Founders

- Could just tell us about yourself, your company and your role at the company?
- Did you have any Entrepreneurial experience before joining the company and if so in what way?

Market Related Questions:

1. Why did you pick your home market, and did you plan in the beginning to go international?
2. At what point did you decide to go international? What were the driving factors in the decision-making process?
    a. Investors
    b. Product-Market Fit
    c. Other opportunity
    d. Other?
3. Did you have the same set of criteria for the new, foreign market?
4. Did you have the same Methodology when setting up the international market?
    a. How did your process look like and what was your first steps?
5. Which prerequisites and knowledge gap in your experience needs to be fulfilled before entering a foreign market?
6. What was and is the biggest obstacles when entering a foreign market?
    a. How did you overcome them?
7. Did you or any of your Co-founders have prior experience, business and cultural wise with the foreign market? Work or Study Experience
8. Did you and your co-founders have any established networks in the foreign market?
    a. If no experience; How did you acquire knowledge about the specific foreign market?

9. Does your investor have location specific knowledge or experience with the market you internationalized to?
10. When entering a new market today, how has your methodology changed from the first time?
11. If you could do it all over again, what would you change?

Investor related questions?

1. How would you describe the relationship with your investor?
    a. Hands-on or hands-off?
    b. Do they check-in all the time?
2. Did your investor influence your international expansion?
    a. The decision to go international
    b. The process by which you went international
    c. The location you went to
3. In terms of ways of adding value in the internationalization process how did the Investor do that
4. Regarding strategic knowledge, which one did your Investor provide in the international expansion?
5. In the internationalization process what would you say is the most important non-financial support an Investors can contribute with?
6. How did your investor pitch in the non-financial support pre-deal?
7. How did the support they offered pre-deal differ from the actual support you got post-deal?
8. If significant differences; How active have you been with asking for support?
9. If you could do it all over again, what would you change?

10.2 Data Coding