Tech Start-up
Internationalisation

Development of an internationalisation model for born global web-based tech start-ups from European start-up hubs

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Internationalisering av tech-startups

Utveckling av en internationaliseringsmodell för "born global" webbaserade tech-startups från europeiska startup hubs

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ABSTRACT

International entrepreneurship is a prominent phenomenon in contemporary research, because of the ease of internationalisation for companies. Start-up hubs in Europe are booming and especially web-based tech companies internationalise quickly. This new type of company, which internationalises almost immediately after foundation, is called born global.

Research showed that despite the interest in born global tech start-ups, there is no representative model visualising the process of their internationalisation. Therefore, secondary research is conducted, as well as empirical research in the form of qualitative interviews with three representative, successfully internationalised tech start-ups from Europe. These companies are the music streaming service Spotify, social marketing SaaS Facelift and business management SaaS Ivy.

The internationalisation factors resulting from this research can be divided into a preparation phase, possible strategy development and an implementation phase. Within these phases, factors are separated into company—internal and external influences. Based on these findings, a new model on the internationalisation process of web-based tech start-ups is developed.

KEYWORDS
Internationalisation, International entrepreneurship, Born global, Tech start-up

1. INTRODUCTION

The phenomenon of globalisation and economic interdependence across borders has encouraged businesses to expand internationally (Bürgel et al., 2004). Especially young entrepreneurial companies which enter international marketplaces are growing in importance (Baum et al., 2011). As start-ups are blossoming everywhere, especially web-based start-ups in the tech industry, their internationalisation becomes more important for the companies to be able to compete in the long run. Most of the new tech start-ups are born globals, meaning they expand into foreign markets almost directly after their inception (Oviatt & McDougall, 1994). As Novoa (2014) puts it - “start small, grow fast, go global”. Start-ups benefit from this early exposition to foreign markets as it helps them to develop thought diversity for innovation and cultural sensitivity for worldwide success (Bachireddy, 2016). Especially European start-up hubs have recently produced many born global start-ups and are attracting international attention (Kharpal, 2016).

A number of models in business literature have exemplified company internationalisation. Relevant examples are Porter’s diamond model (Claessens, 2016), Sharma and Blomstermo’s (2003) network theory and the Uppsala model (Johanson & Vahlne, 1977). However, none of the existing internationalisation models is applicable to the process of the internationalisation of born global web-based tech start-ups. Therefore, a mixed study of empirical and secondary research is conducted in order to identify the relevant factors in this process with the aim of developing a new model. The study for this thesis focuses on Europe as a founding market and web-based tech start-ups as the company form. In coherence with this, representative company examples from successful start-up hubs in Sweden, Germany and Israel are analysed.

This thesis proceeds with the collection and the presentation of the relevant factors, which were identified through the research, and the development of a representative model based on the research findings.
2. THEORETICAL BACKGROUND

The literature review for this study focuses on the relevant frameworks and phenomena related to the internationalisation of tech start-ups. The findings are presented subsequently.

2.1 Internationalisation

Internationalisation can be defined as “the process of adapting [the] firms’ operations (strategy, structure, resource, etc.) to international environments” (Calof & Beamish, 1995, p. 116). Especially start-ups have to act strategically in this process and scale their business systematically, due to their stronger limitation of resources. Nonetheless, small companies enjoy more flexibility than larger ones (Odorici & Presutti, 2013). Especially for web-based tech start-ups, which can make use of more flexible distribution methods, international markets can be reached almost immediately after launching (Carpenter, 2015). Bürgel et al. (2004) found that many start-ups, including some of the youngest and often smallest ones, rapidly engage in international activities, making it a key area of interest (Bailetti, 2012).

2.1.1 International entrepreneurship

With the increase of importance, the phenomenon of international entrepreneurship has become a separate field of study within business studies (Zahra, 2005). Oviatt and McDougall (2005, p. 540) define it as “the discovery, enactment, evaluation and exploitation of [business] opportunities across national borders to create future goods and services”. Yet, every business chooses its own process of implementing internationalisation, varying heavily in terms of timing, initial resource investment and process management (Bürgel et al., 2004). The typical international model is a born global start-up (Knight & Cavusgil, 2005). This will therefore be discussed in more detail.

2.1.2 Born global start-ups

In the literature on international entrepreneurship and the internationalisation of start-ups, one of the most discussed concepts is the “born global start-up”, coined by Oviatt and McDougall (1994). The term is sometimes used interchangeably with “international new ventures” (Oviatt & McDougall, 1995) or “infant multinationals” (Lindqvist, 1991). In Oviatt and McDougall’s (1994) definition, born globals adopt global business strategies right from their inception and thereby build competitive advantage from international sales. Sharma and Blomstermo (2003) add that they are knowledge intensive firms which focus on employing individuals who possess highly relevant scientific knowledge. This knowledge intensity grants the companies competitive advantage and influences their choice of internationalisation and entry strategy. Knight and Cavusgil (2005, p. 16) also discuss the born global’s “superior international business performance from the application of knowledge-based resources”. However, they broaden the definition by saying that in reality, born globals are not global “from inception” but start their international sales operations within the first few years after founding. Covielo (2006) later specifies this period to be within three years of business inception.

Within the category of born global start-ups, Knight and Cavusgil (2005, p. 27) define four sub-clusters of born globals which are based on Porter’s generic competitive strategies: (1) “Entrepreneurial strategy and technology leaders” which seem to pursue all three of Porter’s strategies (cost leadership, differentiation, focus (Porter, 1980)) as they are characterised by a high international entrepreneurial orientation, technological leadership and a differentiation strategy; (2) “High-tech focusers” which employ the focus strategy and often operate in specialised markets; (3) “Entrepreneurs emphasising cost leadership” with strong international entrepreneurial orientation and the primary pursuit of cost leadership and (4) “Poor performers, stuck in the middle” which do not have sufficient focus on any strategy.

As born global start-ups are becoming the norm in the tech industry nowadays, this paper will solely focus on born globals.

2.2 Europe as a start-up hub

Increasingly many born global start-ups are founded in Europe - “the market opportunity is huge and you can now launch a global company out of Europe” states Fjeldsoe-Nielsen, a venture capitalist returning from Silicon Valley (Kharpal, 2016). The European Union considers business internationalisation to be highly important because it creates jobs and fosters innovation and profitability (Lilischkis et al., 2016). Also outside its borders, the European market sees increased global attention and foreign investments, which simplifies the launch process for start-ups (Kharpal, 2016). Europe’s technology sector is growing twice as fast as the global economy (Gauthier et al., 2017) and many European countries, like Israel1, Germany and Sweden, are amongst the most innovative ones worldwide (Schwab, 2016).

The three countries are continuously named in listings of leading start-up nations (Wauters, 2014, Schwab, 2016), and Stockholm, Tel Aviv and Berlin and Hamburg are internationally recognized start-up hubs (Moules, 2014; Moon, 2015; Gauthier et al., 2017). Moreover, Tel Aviv (37%), Stockholm (29%) and Berlin (27%) rank amongst worldwide start-up hubs with most users outside their immediate geographical reach (Gauthier et al., 2017), again indicating the level of internationalisation in Europe. A determining factor related to these findings is the smaller country size in Europe, which leads to more internationally minded people (Spigel, 2015) and a higher need for internationalisation to reach a larger target group (Bürgel et al., 2004). Especially European high-tech start-ups have to consider international expansion at inception - i.e. becoming born-globals - to achieve growth.

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1 Although Israel is geographically not located in Europe, it is commonly considered to be European in a business and cultural sense (Wauters, 2014; Moon, 2015; Schwab, 2016; Lilischkies et al., 2016; Gauthier et al., 2017).
trajectories comparable to those in larger markets, such as the U.S. (Bürgel, 2000).

2.3 Internationalisation models and theories

Tech start-ups are a very heterogeneous group with different business models, products and resources. Thus, there is no one-size-fits-all solution for their internationalisation process (Carpenter, 2015).

Nonetheless, a considerable amount of research on internationalisation models has already been made and the connected models and theories can help to exemplify and visualise such a process. In the following, the most relevant models for this study are shortly presented and discussed.

2.3.1 Diamond model

Porter’s diamond model is a framework to analyse a firm’s international competitiveness and success (Claessens, 2016). The six factors influencing the competitiveness in this model are (1) factor conditions (availability of resources), (2) demand conditions, (3) related and supporting industries, (4) firm strategy, structure and rivalry in the market, (5) government and finally (6) chance (random events outside the control of a company) (Claessens, 2016).

The diamond model covers many relevant areas of the internationalisation process, but it does not focus sufficiently on the company at a micro level, but rather on the macro level of the market. Thus, it does not incorporate all important factors. Furthermore, it only focuses on evaluating a current state instead of a procedure. It is therefore not adequate to portray an individual firm’s internationalisation process.

2.3.2 Network theory

The network theory portrays a firm in relation to its environment. A company is the product of its relationships with external knowledge holders and other partners as it depends on these connections (Sharma & Blomstermo, 2003). These networks are the source of information in the firm, a major component in the process of securing competitive advantage through internationalisation. The better a company’s network is, the easier its internationalisation process will be. This is because network ties provide an incentive to share knowledge and the channels to do so (Sharma & Blomstermo, 2003).

This theory, thus, suggests that a company’s success is defined by other companies’ expertise and their interconnectedness. Therefore, the network theory does not suitably represent a tech start-up’s independent internal structures and characteristics which heavily impact its internationalisation.

2.3.3 Internationalisation of software

Äijö et al. (2005) developed a model specifically for the internationalisation of software. It is divided into three pathways of internationalisation (born global, collaborative and organic) based on the variables of company age in relation to its degree of internationalisation. It is then separated into four stages of the internationalisation process (pre-start, start, growth and maturity/consolidation) (Äijö et al., 2005). The information the model provides in each stage is aspects of the process a start-up needs to consider. It, for example, mentions activities like growing the international network and leading markets (Äijö et al., 2005).

This model is, therefore, very relevant for tech start-ups wanting to prepare themselves for the different stages of internationalisation. It does, however, not cover the factors that actually influence this process. Thus, it is not a suitable model for the purpose of this paper.

2.3.4 Uppsala model

The Uppsala model portrays the consecutive steps a company goes through as it becomes more international. It relates the two dimensions of increasing market commitment and increasing geographic diversification. As a company’s
rating in these two dimensions increases, its internationalisation progresses (Johanson & Vahlne, 1977).

As opposed to the previously discussed models, the Uppsala model focuses exclusively on the company operations and neglects which factors lead to these operations. Additionally, external influences are discarded completely. It can therefore not be used as a sufficient model of the process of internationalisation and all factors playing a role in it.

In addition to secondary research in relevant literature, empirical research is conducted in form of qualitative interviews. The study focuses on web-based start-ups founded in European start-up hubs which can be characterised as born globals. For this purpose, three representative start-ups were interviewed. Based on the research results, a model will be developed aiming to support tech start-ups in their internationalisation process.

Deriving from this, the following research question can be formulated:

Which internal and external factors influence a web-based tech start-up’s internationalisation process?

3.1 Empirical Research - Qualitative interviews

In order to gather real life data about start-up internationalisation, qualitative interviews were conducted. The empirical research comprises three interviews with relevant representatives from web-based tech start-ups founded in Europe’s leading start-up hubs.

All three of the interviewed tech start-ups fall into the born global category and they represent two different sub-categories by Knight and Cavusgil (2005) - (1) “entrepreneurial strategy and technology leaders” and (2) “high-tech focusers”. As these two categories are the most success-promising of the sub-categories of born global start-ups, this study only focuses on companies that fall into these categories. The interviews were conducted in a semi-structured format and the questions covered the companies’ internationalisation processes in order to identify which factors had played a role.

The method of qualitative interviews was chosen because of its relevance in this research context. The research question aims at finding detailed aspects influencing the internationalisation process. Semi-structured personal interviews ensure that all interview partners are asked the same questions to ensure coherence, as well as they leave room for adaptation of the interview flow to each interviewee individually. Furthermore, they allow for in-depth questions, helping to reveal all relevant information for this study.

3.1.1 Spotify AB interview

Spotify operates an online music streaming service, mainly targeting the B2C market. The company was founded in Sweden in 2008. It currently operates offices in ten countries and its product is available in 60 markets (Spotify AB, 2017). Spotify falls under Knight and Cavusgil’s (2005) category of “entrepreneurial strategy and technology leader” as it simultaneously has a cost focus with its different subscription models and a differentiation focus with its success in disrupting the music industry.
A qualitative interview was conducted with Sven Ahrens, Senior Manager Global Market Operations.

### 3.1.2 Facelift bbt GmbH interview

Facelift is a Software as a Service company offering a social media marketing solution to business clients. The company was founded in Germany in 2011 and now serves international clients from its offices in three markets (Facelift bbt, 2017; Hofmann, 2014). Facelift belongs to the born global sub-category of “high-tech focusers” as it offers a high quality product for a specialised market (Knight & Cavusgil, 2005).

Arist von Harpe, Chief Internationalisation Officer, was interviewed for this study.

### 3.1.3 Ivy (ArtSetsers, Inc.) interview

Ivy offers a cloud-based business management tool for interior designers and thus operates in the B2B market. It was founded in Israel in 2016 and presently has additional offices and the majority of its clients in the U.S. (ArtSetsers Inc., 2017). The start-up also belongs to the “high-tech focusers” category due to their specialised high end software (Knight & Cavusgil, 2005).

For this study, an interview was conducted with Guy Dubrovski, co-founder and former Chief Technology Officer.

4. DEFINING THE PROCESS OF INTERNATIONALISATION

From the qualitative interviews serving as a primary research source and secondary literature research, several factors could be identified which impact the internationalisation of born global web-based tech start-ups. These factors belong to different phases of the internationalisation process - the preparation phase, an optional strategy development and the implementation phase. Within these phases, the company-internal level, as well as the external level can be differentiated. In the following, the identified factors will be presented, according to their internal or external level and their associated phase.

#### PREPARATION PHASE

**Internal factors**
- Availability of resources
- Nature of product or service
- Customisation of product
- Founding team
- Business model

**External factors**
- Domestic and foreign market potential
- Third party decision-makers

The presented factors have been established by translating the experiences described in the interviews into common themes. The majority of these factors have influenced all three of the interviews born global start-ups, while, for example the factor of third party decision-makers only influenced Spotify, due to their business.

#### 4.1 Preparation phase - Internal factors

The first stage of a start-up’s internationalisation process is the preparation phase. In this phase, the company assesses its current situation as the starting point for potential international expansion. At this point, the approach is heavily influenced by several company-internal characteristics. They are discussed in the following.

##### 4.1.1 Availability of resources

A key defining influence on the internationalisation process is the availability of resources. This matches the resource based view, associating a firm’s competitive advantage with its inimitable and superior resources (Barney 1991). For born globals, resources tend to be intangible and consist primarily of specific knowledge (Knight & Cavusgil, 2013). This creates the term of the knowledge-based view of the firm (Grant, 2002). For instance, knowledge acquired through foreign business relationships positively influences internationalisation and knowledge acquisition is always positively tied to the international growth of tech start-ups (Presutti et al., 2007).

As mentioned in Sharma and Blomstermo’s (2003) network theory, networks are critical for all forms of new business - the foundation of a start-up, as well as international business expansion. They are a valuable resource which is firm-specific and hard to imitate and they can add information, expertise and referrals to the company (Burt, 1997). Network ties can be utilised when expanding into a foreign customer base (Bürigel et al., 2004).

For Facelift, the company’s network was critical in its internationalisation strategy as they only ventured into new markets where they could use their connections (Von Harpe, 2017). For Ivy, their connections played an even bigger role, as they were funded by a San Francisco-based incubator which made them focus on U.S. clients despite their Tel Aviv location (Dubrovski, 2017).

#### STRATEGY DEVELOPMENT

**IMPLEMENTATION PHASE**

**Internal level**
- Entry mode
- Company culture and communication

**External level**
- Foreign business culture
Economic resources significantly affect internationalisation, too. The availability of funds determines what type of strategies can be implemented. Facelift, for example, was bootstrapped for its first three years, which meant the company always had to seek out efficient low cost methods (Von Harpe, 2017). They therefore initially only attempted internationalisation via existing consultant contacts they could trust and with whom they could establish on a commission-based salary.

4.1.2 Nature of product or service

A tech born global’s internationalisation also depends on the type of product or service it offers. Technological product advantages encourage a more rapid internationalisation process (Bürgel et al., 2004), especially in combination with a high degree of innovativeness (Odorici & Presutti, 2013). Spotify, therefore, felt the need to quickly internationalise and exploit its innovation-fueled industry disrupter position (Ahrens, 2017). Additionally, Spotify sees music as its core product, rather than its streaming service, and “music doesn’t know borders” (Ahrens, 2017). Facelift’s situation was similar, as their social marketing software is technologically very advanced. Because the company launched its service relatively early, initial sales were not only about satisfying an existing customer need but creating it first by convincing customers of the usefulness of such a software (Von Harpe, 2017).

4.1.3 Customisation of product

Along with the nature of a tech start-up’s product, the necessary customisation is important to consider. Customisation and the required resources for it can represent a considerable barrier to internationalisation while standardised products facilitate an easier process (Bürgel, 2000). Bürgel et al. (2004) even identified customisation as one of the key discriminatory variables of internationalisation, because it is linked to the necessity for closeness to the end user and, thus, hampers international expansion.

All born global tech start-ups interviewed for this study have little to no customisation in their products. Facelift merely added languages (English and French in addition to German) to its social marketing software, despite customers and offices in further countries (Von Harpe, 2017). Also generally, English language is considered to be sufficient for tech products (Tint, 2015). Ivy’s business management software is standardised and its customisation is only driven by third party accounting software they incorporate in their product, as it is very country-specific (Dubrovski, 2017). Because Spotify targets a B2C market, unlike Ivy and Facelift, its streaming service is slightly more customised. The company offers local languages in its markets and for its launch in Japan, a karaoke feature was added in order to increase product success by satisfying the location-specific demands (Ahrens, 2017). Additionally, Spotify’s content supply differs between local markets because music and consumption habits are mostly a local phenomenon (Ahrens, 2017). Nonetheless, this need for customisation did not impede Spotify’s international success.

4.1.4 Founding team

Bürgel et al. (2004) identified international professional experience of the founders as another key discriminatory internationalisation variable. Specific experience in foreign markets, as well as the general operational abilities of the founding team significantly impact the start-up’s internationalisation, feeding back into Grant’s (2002) knowledge-based view. Previous founding experience also makes a difference. Novice and habitual born global founders are similar in their proactiveness but they differ in their focus on technological innovativeness (higher with novice founders). This indicates that not just a start-up’s business but also its management are crucial in its successful internationalisation (Odorici & Presutti, 2013).

In the three born global cases in this study, no founding team had previous experience of starting a born global. However, everyone in Facelift’s initial founding team came from a management consulting background, which still provided them with a considerable amount of relevant knowledge. Von Harpe (2017), who had the most experience from international projects was assigned the responsibility for company internationalisation.

Apart from direct experience, the international constellation of a born global’s early team influences its internationalisation strategy (Spigel, 2015). Blumberg (2013, p. 227) also states, that “[i]f you want your brand to have global reach, you will need a global team”. Ivy’s co-founders were of three different nationalities (Israeli, U.S. American, Swiss) which supported their international orientation (Dubrovski, 2017). Also Spotify’s internationally diverse team in Stockholm facilitated its expansion process into foreign markets (Ahrens, 2017).

4.1.5 Business model

The business model of a tech start-up limits and facilitates its internationalisation process. Naturally, growth orientation at a scale which can only be reached through internationalisation positively impacts the process (Baum et al., 2011). In addition, making internationalisation a key area of attention in the business plan supports its pace (Bürgel et al., 2004). Born globals also perform better internationally if cost leadership is not their sole focus and they can invest more resources into their expansion (Knight & Cavusgil, 2013).

Moreover, a start-up’s target market is crucial in its internationalisation. Spotify as a B2C company, for example, saw a higher need for making its streaming service available internationally due to its innovativeness aimed at such a broad audience (Ahrens, 2017). The B2B market, on the other hand, has a higher need for establishing sales representatives where customers are (Blumberg, 2013). Hence, Facelift always started a new market with a business representative who was
locally present, even during its bootstrapping phase with scarce resources (Von Harpe, 2017). This strategy let the company discover which foreign markets offered growth potential and after exploring eight new markets, they established offices in only two of them (Von Harpe, 2017). Ivy experienced a similar need of local proximity to its customers, which led them to establish offices in the U.S. where the majority of their B2B customers are located (Dubrovski, 2017).

### 4.2 Preparation phase - External factors

In addition to company-internal factors, there are external factors in the start-up’s network and context which influence its internationalisation. These factors are discussed here.

#### 4.2.1 Domestic and foreign market potential

A tech start-up’s experience with innovation and technology in its domestic market also determines its internationalisation approach (Bürgel & Murray, 2000).

One sign for start-ups to venture into foreign markets is existing demand from abroad (Francis, 2016). When you have a considerable amount of sales coming from international markets without actively targeting them, it is time to internationalise (Carpenter, 2015). Existing demand also simplifies the decision on which markets to enter (Tint, 2015). Related to this, Spotify, for example noticed users making use of VPNs to access the streaming service from other countries, which was a strong sign for a need to expand to these countries (Ahrens, 2017).

Other characteristics, such as market opportunity, market vulnerability, current traction, the competitive landscape and talent access, impact the domestic and foreign market attractiveness, too (Sitton, 2014; Tint, 2015). In addition, market significance within an industry shapes internationalisation. Spotify, for example, felt the absolute need to expand to markets like the U.K. and the U.S. because of their significance in the music industry (Ahrens, 2017). The start-up wanted to be present in these markets despite their increased competitiveness. In contrast to this, Facelift has rather avoided markets with pre-existing dominance of competitors (Von Harpe, 2017). Although the U.S. and the U.K. have large market potential, they did not establish offices there because of established competition. Facelift rather decided to address growing international markets where they could leverage on a first mover advantage (Von Harpe, 2017). For Ivy, the access to affordable tech talent impacted the decision to keep their Tel Aviv office instead of moving their product team to the U.S. (Dubrovski, 2017).

#### 4.2.2 Third party decision-makers

For some start-ups, international expansion decisions might also rely upon third party decision-makers. Spotify’s streaming service is highly dependent on licensors, such as big music labels, when entering a new market (Ahrens, 2017). However, not all business models require this type of external involvement.

### 4.3 Strategy development

Experts recommend the thorough development of an international business strategy before starting the process of internationalisation (Francis, 2016; Pulkkinen & Larimo, 2007). Strategies aim at attaining superior and sustainable performance and support business success (Hofer & Schendel, 1978). With the insights from assessing the discussed factors in the preparation phase, start-ups have an ideal base for creating a detailed internationalisation strategy. Such a strategy should include specific goals, roadmaps and project plans.

In reality, however, none of the born global tech start-ups studied for this thesis had actually created a detailed strategy before starting their international business journey (Ahrens, 2017; Dubrovski, 2917; Von Harpe, 2017). Spotify started with a “Storm and Press” approach of simply expanding into every market they could get the necessary distribution rights for (Ahrens, 2017). Facelift showed a somewhat more organised strategy, but also relied on chance as they only tried to expand into markets where they had personal contacts, regardless of which country this was (Von Harpe, 2017). Ivy’s international market approach was significantly influenced by the San Francisco-based incubator programme they participated in, but the company never developed a strategy, either (Dubrovski, 2017).

Nonetheless, although these representative start-ups did not create detailed strategic plans as suggested by the literature, the preparation stage factors, which would have impacted their strategy development, still impacted their actual internationalisation implementation phase. Even as these start-up examples demonstrate how successful internationalisation can be accomplished with a less structured approach, a representative model can still provide guidance in the process. It can both simplify the strategy development for tech start-ups and prepare them for decisions by showcasing which factors have to be considered.

### 4.4 Implementation phase - Internal level

After a start-up has assessed its internal and external factors in the decision phase and possibly developed an internationalisation strategy, the implementation phase starts. Here, the factors of the preparation phase influence internal decisions on how to actually go through with the implementation.

#### 4.4.1 Entry mode

There are different levels of international commitment for tech companies - from just making technology available in a foreign market to establishing a physical office (Francis, 2016). Moreover, some companies focus their strategy on just
a few markets while others embrace rapid large-scale internationalisation (Pulkkinen & Larimo, 2007). Born global firms are most likely to sustain their global position if they manage to establish a presence in multiple countries soon after business inception (Kuivalainen, Saarenketo & Puumalainen, 2012). The initial entry mode a company chooses is usually a trade-off between its available resources and required customer support of their product (Bürgel & Murray, 2000). Naturally, organisations choose entry modes that are not resource-intensive (Oviatt & McDougall, 1994).

One entry mode is to send headquarter representatives to a new market and have them hire locals there (Blumberg, 2013). The benefits of this are that the company culture can be maintained more easily and that the headquarter has more control over the local subsidiaries and already has an established personal connection with them. This is the approach that big companies like Google, Facebook and LinkedIn always follow (Carpenter, 2015). Also Ivy chose this entry mode by splitting up its founding team between Israel and the U.S. and hire more locals in both countries. For the small born global, it was essential to leverage on the competence in their founding team - “it’s not about location, it’s about people” (Dubrovski, 2017).

An easier entry mode requiring less resource commitment is to test out the market potential with a consultant (Tint, 2015) or freelancers and local influencers (Richmond, 2016). Facelift adopted this strategy as it was the only one they could afford with their bootstrapped financing (Von Harpe, 2017).

Once a start-up grows beyond the very early stage, has reached a critical customer base and established itself in international markets, the internationalisation process becomes more complex. With Spotify as a company and the streaming market in general growing, the company entered a more corporate phase in 2014, as opposed to its less structured, opportunity-chasing approach in its beginnings. The born global now internationalises more strategically and with defined roadmaps (Ahrens, 2017). Facelift experiences the same changes in its internationalisation. Von Harpe (2017) explains that when a company has built a reputation about its technological quality and charges its customers accordingly, new markets can no longer be started with a freelance consultant contacting potential clients with a sales presentation.

4.4.2 Company culture & communication

When expanding their business into foreign markets, born globals need to establish management strategies incorporating all local branches, especially across time zones. Global aspects of corporate culture need to be established and companies need to focus on cross-country team building (Francis, 2016). Strengthening and leveraging on the social capital is key in building a strong organization (Gross, 2015). For this, connectedness amongst employees, as well as shared norms, knowledge and reciprocity are vital (Heffernan, 2015). This requires constant communication between a company’s headquarters and the local offices on all levels (Francis, 2016).

Ivy, for instance, engaged in daily communication between the Tel Aviv office and the ones in the U.S. via digital media like Whatsapp and Skype (Dubrovski, 2017). For Facelift, the communication between the different locations changed over time. Initially, only the Chief Internationalisation Officer corresponded with the local representatives, but now the exchange is rather matrix-organised with, for example, developer teams directly talking to each other across countries (Von Harpe, 2017).

Also the management and decision making of a company are connected to its internationalisation. Most of Spotify’s international business aspects are still managed from the headquarter in Stockholm. Subsequently, strategic decisions are made in Stockholm and in the New York office, because the product is still very globally standardised and most of the senior management is based in these two locations. Local offices have authority when it comes to artist and label relations or local products like playlists (Ahrens, 2017). For Facelift, the focus also still lies very much on its headquarter in Hamburg where all strategic and product decisions are made. Local offices solely work with sales and to some extent with customer project execution (Von Harpe, 2017). Ivy split up its decision-making power between the New York office where strategic decisions are made, and Tel Aviv office which still holds authority over the entire product development (Dubrovski, 2017).

4.5 Implementation phase - External level

In the implementation phase, the external environment has to be taken into consideration, too. Prevalent characteristics in a local market influence possible business adaptations a company needs to undertake. Born globals especially are also willing to adapt their internationalisation strategy to the needs of the market, more so than traditional corporations (Sharma & Blomstermo, 2003).

4.5.1 Foreign business culture

Expanding into a new foreign market is not only about hiring employees and renting office space. It is crucial to understand the prevailing business culture in order to succeed (Sitton, 2014). This starts with the local language and includes components like negotiation customs and power distances (Francis, 2016). Europe-centric businesses can not be successful in markets that differ substantially in their culture (Ahrens, 2017). As start-ups seek to serve new markets and, thus, new cultures, it is important to have personnel who can translate cultural differences (Blumberg, 2013). Such relevant market knowledge is usually only developed from direct experience in those markets (Bell et al., 2003).

For Spotify, this particularly impacted their go-to-market strategy in Japan, which has one of the most unique cultures worldwide (Carpenter, 2015). The company opened a local office and hired Japanese employees a few years before they launched their streaming service in the country (Ahrens,
2017). Facelift also made the experience that individuals with knowledge about the local business culture were critical success factors - “it is important to understand that the world is different from one’s home market” (Von Harpe, 2017).

4.6 Discussion of results

The empirical and secondary research helped to identify the important factors in the internationalisation process of web-based tech start-ups. The collection of the factors also underlines the lack of relevant models about this particular process. Internal factors of the decision phase, such as the founding team, have not been incorporated in any of the existing models.

External factors, such as foreign business culture during the implementation phase, have not sufficiently been mentioned in these models, either. The results of this study are, therefore, very relevant for the following development of a representative internationalisation model.

The factors which were found in this study are relevant for all web-based tech start-ups, although to differing degrees. Third party decision-makers, for example, are only relevant for some business models, while foreign and domestic market potential are relevant for all businesses. Nonetheless, it is important to name all of the factors which resulted from the research, as they all can prove to impact the internationalisation process of tech start-ups which can use this model in their expansion into foreign markets.

5. DEVELOPMENT OF MODEL

As the analysis of existing models about business internationalisation indicated, there is a lack of applicable models for tech start-ups. The research of this study is more specifically focused on born global web-based tech start-ups founded in European start-up hubs.

Based on the research findings, important influencing factors could be identified and categorised into different phases of the internationalisation process. In the preparation phase, internal and external factors influence the internationalisation strategy. Deriving from these factors, strategic decisions are made, although there is not always a thorough strategy development. The initial factor-based decision, however, determine the process in the implementation phase. Here, the conclusions from the influencing factors also impact the internationalisation on an internal, as well as an external level.

These research findings can be translated into a model visualising the relevant factors and phases of internationalisation. This model can guide new tech start-ups in their international expansion process and help them to become born globals.

In order to make the model understandable, a visual distinction between the preparation phase and the implementation phase, as well as between the external and internal company level are made. The strategy development visualises the process flow but it is not as visually prominent, due to the lack of implementation of this phase by the researched, successfully internationalised interview partners.
This new model can serve as a resource for start-ups which want to internationalise early on. It helps them to consider all the relevant factors in their decisions on how to execute their internationalization.

5.1 Model validation
As of now, the developed model is based on the direct experience of three born global web-based tech start-ups, as well as literary research. Thus, its relevance is ensured from two different research angles.

The three interviewed start-ups, furthermore, fall all within the same category which this study focuses on, but at the same time they all have different business models and services. This means, that the empirical research of the qualitative interviews provides a comprehensive and extensive amount of insights for the model development. The model’s validity in other contexts is discussed in the following opportunities for further research.

5.2 Limitations and further research
As international entrepreneurship, as well as tech start-ups are only becoming more important, further research on this model would be very relevant.

The present research has some limitations which can influence further research on the topic and future adaptation of the model, accordingly. The present research focuses on web-based born global tech start-ups from European start-up hubs. This can limit the applicability of the developed model to other groups due to different factors. For example, European founders might be more open-minded to immediate internationalisation, the small size of the countries might force expansion into other markets or the accumulation of many start-up hubs might impact competitiveness.

In future research, the model’s applicability to a broader group can be tested, such as all tech start-ups globally or other groups within Europe, such as late internationalisers.

Furthermore, the validity of the developed model can be proven more strongly by collecting data about a larger group of representative companies. For this, a depictive sample of born global web-based tech start-ups from all European start-ups could be interviewed.

5.3 Ethical and environmental relevance
This study focuses on strategic international business development of tech start-ups. It therefore does not pay particular attention to ethical or environmental aspects.

Nonetheless, most modern businesses focus on ethical issues with their corporate social responsibility, as well as environmental topics with specific green initiatives. Especially within the tech industry, green businesses emerge on a regular basis and as they all focus on increasing efficiency, this leads to a decrease in energy consumption which positively impacts the environment.

A possible future adaptation of this study could be the development of a model for an internationalisation process which particularly focuses on being ethical or environmentally beneficial.

6. CONCLUSION
International entrepreneurship is a prominent topic and especially amongst start-ups in the technology sector, the phenomenon of born globals, with an immediate internationalisation focus, is rising. Especially web-based products and services can be distributed internationally at relatively low cost. Within this category, Europe is strengthening its relevance in the international start-up scene with a network of booming start-up hubs and more and more new businesses being launched successfully.

Yet, although international entrepreneurship and born globals in the tech industry are researched by academics, no relevant model has been established about their internationalisation process. The existing models all lacked applicability and detail-orientedness.

The mixed research approach of secondary literature research and primary qualitative interviews resulted in the specification of the factors influencing said internationalisation process. They could obviously be divided into different phases. Each phase consists of factors on an internal, as well as an external level. The majority of these factors were straight-forward and aligned with what is discussed in the relevant literature. Yet, the influence of third party decision-makers, for example, was not mentioned in the literature and added a new aspect to the research results.

Another surprising finding in the primary research was how much real life internationalisation processes differ from the ones discussed in academic papers, books and articles. None of the interviewed representative start-ups had formulated a strategy or roadmap before they started their internationalisation process, which is a contrast to recommendations from the literature. Because of this lack of actual market applicability, the strategy development phase in the model is visualised less prominently than the other two.

The development of the new internationalisation model in this study now provides a guideline for future tech start-ups about which decisive factors have the highest impact on the internationalisation process. This process can be simplified for them by using the internationalisation model and increasing their chances for success.


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