Junior Management Science 8(2) (2023) 532-568

Junior Management Science

journal homepage: www.jums.academy

Winning when Going Global – On the Role of Heritage and Strategic Moves for Internationalization Endeavors of Start-ups

Radu-Andrei Maldea

Ruhr-Universität Bochum

Abstract

As the chief subjects for global progress, international new ventures (INVs) are gaining worldwide economic importance at an increasing pace. Most recently, they have received growing attention in the research literature because the validity of existing internationalization theories for has been questioned when used in a new venture setting. So far, prior literature has focused on understanding INV characteristics and the effect that their properties have on the internationalization performance. Aiming to develop a new framework for start-up internationalization, this thesis combines results from a quantitative study on the Strategic Moves of early internationalizing start-ups with results from a literature review on the Heritage of these new ventures. Within the study researching the Strategic Moves, data from 51 European start-ups show the optimal moves start-ups can undertake. The complementary literature review, based on 45 papers from the INV research field, shows what characteristics the ideal Heritage of an INV should consist of. Taken together, the findings construct the Startup Internationalization Framework which establishes the first holistic perspective on start-up internationalization.

Keywords: International new ventures; Early internationalizing start-ups; Internationalization strategy; Market entry; Global management.

1. Introduction

New ventures are the main subjects of worldwide economic growth by advancing technologies, enhancing productivity, and creating employment (Haltiwanger, Jarmin, Kulick, & Miranda, 2016; Tracy, 2011). For these new ventures, internationalizing successfully becomes increasingly crucial (Stucki, 2016). Yet, most of the existing research into the internationalization of firms has focused on well-established and large enterprises (Chandler, 1986). These domestic incumbents, often multi-business area conglomerates, have been the first enterprises to internationalize (Buckley & Casson, 1976; Hymer, 1960). With the advent of early internationalizing start-ups, new ventures that internationalize in the first years after being founded (Oviatt & McDougall, 1994) and born globals, new ventures that internationalize upon their founding (Rennie, 1993), this focus has shifted. Now, the international expansion of young firms receives attention from scholars and politicians (Naldi, Criaco, & Patel, 2020). So far, the research field of international new ventures (INVs) has covered the definition and categorization of early internationalizing companies (Cieslik & Kaciak, 2009; Knight & Cavusgil, 1996a, 2004, 2005). More recently, the research has also examined the influence of a new venture's *Heritage* (i.e., environmental, industry-specific, and company-specific factors) on the speed and expected performance of the new ventures internationalization (Andersson, Gabrielsson, & Wictor, 2004; Evers, 2011b; Fernhaber, McDougall, & Oviatt, 2007; Mudambi & Zahra, 2018).

However, existing literature has thus far provided few insights into the internationalization strategies of this new breed of young multinational enterprises (MNEs). The concept of *Strategic Moves* entails international expansion planning, entry into new geographical markets, and the global management of operations in different countries (Daszkiewicz & Wach, 2012). Former research on these *Strategic Moves* is mainly conceptual in nature and the empirical studies that do exist are limited (Kim & Cavusgil, 2020).

The further development of research in the INV field which involves a combination of international business studies, international entrepreneurship, and strategy literature is

DOI: https://doi.org/10.5282/jums/v8i2pp532-568

important because of the strong impact it has on the international (and overall) performance of new ventures. Markides and Ittner (1994) claim that there is a positive relationship between firm internationalization and firm performance. Oviatt and McDougall (1999) state more granularly that international expansion positively influences new ventures' survival, profitability, and growth. In addition, Zahra, Ireland, and Hitt (2000) not only show a positive relationship between internationalization and performance but also highlight the importance of organizational capabilities in this context. Most compelling, however, are the findings of Burrill and Almassy (1993), who claim that internationalization is expected to be a requirement for most firms – including new ventures. At the same time, Shaw and Darroch (2004) explain that an internationalization strategy is challenging to develop and demanding to execute in order to realize company growth.

The purpose of this work's quantitative study is to investigate the effect of different *Strategic Moves* on the internationalization performance of new ventures – or, as I refer to them throughout this thesis – of start-ups. The study aims to identify the most promising *Strategic Moves* for early internationalizing start-ups that lead to a high internationalization performance. The study will be complemented by a literature review regarding the effect a start-up's *Heritage* has on the speed and expected performance of internationalization. Collectively, the two research areas will lead to a holistic understanding of how the start-up's predetermined initial situation, its *Heritage*, together with the selected strategic steps, its *Strategic Moves*, influence the internationalization performance. The research question guiding this present research stated as follows:

> **RQ.** How and to what extent do the start-up's *Heritage* and *Strategic Moves* influence the internationalization performance?

The answer to the research question contributes to the much-needed shift from the fragmented, descriptive, and qualitative frameworks of start-up internationalization antecedents (Knight & Liesch, 2016) toward the integrated, predictive and quantitative research of start-up internationalization performance optimization (Cavusgil & Knight, 2015). Specifically, the answers derived from this thesis should provide a valuable understanding of the start-up internationalization activities that are part of their international growth path and possibly of their foreign direct investment (FDI) activities (Choquette, Rask, Sala, & Schröder, 2017). In their extensive literature review of born-globals research, Paul and Rosado-Serrano (2019, p. 847) recognized that "it would be [...] worth examining the [...] strategies of the firms that emerged as INVs/born globals because of their global success (firms like Uber, Amazon, Apple, Google, Facebook, Instagram, Airbnb)." The focus of this study on the quantitative data from multiple start-ups rather than on just a few case studies will make it possible to detect the best *Strategic Moves* made by successful, internationalizing start-ups. Additionally, the study will support the establishment of a new direction for INV studies that focuses on corporate-level strategies and aims to enhance start-up international performance rather than only retracing internationalization activities.

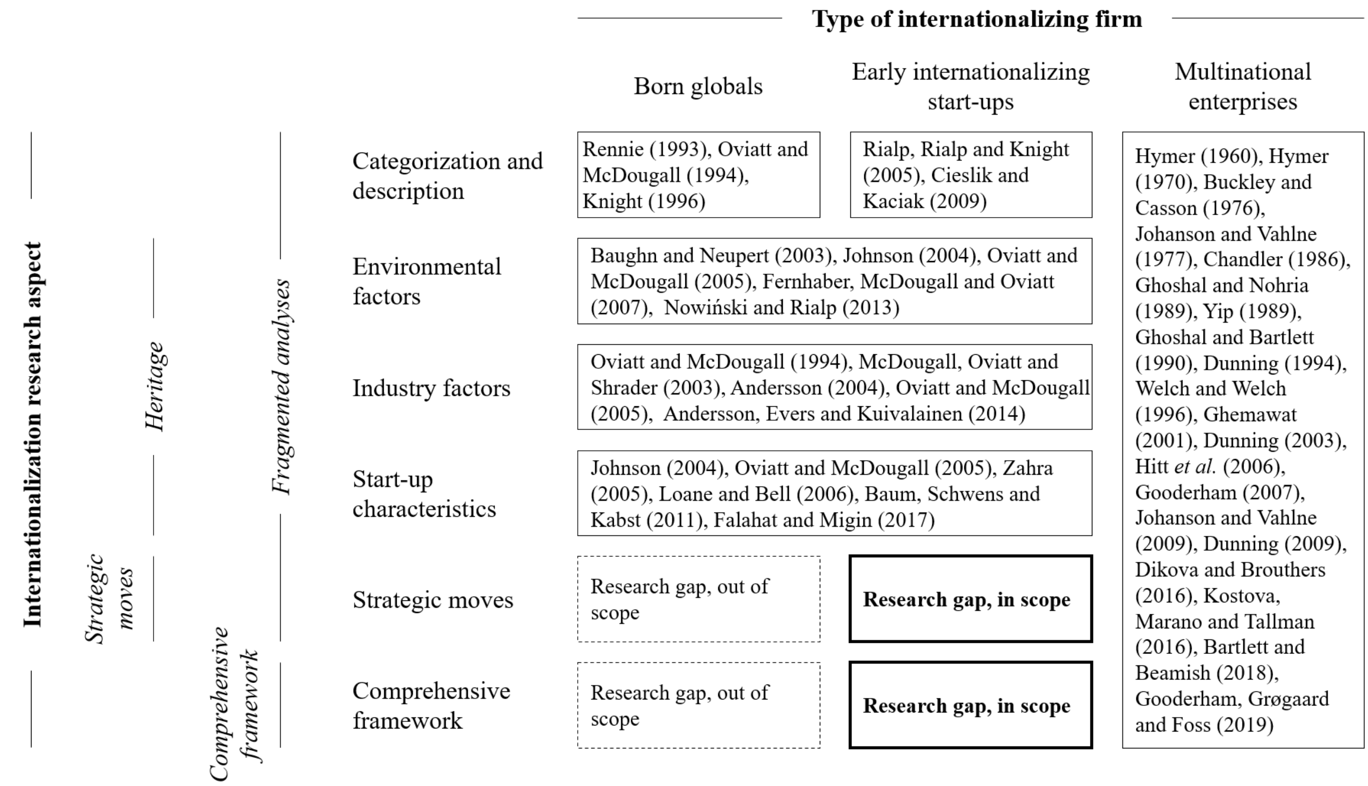
To achieve these aims, I will first show the state of the art of INV research and the research gap that I focus on in this thesis. Then, I will introduce the theoretical background for the internationalization of start-ups and their *Heritage* and *Strategic Moves*. Concurrently, I will establish hypotheses regarding the *Strategic Moves* that I want to investigate with the quantitative study. Next, I explain the methodology for the regression analyses of my quantitative study on the *Strategic Moves* as well as the data collection, sample compilation, measure metrics and analytical techniques. I will then present the quantitative study analysis of the *Strategic Moves* and the results of the study and the literature review. Lastly, I discuss the findings and their limitations by bringing together the literature review on the *Heritage* and the study results on the *Strategic Moves* to conclude with practical implications and a potential research agenda for the future of the INV field.

2. State of the art of INV literature and research gaps

For contextualizing the content of this thesis, it is crucial to first form a common understanding of the prior research on INV and general International Management research. Additionally, I will show existing research gaps and highlight the research gaps I address within this work. Figure 1 summarizes the existing literature across two dimensions, the type of the internationalizing firm and the internationalization research aspect.

2.1. State of the art of INV literature

INV is a young research field, not more than 30 years old. Until the field emerged (and partly still today), studies regarding the internationalization of firms focused mainly on MNEs or their subsidiaries (Buckley & Casson, 1976; Chandler, 1986; Johanson & Vahlne, 1977). However, in the 1990s, the field of INV research emerged. The research dealt with the internationalization of the youngest firms possible, new ventures in their first weeks and months of existence, the so-called born globals (Knight & Cavusgil, 1996a; Rennie, 1993). Throughout the years, the youth of the firms has been neglected resulting in the internationalization research of early internationalizing start-ups. These start-ups do not internationalize at inception as born globals do, but rather do so in their first six to ten years of existence (McDougall, Shane, & Oviatt, 1994; Oviatt & McDougall, 1994). Nevertheless, results from born-global research were used to understand early internationalizing start-ups even though these firm categories are proven to be different. The first category is new and peculiar, while the second category is similar to MNEs. However, there are important differences between early internationalizing start-ups, which are the great majority of international new ventures, and MNEs (Gripsrud,



Note: The sources for the multinational enterprises focus in most cases on multiple internationalization research aspects and are therefore not displayed being attributed to one single research aspect but as being overarching for all research aspects to ensure the most appropriate visualization.

Figure 1: State of the Art and Research Gap of International New Ventures and International Business Studies Research.

Hunneman, & Solberg, 2015; Kandasaami & Huang, 2000). This thesis will account for these differences, focusing primarily on *Strategic Moves* of early internationalizing start-ups along with analyses of their *Heritage*, thus creating a comprehensive framework for their internationalization.

The research in international business studies focusing on MNEs shows that MNEs' internationalization endeavors have been widely investigated. The categorization and description of MNEs began in the 1960s when Hymer (1960) raised the first question about why MNEs even exist when foreign business activities face so many liabilities and difficulties. Hymer (1960) answered this by reference to enhancing competitiveness and marginalizing smaller competitors in foreign markets. The argumentation fuelled the research string that provided considerable insight into the existence and descriptions of MNEs, covering the purpose, emergence and characteristics of all types of MNEs (e.g., Hymer, 1970; Nye, 1974; Ghoshal & Nohria, 1989; Ghoshal & Bartlett, 1990; Chandler & Mazlish, 2005; Aggarwal, Berrill, Hutson, & Kearney, 2011; Bartlett & Beamish, 2018). Furthermore, external environmental and industry-specific as well as internal firm-specific antecedents of MNE internationalization have been examined, evaluating internationalization barriers, host country institutional influences, the role of competition, and the effect of the top-management (e.g., Buckley & Casson, 1976; Porter, 1979, 1980; Dunning, 2003; Hitt, Tihanyi, Miller, & Connelly, 2006). Finally, *Strategic Moves* have been widely researched in MNE context, and comprehensive frameworks have been developed that cover topics such as FDI decisions, entry modes, internationalization path, international strategies, knowledge transfer, and international human resource management (IHRM; e.g., Johanson & Vahlne, 1977, 2009; Agarwal & Ramaswami, 1992; Dunning, 1994; Ghemawat, 2001; Harzing, 2002; Gooderham, 2007; Kostova, Marano, & Tallman, 2016; Gooderham, Grøgaard, & Foss, 2019).

INV research emerged in the 1990s with the groundbreaking work of McDougall et al. (1994) and Oviatt and McDougall (1994) that picked up Rennie's (1993) and McKinsey & Company's findings on born globals. Since then, much progress on the studies of INVs has been made. Unfortunately, from the start, the INV research field did not sufficiently differ between born globals and early internationalizing start-ups. It did so only regarding the categorization and description of international new ventures, having differing findings for born globals (e.g., Rennie, 1993; McDougall et al., 1994; Oviatt & McDougall, 1994; Knight & Cavusgil, 1996a; Knight & Cavusgil, 2005) and early internationalizing start-ups (e.g., Rialp, Rialp, & Knight, 2005; Zucchella, Palamara, & Denicolai, 2007; Cieslik & Kaciak, 2009). INV research proceeded by adding new findings regarding the *Heritage* of INV and its effect on internationalization speed and expected international performance (e.g., Knight & Cavusgil, 2004; Oviatt & McDougall, 2005; Fernhaber et al., 2007; Nowiński & Rialp, 2013; Cannone & Ughetto, 2014; Cavusgil & Knight, 2015; Kim & Cavusgil, 2020). However, INV has not adequately *Strategic Moves*. To date, the literature shows only scattered findings in this area, and these are derived mostly from qualitative case studies (e.g., Hagen & Zucchella, 2014; Orero-Blat, Palacios-Marqués, & Garzón, 2020). Additionally, there is not comprehensive framework regarding either born globals or early internationalizing start-ups.

2.2. Research gaps

The state of INV research leads to the two research gaps addressed in this thesis. First, the influence of *Strategic Moves* on the internationalization performance of start-ups. Second, the comprehensive framework that contains both the *Heritage* and the *Strategic Moves* for the holistic perspective on the internationalization of start-ups (Choquette et al., 2017; Paul & Rosado-Serrano, 2019).

International new ventures research has agreed on the importance and necessity of an empirical and holistic approach to fully understand and map the factors that shape the internationalization process and determine the internationalization performance of start-ups (Lindqvist, 1991; Orero-Blat et al., 2020). So far, scholars have worked in different directions that have not yet been streamlined. Research into start-up capabilities focusing on the resource-based view established by Wernerfelt (1984) and Barney (1991) have investigated the effects of, for example, the employed technology, the historic channel experience, the international knowledge, and the financial and human capital on the internationalization performance (Burgel & Murray, 2000; Evers, 2011a; Gerschewski, Rose, & Lindsay, 2015; Naldi et al., 2020; Pinkwart & Proksch, 2014). Another research thread focusing on the market-based view established by Porter (1979, 1980) has investigated the role of the domestic market, the industry structure and competition, the industry life cycle, and the global integration of industry in the international new ventures setting (Andersson, Evers, & Kuivalainen, 2014; Cannone & Ughetto, 2014; Evers, 2010; Evers, Kuivalainen, & Andersson, 2015). Some researchers dealt with the importance of entry modes only and the effect of predetermined start-up characteristics on the entry mode choice (Baum, Schwens, & Kabst, 2011; Benito, Petersen, & Welch, 2009; Hagen & Zucchella, 2014; Ripollés, Blesa, & Monferrer, 2012). INV research has so far failed to find either significant results for *Strategic Moves* of international new ventures or a coherent framework that includes both the *Heritage* and the *Strategic Moves* for the internationalization of start-ups.

This subdivision of start-up internationalization into the two main areas of this thesis, the start-up's *Heritage* and its *Strategic Moves*, receives support from prior research. For instance, Mitchell, Shaver, and Yeung (1993) argued that internationalization outcomes are affected by an interdependent system of firm strategies and industry conditions. Similarly, Hitt, Li, and Xu (2016) named the antecedents of international expansion and the decisions regarding how to enter and act in foreign markets.

This thesis will expand the limited research on *Strategic Moves* within the INV field. At the same time, the thesis does recognize the significant differences between born globals and early internationalizing start-ups, focusing on the latter and leaving aside the former. It adds value by grounding the results on *Strategic Moves* within quantitative data linked to the internationalization performance of the surveyed start-ups, thus allowing for systematic recommendations for early internationalizing start-ups. Lastly, to account for a value-add comprehensive INV framework, the thesis will systematically collect findings on the *Heritage* of INVs from existing literature since the 1990s and present a coherent picture of the *Heritage* and the *Strategic Moves*.

3. Conceptual framework of start-up internationalization and hypotheses development

Synthesizing prior research, I created the conceptual model shown in Figure 2 that illustrates the various factors of *Heritage* and the *Strategic Moves* that influence the total internationalization performance of start-ups.

Based on Figure 2, I describe within this chapter the composition of both areas and explain the factors they contain. For the *Strategic Moves* only, I will additionally generate hypotheses from former MNE and INV literature, adjusted to the early internationalizing start-ups.

3.1. Heritage

A start-up's *Heritage* consists of the properties of a start-up that it possesses prior to its internationalization. According to existing literature, *Heritage* most often consists of three types of factors: environmental factors, industry factors and start-up characteristics. The first two factors are external, while the third one is internal (Fan & Phan, 2007; Johnson, 2004; Kandasaami, 1998; Nowiński & Rialp, 2013; Oviatt & McDougall, 2005). Collectively, these factors pre-set the starting position of a start-up before it internationalizes. They do not, however, directly influence internationalization performance but rather determine the speed of internationalization (Johnson, 2004; Oviatt & McDougall, 2005) and indicate the expected average internationalization performance (Martin & Javalgi, 2019; Sapienza, De Clercq, & Sandberg, 2005).

Not all the existing subfactors of environmental factors, industry factors and start-up characteristics will be considered in the subsequent presentation of the conceptual framework. Rather, only the most important subfactors, based on the findings from the existing literature will be examined to create an accurate, if not exhaustive, picture of a start-up's *Heritage*.

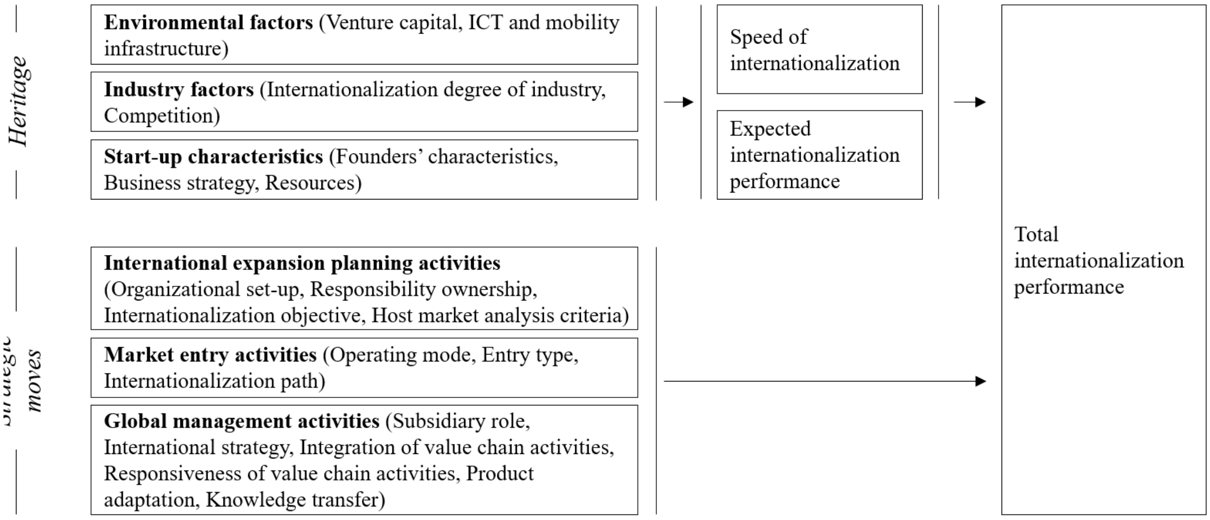


Figure 2: Effects of *Heritage* and *Strategic Moves* on Start-up's Internationalization Performance.

3.1.1. Environmental factors

Environmental factors are external, macroeconomic specificities (Wisetsri et al., 2021) stemming from the geographical setting a company – or, in this case, a start-up – operates in Ács, Autio, and Szerb (2014). For early internationalizing start-ups, this setting is the home country where it was founded.

While the research illustrates how different methods are used for analyzing a company's environment (Audretsch & Belitski, 2017; Lynch, 2009), there is consensus that understanding environmental factors is crucial for formulating strategies and gaining competitive advantages (Wennekers, Van Stel, Carree, & Thurik, 2010; Yüksel, 2012). These different methods for mature conglomerates and small- and mid-sized enterprises most often include political, economic, social, technological, ecological and legal factors (Dale, 2000; Richardson, 2006). Additionally, it has been shown that the home environment of a start-up significantly influences its international orientation and has a moderating effect on its international performance (Dimitratos, Lioukas, & Carter, 2004). For start-ups, various aspects including entrepreneurial opportunity, venture capital, human capital, infrastructure, political support and subsidization, process technology, legal ease/administrative burdens, protection of property rights, and social acceptance have been examined (Baughn & Neupert, 2003; Johnson, 2004; Martínez-Fierro, Biedma-Ferrer, & Ruiz-Navarro, 2020; Nowiński & Rialp, 2013; Oviatt & McDougall, 2005).

For this thesis, I focus on only two important environmental factors that influence a start-up's internationalization speed and expected performance. These factors are the availability of and access to venture capital and the infrastructure, including internet and telecommunications technologies (ICT) and transportation and mobility in start-up's home country. According to Cuervo-Cazurra, Luo, Ramamurti, and Ang (2018), these two factors are among the most important ones for firm internationalization. Moreover, Fernhaber, Mcdougall-Covin, and Shepherd (2009) and Arenius, Sasi, and Gabrielsson (2005), note that they are among the most important factors for the internationalization of new ventures.

Venture capital

The availability of and access to venture capital is the degree of financing easiness. This environmental factor is important because financing a start-up is crucial for its continued existence and is an obstacle for start-up development in general (Green & Jenkins, 1998) and internationalization of new ventures in particular (Korsakienė & Tvaronavičienė, 2012). Furthermore, the presence of external sources of financing, most often venture capital, directly affects the internationalization speed of start-ups (Fernhaber et al., 2007). However, according to Gassmann and Keupp (2007) the effect of financing availability on internationalization speed and expected performance is ambiguous and depends on a start-up's main sources of competitive advantage.

ICT and mobility infrastructure

The infrastructure, which includes ICT and transportation and mobility, describes the degree of information gathering and connection easiness. Progress in infrastructure not only affected start-up internationalization in the 1990s (Bloodgood, Sapienza, & Almeida, 1996) but it also allowed start-ups in this decade to deal with liabilities of foreignness and lack of resources (Arenius et al., 2005). Therefore, infrastructure is widely seen as a crucial aspect when aiming to understand start-up internationalization (Kuemmerle, 2005) due to its profound ability to enhance intelligence regarding foreign markets and competitors (Fernández & Nieto, 2005) and its ability to create and retain connection to a high number of partners and customers (Loane, 2006).

3.1.2. Industry factors

Industry factors are external effects that define the relatively stable context in which competition between firms occurs along dimensions such as product differences, number and size of firms, supplier and customer behavior, and entry and exit barriers (Bain, 1972; Porter, 1981; Wirth & Bloch, 1995). These factors increasingly need to be regarded – other than the environmental factors – with an international perspective, since only few industries are purely national today.

The importance of industry analysis for formulating business strategies is not new, having a long history in strategic management research fields. Edward Chamberlin (1929) and Robinson (1933) initiated this outside view at the beginning of the 1900s; Edward Mason (1939) and his student Bain (1956) continued this focus by establishing the structure-conduct-performance framework. However, it was Porter (1975, 1976, 1979) who brought this to international prominence, took MNEs into account, and coined the term "market-based view" in the 1970s. All this happened prior to the scholarly focus on internal company factors, led by Birger Wernerfelt's (1984) and Ray Barney's (1991) "resource-based view". Similarly, the importance of industry factors is widely recognized in the INV setting as they determine the strategic choice set for, and influence the process and activities of, a start-up's internationalization (Andersson, 2004; Andersson et al., 2014; Evers et al., 2015; Oviatt & McDougall, 1994). Furthermore, industry factors also influence a start-up's internationalization speed and expected performance (Oviatt & McDougall, 2005).

For this thesis, I focus on two important industry factors that influence a start-up's internationalization speed and expected performance: the internationalization degree of the industry and the competitive landscape. Given their importance, the influence of these factors has been repeatedly highlighted in INV literature (Aspelund, Madsen, & Moen, 2007; McDougall, Oviatt, & Shrader, 2003). Another important industry factor often referred to in the literature is the start-up's domestic market, especially when having a small market size and low customer adaption rates (Evangelista, 2005; Spence, Orser, & Riding, 2011). However, most early internationalizing new ventures, arise from similar domestic markets such as the U.S., China, the U.K. or Germany that do not necessarily push start-ups outside their boarders. Therefore, this industry factor will not be dealt with in this thesis.

Internationalization degree of the industry

The internationalization degree of the industry represents the need for firms and start-ups in a specific industry to have international activities for developing key success factors that are crucial for success, such as resources or network effects. It is argued that the internationalization degree impacts the internationalization of start-ups allowing for competitive advantages in homogenous industries (Jolly, Alahuhta, & Jeannet, 1992). Additionally, the differences regarding the number of customers, number of product outputs or number of input items, when comparing the low and high internationalization degrees within an industry, leads to differences in economies of scale, industry niche focus, or network compilation of partners and suppliers (Coviello & Munro, 1995; Johnson, 2004; Ray, 1989; Robinson & Phillips McDougall, 2001). Moreover, the internationalization degree of the industry also directly influences new venture internationalization due to the mimetic behavior shown by firms and start-ups in high-uncertainty situations (Fernhaber et al., 2007).

Competitive landscape

The competitive landscape describes the intensity, fragmentation and differentiation of all the competitors within an industry. The competition not only influences the internationalization of start-ups but is also a motivating factor for international new ventures, according to Oviatt and McDougall (2005). Competition, however, has ambiguous effects on decisions regarding a start-up's international expansion. While competition may provide motivation, worldwide competition forces internationalizing start-ups to respond to much more competitive developments (Johnson, 2004). At the same time, competition serves as an orientation principle, not only for the already described mimetic behavior (Fernhaber et al., 2007) but also for industry best practices, product roadmaps and go-to-market strategies. Lastly, competitive intensity shows a mixed moderating effect on the development and the importance of key capabilities of start-ups such as marketing when internationalizing (Martin & Javalgi, 2016).

3.1.3. Start-up characteristics

Start-up characteristics are internal factors that, taken together, define the start-up; such as the founders and employees, the vision and business strategy, the product characteristics and employed technology, the resources and capabilities, the organizational structure, the business model, and the received funding (Cannone & Ughetto, 2014; Gerschewski et al., 2015; Naldi et al., 2020; Nowiński & Rialp, 2013; Oviatt & McDougall, 2005). Other than environmental and industry factors, start-up characteristics (as the name suggests) are not external influences that affect several new ventures, but rather internal influences that have firm-specific effects.

In light of the previous discussion of the market- and resource-based views when describing industry factors, the latter shows how influential firm characteristics are start-up performance. While the research field, beginning with Wernerfelt (1984) and Barney (1991), had focused attention on corporate and business strategy, INV scholars extended the research by applying the resource-based view to internationalization of start-ups. Much of this research examines the founders of international new ventures, their experience, network ties, and vision because the founders are arguably the most influential factor in a start-up's internationalization (Johnson, 2004; Oviatt & McDougall, 2005). Pinkwart and Proksch (2014), among others, complemented the research by exploring the importance of general human capital on INV performance, while also considering technological and financial capital. Additionally, the importance of business strategies when combining capital resources with the founders' plans became a more prominent focus in seeking to explain INV performance (Mudambi & Zahra, 2018), as did product characteristics and differentiation from competition (Baum et al., 2011).

In this thesis, I focus on three important start-up characteristics that influence a start-up's internationalization speed and expected performance. For this, I follow the approach of Zucchella et al. (2007) and Sapienza, Autio, George, and Zahra (2006), who claim that the founders' characteristics, the start-up's business strategy, and its resource are the crucial internal start-up characteristics for early internationalization.

Founders' characteristics

The founders' characteristics are their prior work experience, international knowledge and orientation, their skill set, the makeup of the founding team, and their networks. Certain characteristics enable founders to recognize international opportunities (Zahra, 2005) and therefore actively shape the development of international new ventures in a way only they can see. In addition, past experiences of founders such as spending one's teenage years abroad or working abroad in MNEs allows them to identify, gather, and connect resources across borders (McDougall et al., 1994). Furthermore, the founders' general knowledge about business functions, industries, and technology shapes the design of their start-ups' international activities (McDougall et al., 2003). Loane and Bell (2006) suggest that the founders' characteristics, if unique, have the potential to be a highly valuable source of sustainable competitive advantage.

Business strategy

The business strategy of a start-up can consist of numerous strategic guidelines and be complemented by a start-up's purpose, vision and mission, or even by pre-set objectives. Porter' (1980) provided a classification system, consisting of three generic strategies: differentiation leadership, cost leadership and nice focus. These three strategies impact outcomes such as INV internationalization scope, scale, foreign sales, and ultimately international performance (Baum et al., 2011). Moreover, the adopted business strategies influence subsequent *Strategic Moves* such as entry modes (Czinkota, Grossman, Javalgi, & Nugent, 2009). It has also been shown that business strategies directly impact expected export performance (Falahat & Migin, 2017) and the general internationalization performance (Cavusgil & Knight, 2009) of INV in certain industries.

Resources

A start-up's resources consist of the financial, material, human, organizational, knowledge capital, and – considered collectively – the combination and exploitation of these forms of capital into capabilities and competences. While the founder team as a crucial asset within the human capital category has been already addressed, the resources in this dimension focus on the other resources. In INV literature, much focus has been placed on the knowledge, learning, and orientation side of human capital that allows start-ups to absorb information from abroad and include this in marketing or product development to influence INV's international performance (Evers, Andersson, & Hannibal, 2012; Prashantham & Young, 2011; Zahra, 2005). This emphasis arises from the perspective of resource-based view findings that financial and material capital rarely are sources of sustained competitive advantage due to their imitability and low rarity, while human, knowledge, and organizational capital are (Crook, Ketchen Jr, Combs, & Todd, 2008) due to the imitation barriers they hold (Dierickx & Cool, 1989).

3.2. Strategic moves

The *Strategic Moves* of start-ups consist of the activities executed to expand internationally. According to existing MNE literature (and some INV literature, since this research field is not mature yet), *Strategic Moves* most often consist of three types of activities: international expansion planning activities, market entry activities, and global management activities (Cavusgil, 1984; Daszkiewicz & Wach, 2012; Erramilli, Srivastava, & Kim, 1999; Kutschker & Bäurle, 1997; Melin, 1992; Neubert, 2017, 2018).

Unlike the *Heritage* aspects of a start-up, the *Strategic Moves* are actively selected decisions and guidelines that shape the internationalization endeavors. Collectively, these factors are the start-up's strategic steps beginning at the pre-set position determined by a start-up's *Heritage*. In the following sections, I will deduct hypotheses for the *Strategic Moves* to be tested in the study described in Chapter 4. An overview of the hypotheses will be presented in Figure 3 at the beginning of Chapter 4.

3.2.1. International expansion planning activities

International expansion planning activities include all organizational and individual strategic planning structures and processes a start-up executes to determine the internationalization strategy. As for general strategy development, the activities for internationalization planning can include the organizational set-up, timeline, team composition and involved stakeholders, the steering and decision-making process, criteria for decision making, communication guidelines, the interaction modes, and the content scope (Feurer & Chaharbaghi, 1995; Hodgkinson, Whittington, Johnson, & Schwarz, 2006; Idenburg, 1993).

It is crucial to consider international expansion planning activities because strategic planning has the potential to positively or negatively affect the resulting strategy (Akinyele & Fasogbon, 2010; Mintzberg, 1994a, 1994b; Shoham, 1996). More specifically, aspects such as the autonomy of the planning group (Andersen, 2000), the appropriate distribution of responsibility (Uvah, 2005), and the top-down planning by the management team potentially with external consulting support (Babafemi, 2015) influence the effect that the international expansion planning activities have on corporate and international performance.

In this thesis and the survey, I focus on four aspects of international expansion planning activities based on their importance in strategic planning and international business literature (Ghemawat, 2001; Mintzberg, 1994a; Welch & Welch, 1996). These aspects are the organizational set-up in which the internationalization is planned, the main owner and responsible positions of the internationalization activities, the main reason for expanding internationally, and the criteria taken into consideration when choosing the geographical market in which to internationalize.

Organizational set-up

The organizational set-up in which the internationalization is planned describes the characteristics of the strategic planning group. In the literature, the set-up most often takes the form of a timely limited task force, ongoing work existing departments, the creating of a new department and, outsourcing as a consulting project (Jang & Lee, 1998; Kaplan & Norton, 2008; Y.-G. Kim, Yu, & Lee, 2003; Lawrence & Lorsch, 1967; Tarique, Briscoe, & Schuler, 2015). Prior research suggests that planning a one-time occurring strategic step that has high complexity and urgency, such as the first wave of internationalization, is best done within a dedicated task force (Bortal, 2015; Dobbin & Kalev, 2015; John, Young, & Miller, 1999). This is because cross-departmental task forces combine problem-solving skills from diverse backgrounds with decentralized decision-making (John et al., 1999) and its members can advocate for and implement the results in their departments (Dobbin & Kalev, 2015). Furthermore, research shows that highly complex, and at the same time important, strategic developments are ideally supported by external advisors and consulting projects because this leads to increased firm performance (Back, Parboteeah, & Nam, 2014; Cerruti, Tavoletti, & Grieco, 2019; C. Wright & Kitay, 2002). Accordingly, my first two hypotheses are stated as follows:

> **H1.** Planning internationalization activities as a task force positively affects the internationalization performance of a start-up.

> **H2.** Adding external support from consultants to plan internationalization activities for positively affects the internationalization performance of a start-up.

Ownership and responsibility

The main owners and responsible positions of the internationalization activities indicate who in a start-up oversees and is held accountable for the formulation of the internationalization plan. Ownership can be attributed to all levels of an organization, ranging from the founders, the C-level and the Chief Executive Officer (CEO), to the Chief of Staff or Head of Strategy, to middle management, which are the Heads of operational departments such as Sales, Operations, or Product. It is generally acknowledged that strategic planning is more successful if it receives C-level attention and involvement and might even fail if it does not (Basu, Hartono, Lederer, & Sethi, 2002; Mintzberg, 1994b; Ocasio & Joseph, 2008). This is the case because top-management contributes with high quality human capital to the planning and decision-making process (Al Shobaki, Abu Amuna, & Abu-Naser, 2016) and is the only employee group capable of streamlining the organization's action going forward and ensuring staff commitment (Ocasio & Joseph, 2008). This is also the case when planning international activities (Dymsza, 1984). However, the influence of middle management on strategic planning and its importance on implementation is also generally recognized in the strategy literature (Balogun & Johnson, 2004; Wolf & Floyd, 2017). My third hypothesis, therefore, states:

> **H3.** Top management ownership (founders and C-level positions) of the internationalization planning positively affects the internationalization performance of a start-up.

Reason for internationalization

After setting up the planning team and assigning responsibility, internationalization planning reaches the main reason for expanding internationally – that is – the primary objective it wants to achieve. Defining objectives prior to planning internationalization steps is crucial because they impact the appropriate selection of subsequent steps (Ghoshal, 1987). Additionally, objectives offer guidance, and the monitoring of objectives allows for continuous improvement when further internationalizing (Knight, 2001). According to Dunning and Lundan (2008) and Dunning (2009), the four most common objectives for internationalization endeavors are *market share gains*, *resource gains*, *strategic assets gains* and *efficiency gains*. *Market share gains* are the increase in international market share and meeting unmet demand in foreign countries and greenfield markets. *Resource gains* are the access to operations-critical resources such as rare materials. *Strategic assets gains* are the access to competitive advantage-critical resources such as networks, production sites, and proprietary knowledge. *Efficiency gains* are the exploitation of cost-efficient input factors such as cheap labor or better transportation infrastructure. These objectives most often occur in combination and change over time (Schmid & Grosche, 2008). However, in this thesis, I focus on the single most important objective that is chosen for the very first wave of international expansion. International management research shows that market share seeking is the objective most frequently used by start-ups from developed countries (Luo & Park, 2001). Start-ups from developing countries tend use, in line with the Springboard theory, the strategic assets seeking objective, thus seeking to close the competitive advantage gap with their competitors from developed countries (Luo & Tung, 2007). Focusing on start-ups from developed countries in this thesis and survey, my fourth hypothesis is formulated as follows:

> **H4.** Having a market share seeking objective positively affects the internationalization performance of a start-up.

Market analysis criteria

The criteria taken into account when choosing the geographical market in which to internationalize demonstrate what start-ups emphasize most when making this decision. Ghemawat (2001) differentiated between *economic characteristics* of a host market (such as market size and growth) and the *psychological distance* (sometime referred to as psychic distance by Johanson and Vahlne (1977)) between the home and host market. According to Ghemawat's (2001) CAGE framework, the psychological distance consist of the *cultural*, *administrative*, *geographical*, and *economic* distance between the countries. *Cultural* distance consists of differences in language, race, religion, and social norms. *Administrative* distance, also called political distance, describes institutional differences, trade connections, and historical togetherness. *Geographical* distance is the spatial distance between countries and differences in topology. Finally, *economic* distance is the difference in wealth and wealth distribution, subsidies, and economic system. While Ghemawat (2001) states that industries differ in their sensitivities to psychological distance, he claims that it is crucial for start-ups in all industries to take this into account when assessing how attractive a geographical market is to enter. By contrast, the INV literature takes a different perspective. Studies show either a mixed effect of psychological distance on internationalization performance (J. K.-U. Brock, Johnson, & Zhou, 2011; Ojala, 2015) or the studies fail to address the importance of psychological distance on geographical market selection on the basis of few born globals that internationalize towards multiple countries with high psychological distance (Burgel & Murray, 2000; Oviatt & McDougall, 1997). This is because the psychological distance has only a negative effect on the internationalization of born globals due to their unique characteristics that allow them to instantly expand globally (Przybylska, 2013). For early internationalizing start-ups, however, the inclusion of the psychological distance is necessary (Ojala & Tyrväinen, 2009). But the inclusion of this factors has its limits; if it is the only dimensions considered, it can present an incomplete picture of host market attractivity that needs to be complemented by economic factors (Ghemawat, 2001). On this basis, my fifth hypothesis is stated as follows:

> **H5.** There is an inverted U-shaped relationship between the degree of inclusion of psychological distance factors in geographical host market selection for international expansion and the internationalization performance of a start-up.

3.2.2. Market entry activities

A start-up's market entry is the next step after planning the internationalization and choosing geographical markets to enter. Additionally, this is a crucial phase to analyze because it is just as complex as it is important for the internationalization performance (Agarwal & Ramaswami, 1992). Moreover, it is argued that market entry moves are widely influenced by a start-up's *Heritage* and vary greatly depending on the characteristics and peculiarities of the geographical market to enter (Ellis, 2000; Madhok, 1997). For international new ventures, market entry decisions are crucial because multiple resource constraints narrow the options to choose from while the decisions arguably affect the performance of INVs more than MNEs (Ripollés & Blesa, 2017; Ripollés et al., 2012).

According to Pan and Tse (2000), and Buckley and Casson (1998) the market entry consists of three main aspects: the operating mode, the entry type, and the internationalization path. Since this is the case for MNEs as well as for start-ups, I will focus in this thesis on these three aspects.

Operating mode

The operating mode defines the organizational set-up with which a mature company or start-up establishes its foreign operations in a new geographical market. In international management literature, different ways of categorizing operating modes have been formulated based on different criteria (Andersen, 1997; Benito et al., 2009; Malhotra, Agarwal, & Ulgado, 2003). Most studies agree that the distinction is based on the ownership of foreign assets, distinguishing between *equity operating modes* and *non-equity operating modes* (Santangelo & Meyer, 2017). *Equity operating modes* involve exporting that is self-handled, wholly owned subsidiaries that stand alone or are part of joint-ventures or alliances, sales branches, and production sites; all under the ownership of the start-up (Grøgaard & Verbeke, 2012). *Non-equity operating modes* involve exporting that is outsourced, franchising, licensing, and contract manufacturing; all based on market contracts with affiliated partners (Erramilli, Agarwal, & Dev, 2002). While equity modes are more expensive, riskier, and more complex to establish, they do allow for a higher degree of control (Kraus, Ambos, Eggers, & Cesinger, 2015). Non-equity modes on the other hand are asset-light, cheaper, and faster to establish; however, they do not allow for tight control and fast resolution of conflicts because they are based on contractual arrangements (Zacharakis, 1997). The operating mode decision is most commonly based on Coase's (1937) transaction cost theory stating that having selected business activities in one's value chain or sourcing it from the free market depends on the associated costs of the transactions involved. Leaving MNE behavior aside and focusing on international new ventures, the literature shows that start-ups are making use of almost all operating modes available (Sasi & Arenius, 2008). INVs choose their operating modes, on the one hand, based on resource availability and, on the other hand, on foreign product and industry-specific geographical requirements as well as host country circumstances (Burgel & Murray, 2000; Gleason & Wiggenhorn, 2007; Melén & Nordman, 2009). Due to the fact that different operating modes have quite different implications for foreign operations governance, the ideal choice depends on the industry and product of a start-up and often combinations of operating modes are chosen for market entries. Previous international business and INV literature does not support the unequivocal dominance of one operating mode over the others (Brouthers, 2002; Welch, Benito, & Petersen, 2018).

However, operating modes that align with the transaction cost theory implications perform best for MNEs and small and mid-sized enterprises (SMEs; Brouthers & Nakos, 2004). This suggests that start-ups that need tight control of business activities and product adaptions, as well as quick resolution, should opt for equity modes. In contrast, start-ups that need loose control, little adaptation, and no quick resolutions should opt for non-equity modes. Neglecting the conditional implications of the transaction costs theory, the research shows that equity operating modes should generally lead to higher international performance. This is due to the better market, customer, competitor, supplier and network interaction and understanding (Pan & Tse, 2000; Yeoh, 2004; Zahra et al., 2000), which are important in an international new venture setting. Hollender, Zapkau, and Schwens (2017) attempted to test empirically that equity operating modes are generally superior to non-equity operating modes by collecting data from SMEs, but they identified no significant relationship. Derived from this, hypotheses six is stated as follows:

> **H6.** Entering host markets with equity operating modes positively affect the internationalization performance of a start-up.

Entry type

The entry type of a start-up's foreign market entry describes the source of the assets and entity of FDI (Dunning, 1994). Within international business studies, the spectrum of entry types varies from pure *greenfield investment* and mixed types such as *international joint-ventures* (*IJV*) and *alliances* to pure *acquisition* of foreign assets and brands (Dikova & Brouthers, 2016; Dikova & Van Witteloostuijn, 2007). *Greenfield investment* is the self-building of a start-up's foreign operations from scratch (Hymer, 1960). *IJVs* and *alliances* are two types of companies joining forces. In IJV most often two companies formally collaborate and create a new entity consisting of half-and-half distributed resources from both companies. Typically, the internationalizing company contributes technological and product-specific capabilities, and the foreign company contributes go-to-market capabilities (Chen, Park, & Newburry, 2009). Alliances are less-binding consortia of multiple companies offering best practice sharing and no mandatory support (Glaister & Buckley, 1998). *Acquisitions* are buy-outs of certain company assets and brands, complete national operations of a company, or a whole company itself (Rugman, 1980).

Considering the entry type when entering a foreign market is vital because it does not only depend on *Heritage* antecedents such as a firm's multinational diversity, the Research & Development (R&D) intensity of the product, or the cultural distance between home and host country (Barkema & Vermeulen, 1998; Kogut & Singh, 1988; Morschett, Schramm-Klein, & Swoboda, 2010). It is also important because it influences the foreign market strategy choices, the international performance, and the survival rate of the foreign operations of MNEs and start-ups (Harzing, 2002; Mudambi & Zahra, 2018). Entry types have a high impact on strategic choices about knowledge transfer and capabilities development because it requires the least amount of effort to transfer knowledge to greenfield investments; acquisitions, however, bring in new capabilities but require additional governance structures (Hennart & Park, 1993). Furthermore, entry types influence entry costs, speed, and the resulting competitive landscape shape within the industry which in turn influence subsequent go-to-market decisions (Görg, 2000). According to Woodcock, Beamish and Makino's (1994) research on MNEs, greenfield investment generally tends to outperform IJVs, which, in turn, tend to outperform acquisitions. This proposition is additionally supported by Li (1995). By contrast, Müller (2007) found that greenfield investments are best when there is little competition in the host market while acquisitions are best when competition is fierce. Lastly, Raff, Ryan, and Stähler (2009) argued that the choices between acquisitions and IJVs depend heavily on the profitability implications from the potential greenfield investment lowering the acquisition price and enhancing the willingness of foreign firms to enter into an IJV agreement. Hypotheses seven and eight, therefore, state the following:

> **H7.** Greenfield investment as entry type in host markets positively affects the internationalization performance of a start-up.

> **H8.** Acquisition of foreign operations as entry type in host markets negatively affects the internationalization performance of a start-up.

Internationalization path

The internationalization path is the process and subsequent development of successive market entries into different host markets for internationalizing firms. This research field is likely the most investigated one in respect to INVs. Johanson and Vahlne (1977) introduced the concept of the internationalization process of the firm – most often called the Uppsala model or the stage theory. This theory postulates that domestic firms typically evolve toward MNEs by slowly starting to expand internationally to neighboring countries with little psychological distance. These first internationalization steps are typically executed with low-risk operating modes such as exporting or sales branches that do not need high investments. Only with increasing international experience do companies accelerate their internationalization to countries on other continents or with high-risk operating modes such as wholly owned subsidiaries.

McDougall et al. (1994) first challenged the internationalization process theory when introducing the INV and born-global concept. Research has suggested that INVs have a special matrix of capabilities such that they would not face high liabilities of foreignness or outsidership when internationalizing toward countries with high psychological distances (Oviatt & McDougall, 1997). Therefore, INV research suggests that the staged Uppsala model does not explain the concept of fast internationalization of INVs (Freeman, Hutchings, Lazaris, & Zyngier, 2010; Welch & Luostarinen, 1988).

It is crucial to investigate the internationalization path of a start-up because it is highly influenced by industry-specific and firm-specific aspects and by the perception of a start-up's decision-makers (Andersson et al., 2014). Additionally, the internationalization process has implications not only for the overall international performance but also for the company's learning, culture, and networks (Coviello, 2006; Trudgen & Freeman, 2014). The latest research shows that the internationalization process of INVs is indeed, as described earlier, faster and less systematic than proposed by the stage model of MNEs (Pellegrino & McNaughton, 2015). However, only a small fragment of early internationalizing start-ups are born globals and have the industry- and firm-specific circumstances to internationalize globally at inception, while most start-ups internationalize in the years after the first one, following a more MNE-similar approach (Hewerdine & Welch, 2013). For these reasons, hypothesis nine is stated as follows:

> **H9.** There is an inverted U-shaped relationship between the internationalization path (internationalizing into one neighboring country versus internationalizing simultaneously into multiple countries on one continent versus internationalizing into multiple countries on multiple continents) and the internationalization performance of a start-up.

3.2.3. Global management activities

The *Strategic Moves* of a start-up's global management ensure that all foreign operations are optimally designed and coordinated. In past MNE literature, different aspects of global management have been researched including resource coordination, headquarter (HQ) to foreign subsidiary relationship and subsidiary role, social capital building, consideration of national institutions, culture management, local adaption of business activities, products and services, and international human resource management (Briscoe, Schuler, & Tarique, 2012; D. M. Brock & Barry, 2003; Edwards & Kuruvilla, 2005; Ghoshal, Bartlett, & Moran, 1999; Gooderham, 2007; Regnér & Edman, 2014; Rowden, 2002; Yip, 1989). These aspects have been investigated because global management plays an important role when expanding internationally, influencing the holistic strategic and financial performance of a firm (Zou & Cavusgil, 1996) and affecting foreign operations and capability development (Kanter & Dretler, 1998; Prange & Verdier, 2011).

Within this thesis, a start-up's global management consists of five main components. These components, seen as the most important ones in international business research (Gooderham et al., 2019; Kostova et al., 2016), are the roles of subsidiaries, the start-up's international strategy, the integration and local responsiveness levels of value chain operations, the local adaptation of the product, and the knowledge transfer.

Subsidiary role

The subsidiary role is the status a foreign subsidiary has within the global organization of a firm. According to Bartlett and Ghoshal (1989), the role of subsidiaries can be assessed across two dimensions: the strategic importance of the geographical market where the subsidiary is located and the level of local resources and capabilities attributed to the foreign subsidiary by the corporate center. When both dimensions are high, the subsidiary is a *strategic leader*, having high autonomy and the mandate to build competitive advantages. When both are low, the subsidiary is an *implementer* responsible for keeping up the current position. When the importance of the market is low but the local resources are high, the subsidiary is a *contributor* mandated to support other foreign subsidiaries. When the importance of the market is high but the local resources are low, the subsidiary is a *black hole*, most often a starter that needs investment to reach competitive advantages in the market. Finding the appropriate role for foreign subsidiaries is complex because this is affected by the subsidiary's performance, its embeddedness in the host country, and the corporate's global coordination approach (Geppert & Williams, 2006). Furthermore, roles need to be continually adjusted to meet global political and economic changes (Bartlett & Ghoshal, 1993; Nohria & Ghoshal, 1997). Additionally, attributing the appropriate role to foreign subsidiaries allows for the ideal development of the subsidiary itself and maximizes contribution toward international corporate goals (Birkinshaw, Hood, & Jonsson, 1998). Luo (2003) shows that wider resource transfer towards the foreign subsidiary enhances international performance. Additionally, start-ups place their first subsidiaries, as discussed, in strategically important markets (Andersson et al., 2014). This results in the tenth hypothesis as follows:

> **H10.** Attributing the role of a strategic leader to the first foreign subsidiaries positively affects the

internationalization performance of a start-up.

International strategy

The international strategy of a start-up is its strategic direction regarding coordination, integration, and local adaptation of all business activities within the HQ and all foreign branches and subsidiaries. Gooderham et al. (2019) consolidated past research strings regarding different international strategies and arranged them across two dimensions: the degree of integration of business activities between subsidiaries and the degree of local adaptation of foreign business activities and products. When both dimensions have a low degree, this is referred to as *simple international strategy* (*none-dimensional international strategy*) which is often a starting model for a firm's internationalization activities or for an international firm that is not able to create synergies. When only the degree of integration is high, this results in the *global strategy* (*one-dimensional international strategy*). This strategy allows tight control over subsidiaries regarding culture and quality control and can create cost synergies due to economies of scales in production of standardized products (Kogut, 1989). When only the degree of local adaptation is high, this results in the *multidomestic strategy* (*one-dimensional international strategy*). This strategy equips foreign subsidiaries with high autonomy so that they can alter product and business activities to specific local conditions and demands so as to enhance product-market-fit and willingness to pay (Hout, Porter, & Rudden, 1982; Yip, 1989). When both dimensions are high, this is referred to as *transnational strategy* (*two-dimensional international strategy*). This strategy combines the high integration of subsidiaries with the high autonomy they possess, simultaneously enhancing synergy potential and complexity (Bartlett, Ghoshal, & Birkinshaw, 2000). Following the *transnational strategy*, MNEs and INVs increasingly try to ensure the appropriate standardization of certain processes, allowing others to be altered based on the host country's needs while at the same time exploiting foreign technology clusters for enhanced innovation (Bartlett & Ghoshal, 1995).

Setting up the appropriate international strategy when starting to design the global management of a firm is vital (Birkinshaw, Morrison, & Hulland, 1995; Ricart, Enright, Ghemawat, Hart, & Khanna, 2004). Furthermore, a firm's international strategy is important because it gives superordinate guidance to creating capabilities and competitive advantages through internationalization (Hitt et al., 2016). However, the literature suggests that due to its very high complexity, the *transnational strategy* has been observed only rarely in its pure form (Bartlett & Ghoshal, 2002) and is rather an unachievable ideal state (Gooderham et al., 2019). INV literature states that internationalizing start-up, although well-funded, often still have capital restrictions and flexibility challenges (Sleuwaegen & Onkelinx, 2014) and need efficient cost amortization of business plans (Burgel & Murray, 2000). This hampers the early focus on enhancing global integration and local adaptation simultaneously. Thus, hypothesis eleven states the following:

> **H11.** There is an inverted U-shaped relationship between the international strategy (no-dimensional international strategy versus one-dimensional international strategy versus two-dimensional international strategy) and the internationalization performance of a start-up.

Integration and local responsiveness of value chain activities

The integration and local responsiveness levels of value chain operations represent a more granular level of the international strategy of a start-up. While the international strategy defines the direction the corporate level takes as orientation, the value chain operations' integration and local responsiveness level can vary within the same international strategy from firm to firm. According to the entrepreneurship literature, the most important activities for mature companies and start-ups are research and development, product development, human resource management, culture management, purchasing, production, marketing, sales, and customer service, which is sometimes referred to as customer success (Kaplinsky & Morris, 2000; Porter, 2001; Shin, Kraemer, & Dedrick, 2009). Start-ups need to correctly configure these two dimensions of value chain activities because they are highly influenced by a start-up's industry characteristics and customer preferences (Berchtold, Pircher, & Stadler, 2010). Additionally, they influence international performance by shaping firm costs and the willingness-to-pay of customers (Steenkamp & Geyskens, 2014). While the most appropriate degrees of integration or local responsiveness may be subject to antecedents already discussed, each value chain activity shows different tendencies based on its nature. Activities that require high knowledge transfer of firm processes and are not directly influenced by customer needs because they are internal – most often R&D, product development, purchasing and production – are more likely to enhance international firm performance if they have a low degree of local responsiveness and a high degree of global integration (Kobrin, 1991; Sachs, Warner, Åslund, & Fischer, 1995). I will address them as *internal activities*. On the other hand, activities that are customer-related – most often marketing, sales, and customer service – are more likely to enhance international firm performance if they have a high degree of local responsiveness and a low degree of global integration (Petersen & Pedersen, 2002). I will address them as *external activities*. Finally, there are value chain activities that have not predispositions based on their nature: human resource management and culture management. Applying these findings from MNE literature to start-ups, hypotheses 12 and 13 propose the following:

> **H12.** Global integration of internal activities (R&D, product development, purchasing, and

production) positively affects the internationalization performance of a start-up.

H13. Local responsiveness of external activities (marketing, sales, and customer service) positively affects the internationalization performance of a start-up.

Product adaptation

After having considered the global integration and local adaptation dimensions of the overall strategy and the value chain activities, the local adaptation of the product and service of a start-up is investigated. Local adaptation of a product describes the degree to which a product and service is altered to have an ideal product-market fit with the host country's market. Most commonly, in business-to-consumer (B2C) contexts, consumer goods such as food products and clothing are adjusted to national and regional preferences. More rarely, also in business-to-business (B2B) contexts, company software products and production materials could potentially be adjusted toward geographical preferences according to production needs or integration with other locally used software. However, product adaptation does not only potentially increase customer demand in host markets but it also bears higher costs for product development, production, marketing, sales, and customer service (Calantone, Cavusgil, Schmidt, & Shin, 2004). Hence, it is strategically important to choose the appropriate level of product adaptation that enhances customer demand to a higher degree than the associated costs so as to positively impact international performance. When evaluating the impact of product adaptation, Calantone et al. (2004) and Calantone, Kim, Schmidt, and Cavusgil (2006) found that for MNEs, higher product adaptation results in higher international performance when the product is exported and when it is sold in the host country. For INVs, Gabrielsson, Gabrielsson, and Dimitratos (2014) also suggest that significant product adaptation was necessary for high international performance of the start-ups they analyzed. Therefore, the fourteenth hypothesis states the following:

H14. Product adaptation positively affects the internationalization performance of a start-up.

Knowledge transfer

The last *Strategic Move* to consider is the knowledge transfer within international start-ups. Knowledge transfer activities are practices that collectively aim to build up social capital within an organization in order to enable and ease the formal and informal cross-border transfer of information, data, and processes (Roberts, 2000). Transferring knowledge from HQ to subsidiaries and in-between subsidiaries is critical to reach a global level of competitive advantages and capabilities (Morris, Zhong, & Makhija, 2015). This is particularly the case because capabilities are increasingly created outside the HQ, making knowledge transfer more directional and more complex (Kuemmerle, 1997). Or as Pedersen, Petersen, and Sharma (2003, p. 87) put it, "knowledge within the multinational organization is neither frictionless nor futile and requires a great deal of managerial discretion." Knowledge transfer has primary importance for all value chain activities that need a high degree of global integration (Berry, 2014; Hoekman & Javorcik, 2006; Smale, 2008) and, furthermore, positively affects locally responsive value chain activities by facilitating head starts in the adaptation processes (Saliola & Zanfei, 2009; Szulanski & Jensen, 2006). The organizational knowledge that needs to be transferred across national boundaries most often is categorized as *individual* or *social* and as *explicit* or *implicit* (Spender, 1994). While the implications of knowledge transfer activities are similar for all types of organizational knowledge, it is agreed that implicit social knowledge – for instance, the firm's culture – is the most difficult to transfer (Spender, 1996). Gooderham (2007) developed the dynamic capabilities-driven model of determinants of knowledge transfer that identified *management-initiated practices* such as the core elements of international knowledge transfer. These practices can be *transmission channels* such as international committees, liaison personnel, or common intranet; *socialization mechanisms* such as diversity training, language training and job transfers between countries; and *motivational mechanisms* such as extrinsic and intrinsic rewards. Previous international management literature shows that intensive knowledge transfer activities positively affect subsidiary performance and, therefore, international performance in general independent of individual transfer activities (Kotabe, Dunlap-Hinkler, Parente, & Mishra, 2007; Levine & Prietula, 2012; Wang, Tong, Chen, & Kim, 2009). In line with these findings, the fifteenth hypothesis suggests the following:

H15. Knowledge transfer positively affects the internationalization performance of a start-up.

The effect of the relative product quality

Although not accounted for in Figure 2, according to existing literature, there is a moderating effect of the product quality on the relationship between the *Strategic Moves* and the internationalization performance of early internationalizing start-ups. The quality of a firm's product is associated with superior international performance as shown by Audretsch, Lehmann, and Schenkenhofer (2018) in the case of German hidden champions. For new ventures, successful INVs focused on high product and service quality and high product innovation versus national new ventures (McDougall et al., 2003). Therefore, the sixteenth and final hypothesis claims the following:

H16. The relative quality of a start-up's products positively influences the relationships between the *Strategic Moves* (H1-H15) and the internationalization performance of a start-up.

4. Methodology

To provide empirical support for the conceptual model proposed in Chapter 3, I conduct a literature review and a field survey. The literature review based on secondary data of INV research defines the role of a start-up's *Heritage*. The multi-industry field survey that collected primary data from internationalizing start-ups tests the stated hypotheses on the *Strategic Moves*, as summarized in Figure 3. Figure 3 gives an overview of the derived hypotheses in Chapter 3.2 and shows how the *Strategic Moves* of the conceptual model are investigated and which effects are expected to be found as results of the analyses.

In this chapter, I present the methodology of the quantitative study used for the hypotheses summarized in Figure 3. This includes the data collection and sample properties. The chapter also discusses the construction of the measures and the determination of the variables. Lastly, it includes the analysis approach.

4.1. Data collection and sample

I collected data from 56 start-ups. 24 had already internationalized their business, 12 were in the process of internationalizing when participating, and 15 planned to internationalize in the future. 5 start-ups did not intend to internationalize in the future.

The digital questionnaire for the field study was distributed via direct mailing to 205 European start-ups and via cooperation with German universities (e.g., Ruhr-Universität Bochum, TU Dortmund, RWTH Aachen and TU München), start-up networks in Germany (e.g., WorldFactory and Ruhr:Hub), the Bundesverband Deutsche Startups, start-up groups on LinkedIn (e.g., Startup Germany Club and Market Your Start Up), and German Venture Capital firms (e.g., STS Ventures and Earlybird Venture Capital). The data collection took place between December 2021 and February 2022.

The cooperating organizations and I sent out the questionnaire-based survey mainly to founders, C-level employees, and head of strategy, business development, and international expansion departments. We did so because these positions are the most knowledgeable about the internationalization of their start-up (Baum et al., 2011), following the key informant approach (Homburg, Alavi, Rajab, & Wieseke, 2017). The total response rate is not possible to retrace due to the unknown number of start-ups the survey reached through the cooperating organizations. The response rate for the direct mailing is 10.7% (n = 22). Furthermore, 5 responses had to be eliminated because the start-ups did not aim to internationalize in the future. These start-ups only provided data on why they do not intend to internationalize. Therefore, 51 responses are used for the final data analysis.

The sample mainly consists of privately owned start-ups founded in Europe between 2006 and 2022. Since I focus on the *Strategic Moves* of early internationalizing start-ups, I chose relatively young firms. This is reflected in 42 start-ups being founded in 2016 or later. Research shows that early internationalizing start-ups exist independently from industries (Knight & Cavusgil, 2004). Therefore, the industries represented by the start-ups in the survey are relatively equally distributed.

4.2. Measurement

For the questionnaire, I use previously validated measures from international business studies in combination with newly created measures based on conceptual models of prior research in strategic management, INV, and international business studies. Table 2 presents an overview of all variables.

Independent variables

To measure the independent variables stated in the hypotheses, I used single and multiple-choice constructs, and ten-point Likert-scales. The single- and multiple-choice constructs were used for the task force and consulting involvement, the top-management planning ownership, the market seeking objective, the equity operating mode, the greenfield and acquisition entry type, the internationalization path to multiple countries on one continent, the strategic leader subsidiary role, and the one-dimensional international strategy. The ten-point Likert-scales were used for the degree of inclusion of the psychological distance, the integration degree of the internal and responsiveness degrees of the external value chain activities, the degree of product adaptation and the degree of knowledge transfer activities. In the Likert scales, 1 represented “Low degree” and 10 represented “High degree”.

For some independent variables, theoretical constructs from prior research or compilation of related research findings have been used. This is because research on the *Strategic Moves* of INVs is limited and does not offer strong methodological guidance. Accordingly, Dunning's (2009) four main reasons are used as a framework for the internationalization reasons. For the psychological distance, Ghemawat's (2001) CAGE-framework is used. For internationalization path, Johanson and Vahlne's (1977) Uppsala model was adjusted and used. For the subsidiary role, Bartlett and Ghoshal's (1989) four types are used. For the knowledge transfer, Gooderham's (2007) dynamic capabilities-driven model of determinants of knowledge transfer is used.

While most of the measures could be taken as variables, some had to be newly developed. All newly developed variables are results of clustered or summed up measures that are more granular. The C-level variable consists of the CEO, the Chief of Staff, and the remaining C-level management position. The psychological distance has been assembled from the cultural, geographic, and economic distance. For the equity operating mode, self-managed exporting, sales branches, production sites and subsidiaries have been taken together. The internationalization path of expanding initially

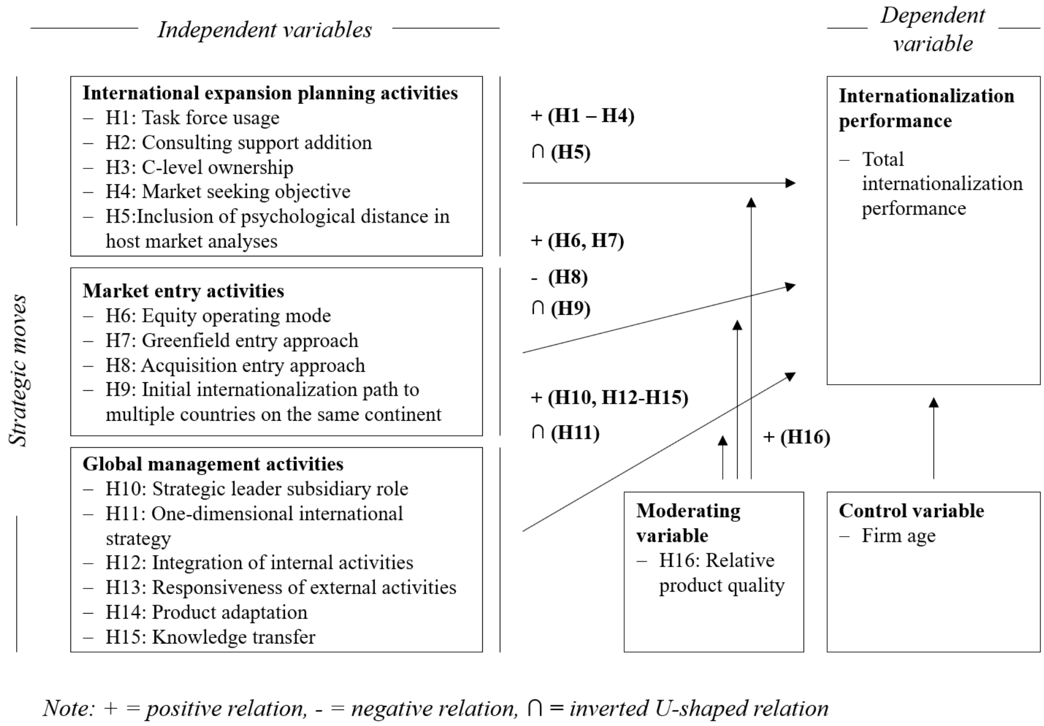


Figure 3: Analysis Model of the Study.

Table 1: Study Sample Properties.

Property	**Firm home country**		**Finn age** (years)		**Funding received** (m **EUR**)	
Occurence	Germany	n = 41	< 1	n =2	< 0.1	n = 8
	Rest of Europe	n = 10	1 - 3	n = 21	0.1 - < 1	n = 12
			4 - 6	n= 19	1 - < 10	n= 19
			> 6	n = 9	10 - < 100	n = 10
					> 100	n = 2
	Number of employees		**Firm ownership**		**Role of survey respondent**	
	< 10	n = 21	Private	n = 43	Co-founder	n = 17
	10 - 50	n = 14	Corporate	n = 6	CEO	n = 13
	51 - 200	n = 13	Other	n = 2	Head of strategy dep.	n = 9
	201 - 1,000	n = 1			Member of strategy dep.	n = 17
	> 1,000	n = 2			Other	n = 24
	Business model		**Industry**			
	Software as a Service	n = 24	Business functions mgmt.	n = 10		
	Multi-sided platform	n = 7	Consumer goods	n = 8		
	Marketplace	n = 6	Industrial goods	n = 8		
	Manufacturing	n = 5	Financial services	n = 3		
	Other	n = 9	Other	n = 22		

Note: Funding received indicates for all start-ups that have already internationalized how much funding these start-ups received before internationalizing and for all start-ups that are in the internationalization process or plan to internationalize in the future how much funding these start-ups received when filling out the survey; Multiple answers were possible for the role of survey respondet

Table 2: Overview and Description of the Study Variables.

Variables	Description of variable	Literature construct	Source
Finn age	The number of years that passed since the creation of the start-up's legal form	-	McNaughton (2003); Naldi et al. (2020)
Relative product quality	The quality of the product in comparison to the quality of the competititors' products	-	McDougall et al. (2003)
Task-force usage	Using a task-force of employees for the internationalization planning	-	John et al. (1999)
Consulting support addition	Using external consultants for the internationalization planning	-	C. Wright and Kitay (2002)
C-level ownership	C-level members have the main responsibility for the internationalization planning and performance	-	Mintzberg (1994b); Ocasio and Joseph (2008)
Market seeking objective	Gaining higher market share is the main internationalization objective	Dunning's 4 internationalization reasons	Dunning (2009)
Inclusion of psychological distance in host market analyses	Psychological distance is included in the decision-making criteria when choosing a host market to internationalize to	The CAGE distance framework	Ghemawat (2001)
Equity operating mode	An equity operating mode is chosen when entering a host market	The hierarchical model of choice of entry modes	Pan and Tse (2000)
Greenfield entry approach	Market entry in host markets is done by building up foreign operations from scratch	The foreign direct investment mode choices	Brouthers and Brouthers (2000); Dikova and Van Witteloostuijn (2007)
Acquisition entry approach	Market entry in host markets is done by acquiring foreign operations from other firms	The foreign direct investment mode choices	Brouthers and Brouthers (2000); Dikova and Van Witteloostuijn (2007)
Initial internationalization path to multiple countries on the same continent	The first internationalization wave is towards multiple countries on the same continent	The Uppsala model	Johanson and Vahlne (1977)
Strategic leader subsidiary role	The role of the first subsidiaries is being strategic leaders	The 4 roles of subsidiaries	Bartlett and Ghoshal (1989)
One-dimensional international strategy	The international strategy focuses on one dimension, being either a global or a multidomestic strategy	The four international strategies	Gooderham et al. (2019)
Integration of internal activities	Internal activities are integrated between foreign operations	Firm value chain; Integration- adaptation continuum	Porter (2001); Berchtold et al. (2010)
Responsiveness of external activities	External activities are adapted to the host markets	Firm value chain; Integration- adaptation continuum	Porter (2001); Berchtold et al. (2010)
Product adaptation	The products are adapted to the host markets	-	Calantone et al. (2004, 2006)
Knowledge transfer	Knowledge transfer activities are used to transfer knowledge across foreign operations	The dynamic capabilities-driven model	Gooderham (2007)
Total internationalization performance	The total and overall internationalization performance	-	Stuart and Abetti (1987); Hult et al. (2008)

into multiple countries on the same continent consists of the expansion to several neighboring countries on the same continent and of expansion to many countries on the same continent. The one-dimensional international strategy variable is a cluster of the multidomestic and the global strategy. The internal activities for the consideration of the integration degree are R&D, product development, production and purchasing. The external activities for the consideration of the local responsiveness degree are marketing, sales, and customer service. Additionally, although based on the dynamic capabilities-driven model of determinants of knowledge transfer, the knowledge transfer variable used is the average of the values of all single dimensions.

Dependent variable

The dependent variable, namely the overall internationalization performance of a start-up, was measured with a ten-point Likert-scale. For this, I chose the subjective assessment of the overall performance of internationalization since this indication could be made by all participating start-ups, not only the ones that had already finished internationalizing. According to Stuart and Abetti (1987), this subjective measure of success can be used in a new venture setting.

In general however, internationalization performance can be measured with subjective and objective variables (Hult et al., 2008). Prior research shows that start-ups tend to be reluctant to share objective data such as financial information (Sapienza, Smith, & Gannon, 1988). Therefore, I use subjective performance indicators because they have been proven to correlate with objective indicators (Dess & Robinson Jr, 1984). However, there are commonly accepted subjective performance measures for start-ups (Brush & Vanderwerf, 1992). The performance measures asked for in the questionnaire mainly follow the approach of Aspelund et al. (2007), who advised employing hard and soft factors for a holistic view of a start-up's performance. According to this approach, start-ups rated three hard factors (international market share increase, total sales increase, and Return on Investment) and three soft factors (new capabilities gains, network expansion, and competitive position enhancement; Tsai, MacMillan, & Low, 1991; McDougall & Oviatt, 1996; Zahra et al., 2000; Gilbert, McDougall, & Audretsch, 2008).

These granular factors, however, could only be indicated by start-ups that have already internationalized because they are very difficult to predict. Since there is a significant number of start-ups within the sample that have not finished or not yet started internationalizing, I chose the subjective assessment of the overall internationalization performance to be able to bring together all responses.

Moderating variable

For the moderating variable, I use the relative quality level of the start-up's products. This variable is proven to actively shape new venture internationalization because a higher product quality than the competition fuels foreign sales and internationalization (McDougall et al., 2003).

Control variable

To strengthen the robustness of the findings, a control variable that might influence the internationalization performance of a start-up has been included. The selected control variable is the firm age, in accordance with current INV research of Naldi et al. (2020) and McNaughton (2003).

4.3. Analysis

To test the hypotheses shown in the Analysis Model in Figure 3 and described throughout Section 3.2, I employ regression analyses based on the Ordinary Least Squares (OLS) method. In line with the stated hypotheses, I will complement the simple linear regression models with linear regression models in which a quadratic term is added to the interaction.

Simple linear regressions

For all hypotheses except H5, H9, and H11, I follow most previous INV and international business studies research (e.g., McDougall & Oviatt, 1996; Zahra, Matherne, & Carleton, 2003; Schueffel, Amann, & Herbolzheimer, 2011; Braga, Marques, & Serrasqueiro, 2018) in using simple linear regressions. I use linear regressions to determine the impact of *Strategic Moves* on the internationalization performance of a start-up. Therefore, the dependent variable in the regressions is the overall internationalization performance of the start-up, and the independent variable is the respective variable stated in the hypothesis description.

Linear regressions with a quadratic term

For hypotheses H5, H9, and H11 – namely, the inclusion of psychological distance when choosing host markets, the internationalization path, and the international strategy – I use linear regression with a quadratic term. As presented in Chapter 3, for all three *Strategic Moves* I expect to find extreme points (high points). Therefore, linear regressions with a quadratic term have been preferred over simple linear regressions, as already done by Guo and Wang (2021), for the internationalization path of INVs (Fernhaber & McDougall-Covin, 2014) and for the relationship of internationalization degree and INV performance.

All hypotheses are tested within their own regression models because the relatively low sample size does not allow a single regression model for all independent variables. All regression analyses are performed using IBM SPSS 28.

5. Results

The results presented in this chapter include the regression results of the analyses described in Chapter 4 for the *Strategic Moves* and the literature review results of the start-up's *Heritage*. These results form the basis of the succeeding framework and the discussion presented in Chapter 6.

Table 3: Descriptive Statistics.

Variables	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18
Firm age (1)	1.000																	
Relative product quality (2)	.067	1.000																
Task-force usage (3)	.045	- .101	1.000															
Consulting support addition (4)	- .098	.014	.198†	1.000														
C-level ownership (5)	.095	- .165	- .057	- .194†	1.000													
Market seeking objective (6)	- .051	.109	- .130	.099	.200	1.000												
Inclusion of psychological distance in host market analyses (7)	.157	.106	.022	.223†	.102	- .151	1.000											
Equity operating mode (8)	- .056	.255*	.103	.051	- .283*	- .006	- .150	1.000										
Greenfield entry approach (9)	.132	.126	.077	.031	- .158	.428**	- .173	.404**	1.000									
Acquisition entry approach (10)	- .024	.010	.147	.280*	- .345**	.169	.066	.331**	.318*	1.000								
Initial internationalization path to multiple countries on the same continent (11)	.092	- .048	- .108	.103	- .254*	.216†	- .240*	.170	.240*	.076	1.000							
Strategic leader subsidiary role (12)	.041	.026	.139	.113	- .061	- .143	.083	.043	.119	- .060	.206	1.000						
One-dimensional international strategy (13)	.084	- .003	- .029	- .168	.139	- .004	- .128	.2811	.208	-.201	.038	.205	1.000					
Integration of internal activities (14)	- .255†	.026	-.028	-.041	-.144	-.171	-.015	-.012	.2411	-.206	.062	.168	.041	1.000				
Responsiveness of external activities (15)	- .004	- .037	- .025	- .341*	.123	.001	.063	.227	.012	- .338*	- .131	.090	.204	.030	1.000			
Product adaptation (16)	.096	.2131	.133	- .096	- .178	.104	.156	.418**	.439**	.169	- .050	- .089	.053	.130	.637**	1.000		
Knowledge transfer (17)	.152	- .075	.128	.125	.064	- .089	.026	.450**	.384**	.033	.111	.034	.112	.327*	.298*	.403**	1.000	
Total internationalization performance (18)	.232†	.352**	-.2011	- .156	- .039	- .110	.004	.346**	.252**	- .127	- .094	.121	.224	.359*	.315*	.408**	.597**	1.000
Mean	5.39	8.47	.31	.20	.84	.82	4.56	.55	.57	.12	1.86	.57	1.79	5.15	6.70	4.8	4.51	7.06
Standard deviation	3.51	1.06	.47	.40	.37	.39	2.19	.50	.50	.33	.66	.50	.69	2.29	2.46	2.62	1.87	2.11

Note: n = 37 for (10), n = 34 for (11), n = 35 for (12), n = 32 for (13), and n = 37 for (15); Sig. (one-tailed) used; For (7), (11), and (13) the quadratic variables were used †$p < 0.1$, *$p < 0.05$, **$p < 0.01$

5.1. Study analysis results of the start-up's Strategic Moves

The effects of *Strategic Moves* on the international performance of a start-up are tested with the analysis model shown in Figure 3. First, the descriptive statistics are shown in Table 3. Then, the results of the regressions are shown in Table 4 and explained. Finally, the results of the statistical properties are presented.

Descriptive statistics

See Table 3.

Regression results

As illustrated in Table 4, the results of the simple linear regressions that included the control variable reveal that market entry activities and global management activities in particular have a significant effect on the international performance of a start-up. For international expansion planning activities, hypotheses H1, H2, H3, and H4 do not show a signification relationship and are therefore discarded. For the inclusion of the psychological distance when choosing a host market, the curvilinear model shows a significant ($b = -1.750$, $p < 0.01$) high point at a medium degree of inclusion leading to the expected inverted U-curve relationship and supporting H5. For market entry activities, the choice of equity modes when entering a host country significantly enhances the international performance of a start-up ($b = .360$, $p < 0.01$), supporting H6 in the study. In H7 and H8, I expected that the greenfield approach to foreign operations would positively affect the internationalization performance of start-ups while the acquisition approach would affect it negatively. The results show support for H7 ($b = .252$, $p < 0.10$) when the control variable is not included; however, they show no support when it is included and no significant relationship for H8, which is the acquisition entry type. H9 received no significant support. H10 shows no significant relationship between the subsidiary role as a strategic leader and the internationalization performance of a start-up. The one-dimensional international strategies do enhance the international performance of a start-up better than the non-dimensional or two-dimensional strategies ($b = -1.737$, $p < 0.10$), thus supporting H11. As hypothesized for H12 and H13, the integration of internal activities of the value chain ($b = .409$, $p < 0.05$) and the local responsiveness of external activities ($b = .316$, $p < 0.10$) of the value chain both have a significantly positive effect on the internationalization start-up performance. The adaptation of a start-up's products to the host market requirements leads to a higher international performance of the start-up ($b = .389$, $p < 0.01$), therefore supporting H14. Finally, knowledge transfer activities enhance the international start-up performance ($b = .581$, $p < 0.01$); thus, H15 is also supported.

Moderating variable analysis results

Considering the moderating effect of the relative product quality on the relationships between the *Strategic Moves* and the new venture internationalization performance stated in H16, the results show that the interaction coefficient is significant for H5 ($b = -.031$, $p < 0.05$), H7 ($b = -1.512$, $p < 0.01$), H8 ($b = -1.406$, $p < 0.05$), and H14 ($b = -.196$, $p < 0.05$). It shows that a start-up's relative product quality does influence the relationship between its international performance and the *Strategic Moves,* the inclusion of the psychological distance when choosing host markets, the greenfield entry mode, the acquisition entry mode, and the degree of product adaptation. Additionally, the regression results of the effect of the product quality on the internationalization performance ($b = .338$, $p < 0.05$) are significant. H16, however, is not supported since there is a moderating effect on only 4 out of the 15 hypotheses regarding the *Strategic Moves* and these effects are negative instead of positive (as it has been expected).

Statistical properties results

To test the usability of the variables for the regression analyses, I conducted a Kolmogorov–Smirnov test to determine the normal distribution of the variables following Yaacob *et al.*'s (2014) approach when researching start-up performance. I test for heteroscedasticity with a scatterplot-based approach, as performed by Fuad and Akbar (2018) when analyzing INV performance. Additionally, I investigate the multicollinearity with the Variance Inflation Factor (VIF) method (Raykov & Marcoulides, 2012).

The results of the Kolmogorov–Smirnov test show that the data collected is not for all variables normally distributed. For the most variables used, *p (Asymp. Sig. (2-tailed)* < 0.05 shows a normal distribution. However, the integration degree of internal activities ($p = .141$), the responsiveness degree of external activities ($p = .200$), and the knowledge transfer ($p = .198$) show values of $p > 0.05$ making them non-parametric and therefore not robust for regression analyses. These results do not impede the results of the regression analyses since the used OLS method is very resistant to this phenomenon (Cohen, 2013).

Regarding heteroscedasticity, the used independent, dependent, moderating, and control variables showed a homoscedastic pattern indicated by their scatterplot. They are therefore appropriate to be used in regression analyses.

For multicollinearity, there is no multicollinearity for the independent variables I use for hypotheses testing in the regression models based on the VIF values that are all lower than 2. Additionally, the Pearson correlation values between all variables presented in Table 3 are all lower than 0.7, also not suggesting potential multicollinearity.

5.2. Literature review results of the start-up's Heritage

The effect a start-up's *Heritage* has on its internationalization speed and expected international performance was

Table 4: Regression Results.

	Independent variables	Expected relation	Total Internationalization performance (without ctrl. variable)	Adjusted R^2 (without ctrl. variable)	Total Internationalization performance (with ctrl. variable)	Adjusted R^2 (with ctrl. variable)
H1	Task force usage	+	- .201	0.021	- .212	0.061
H2	Consulting support addition	+	- .156	0.004	- .134	0.033
H3	C-level ownership	+	- .039	- 0.019	- .062	0.018
H4	Market seeking objective	+	- .110	- 0.008	- .098	0.024
H5	Inclusion of psychological distance in host market analyses	∩	- 1 .675*	0.087	- 1 .750**	0.137
H6	Equity operating mode	+	.346*	0.102	.360**	0.149
H7	Greenfield entry approach	+	.252†	0.044	0.225	0.066
H8	Acquisition entry approach	-	- .157	- 0.004	- .121	0.030
H9	Initial internationalization path to multiple countries on the same continent	∩	.666	- 0.016	0.404	0.013
H10	Strategic leader subsidiary role	+	.121	- .014	.115	- .021
H11	One-dimensional international strategy	∩	- 1 .658†	0.087	- 1 .737†	0.096
H12	Integration of internal activities	+	.359*	0.102	.409*	0.113
H13	Responsiveness of external activities	+	0.315†	0.070	0.316†	0.047
H14	Product adaptation	+	.408**	0.149	.389**	0.171
H15	Knowledge transfer	+	.597**	0.338	.581**	0.331

Note: Sig. (two-tailed) used
+ = positive relation, - = negative relation, ∩ = inverted U-shaped relation
†$p < 0.1$, *$p < 0.05$, **$p < 0.01$

investigated with the help of a literature review. Accordingly, I collected 87 qualitative and quantitative data points from 45 papers and publications. The papers and publications focused on INV studies and have been published in highly ranked journals in the INV research field such as *Journal of International Entrepreneurship*, *Journal of International Business Studies*, and *Journal of International Management*. A list of the papers and publications can be found in Appendix A. The results of the literature review are summarized in Table 5.

Environmental factors

For the availability of and access to venture capital in a start-up's home country, the literature shows a *mostly positive effect*. This is due to the faster internationalization speed funded by the higher average financial capital per start-up (Fernhaber et al., 2007; M. Wright, Robbie, & Ennew, 1997). The availability of venture capital is one of the most influential institutional factors for start-up internationalization (Nowiński & Rialp, 2013). Only when venture capital cannot overcome the existing barriers to internationalization is the effect shown to be negative (Shaw & Darroch, 2004).

For the ICT and mobility infrastructure of a new venture's home country, the literature shows an *exclusively positive effect*. This is due to better possibilities of information gathering about foreign markets and competition and international networking opportunities (Bell & McNaughton, 2000;

Table 5: Literature Review Results.

Heritage factors	Relationship found	Relationship description	Sources
Availability of and access to venture capital	+	High availability and easy access is beneficial	Fernhaber et al. (2007); Nowiński and Rialp (2013)
ICT and mobility infrastructure	+	Well-developed infrastructure is beneficial	Knight and Cavusgil (1996a); Bell and McNaughton (2000)
Intnationalization degree of industry	+	High international degree of industry is beneficial	Madsen and Servais (1997); McDougall et al. (2003)
Competition	∩/-	Mixed results found; medium to low degree of competition is beneficial	Shrader, Oviatt, and McDougall (2000); Saiyed, Fernhaber, Basant, and Dhandapani (2021)
Founders' characteristics	+	International experience, international vision and industry experience are beneficial	McDougall et al. (1994); Shrader et al. (2000)
Business strategy	+/-	Differentiation and niche strategy are beneficial; cost leadership strategy is detrimental	Burgel and Murray (2000); Knight and Cavusgil (2004)
Resources	+	Organizational (learning orientation) and relational (networks) capabilities are beneficial	Zahra et al. (2000); Cavusgil and Knight (2015)

Note: Sources are only exemplary and just an excerpt from all sources used for the literature review.

Hamill & Gregory, 1997; Knight & Cavusgil, 1996a, 1996b; Loane, 2005). Infrastructure developments also enhance the internationalization of business models such as e-commerce businesses by providing the requirements for internet selling and shipping (Loane, McNaughton, & Bell, 2004). Moreover, state-of-the-art ICT technology lays the foundation for more efficient international business activities and processes (Cavusgil & Knight, 2015).

Industry factors

For the internationalization degree of a start-up's industry, literature shows a *mostly positive effect*. Factors that represent together the internationalization degree of an industry such as global demand, level of global integration of business activities, and international footprint of competition lead to fast internationalization and higher expected international performance (Evers, 2010; Fernhaber et al., 2007; Madsen & Servais, 1997; McAuley, 1999; McDougall et al., 2003). This is partly because the degree of internationalization is a success factor in the industry, for instance, by shortening product life cycles (Coviello & Munro, 1995) and partly due to the isomorphic behaviour of companies replicating internationalization movements of the competition (Fernhaber et al., 2007). Only Andersson et al. (2014) showed a mixed effect, depending on industry-specific drivers and barriers.

For the competition in a start-up's industry, the literature shows *mixed effects*. Saiyed et al. (2021) claim that there is an inverted U-curve effect of industry concentration on internationalization performance. This means that a very low and a very high number of competitors hinder start-up internationalization while a goldilocks medium number of competitors reinforces start-up internationalization. Other research results suggest that high competition intensity negatively influences start-up internationalization (Shrader et al., 2000) and that industry profitability (which is most often the case when competition intensity is low) positively influences start-up internationalization (Bloodgood et al., 1996). Moreover, other research results indicate no clear or no significant relationships between competition within an industry and the internationalization of new ventures (Andersson et al., 2014; McDougall et al., 2003).

Start-up characteristics

For the founders of a start-up, the literature shows an *exclusively positive effect* of prior general and industry-specific experience (Evers, 2010; Matiusinaite & Sekliuckiene, 2015; McDougall et al., 1994; Reuber & Fischer, 1997; Wickramasekera & Bamberry, 2001), prior international experience (Autio & Sapienza, 2000; Crespo & Aurélio, 2020; Kuemmerle, 2002; Madsen & Servais, 1997; McDougall et al., 2003, 1994; Nowiński & Rialp, 2013; Reuber & Fischer, 1997; Shrader et al., 2000), and international vision and mindset (Johnson, 2004; McDougall et al., 1994; Moen, 2002; Servais & Rasmussen, 2000; Weerawardena, Mort, Liesch, & Knight, 2007) on start-up internationalization. This is because these aspects enhance international opportunity recognition, access to international networks, and lead to better decision-making regarding international moves. Only when considering the founder's gender, Lee, Paik, and Uygur (2016) found a negative effect of the female gender on start-up internationalization when venture capital is required.

Regarding a start-up's business strategy, the literature shows on the one hand an *exclusively positive effect* of differentiation and niche strategies (Bloodgood et al., 1996; Burgel & Murray, 2000; Cavusgil & Knight, 2015; Knight & Cavusgil, 2004, 2005; Madsen & Servais, 1997; McDougall et al., 2003). On the other hand, the literature shows an *exclusively negative effect* of cost-leadership strategies (Knight & Cavusgil, 2005; McDougall et al., 2003). Moreover, McDougall and Oviatt (1996) found a *mixed effect* of strategic change on start-up internationalization.

For the resources of a start-up, the literature shows an *exclusively positive effect* of organizational and, even more, of relational capital on new venture internationalization. Main organizational capital contributors are learning capabilities, marketing capabilities, technological knowledge and product development, and innovative culture (Cavusgil & Knight, 2015; Knight & Cavusgil, 2004; Madsen & Servais, 1997; Martin & Javalgi, 2019; Murray, Gao, & Kotabe, 2011; Weerawardena et al., 2007; Zahra et al., 2000). Main relational capital contributors are the inclusion in global networks and alliances, and international sales contacts (Coviello & Munro, 1995) Cavusgil and Knight (2015); Coviello (2006); Johnson (2004); Loane and Bell (2006); Matiusinaite and Sekliuckiene (2015); Schwens and Kabst (2009); Servais and Rasmussen (2000); Wickramasekera and Bamberry (2001); Yu, Gilbert, and Oviatt (2011). For financial capital, the literature shows a *mixed effect*. It either does not affect start-up internationalization or affects it indirectly by enhancing employees' optimism (Lee et al., 2016; Nummela, Saarenketo, & Loane, 2016).

6. Discussion

Firms tend to internationalize earlier than in the past because early internationalization enhances international performance (Autio, Sapienza, & Almeida, 2000). The properties that early internationalizing start-ups have are now better understood as well as the rationale behind their rapid speed of internationalization (McDougall et al., 1994). However, prior research offers only little insight into how early internationalizing start-ups should set up their strategy for the complex and crucial step of expanding their business globally (Paul & Rosado-Serrano, 2019). Additionally, existing literature does not offer a holistic overview of the effects of the starting point of a new venture in combination with the chosen strategy for internationalization on the international performance of new ventures (Cavusgil & Knight, 2015).

Extending prior research, I investigated, on the one hand, the *Strategic Moves* start-ups should undertake to enhance their internationalization performance with a quantitative field study. On the other hand, I synthesized existing findings on the *Heritage* of start-ups with a qualitative literature review. The literature review and the study broaden our understanding of action steps to win on a global level as an early internationalizing start-up, creating an initial holistic concept for start-up internationalization. Taken together, the findings close the two research gaps indicated in Figure 1 and answer the research question stated in Chapter 1 about how and to what extent the *Heritage* and the *Strategic Moves* influence the internationalization performance.

In the following sections, I establish a framework based on my results and discuss the gained insights from my analyses while giving further indications on these aspects. Then, I present the theoretical and managerial implications. Following this, I outline the limitations of the work and show future research directions.

6.1. Start-up Internationalization Framework

Based on the results presented in Chapter 5, I develop the Start-up Internationalization Framework shown in Figure 4. The framework indicates how to ideally configure the *Heritage* of a start-up from the founding day on and which *Strategic Moves* to undertake during the internationalization for an optimal outcome.

The framework highlights one overarching and eight specific aspects regarding the *Strategic Moves*. The overarching aspect is the two-fold perspective on the internationalization of a start-up. The specific aspects regarding the *Strategic Moves* for the international expansion planning activities are the inclusion of the psychological distance when selecting host markets; for market entry activities, it is the entrance with equity modes and building up foreign operations from scratch; and for global management activities, it is the selecting of a one-dimension international strategy, the integration of internal activities, the local responsiveness of external activities, the local adaptation of the products, and the knowledge transfer.

The two-fold perspective is the combination of the start-up's unchangeable *Heritage* that exists prior to its internationalization and its changeable *Strategic Moves* while internationalizing. The framework shows that the internationalization performance of an early internationalizing start-up under no circumstances is only affected by the pre-internationalization factors as is often stated in the born-global literature (e.g., McDougall et al., 1994). In fact, the internationalization performance is greatly affected by aspects of the internationalization strategy itself which can take different forms. Additionally, the framework shows that start-ups can bring themselves into a pole position for internationalization by shaping their *Heritage* correctly. For the start-up characteristics, this is intuitively plausible since all aspects can be altered. A start-up's business strategy

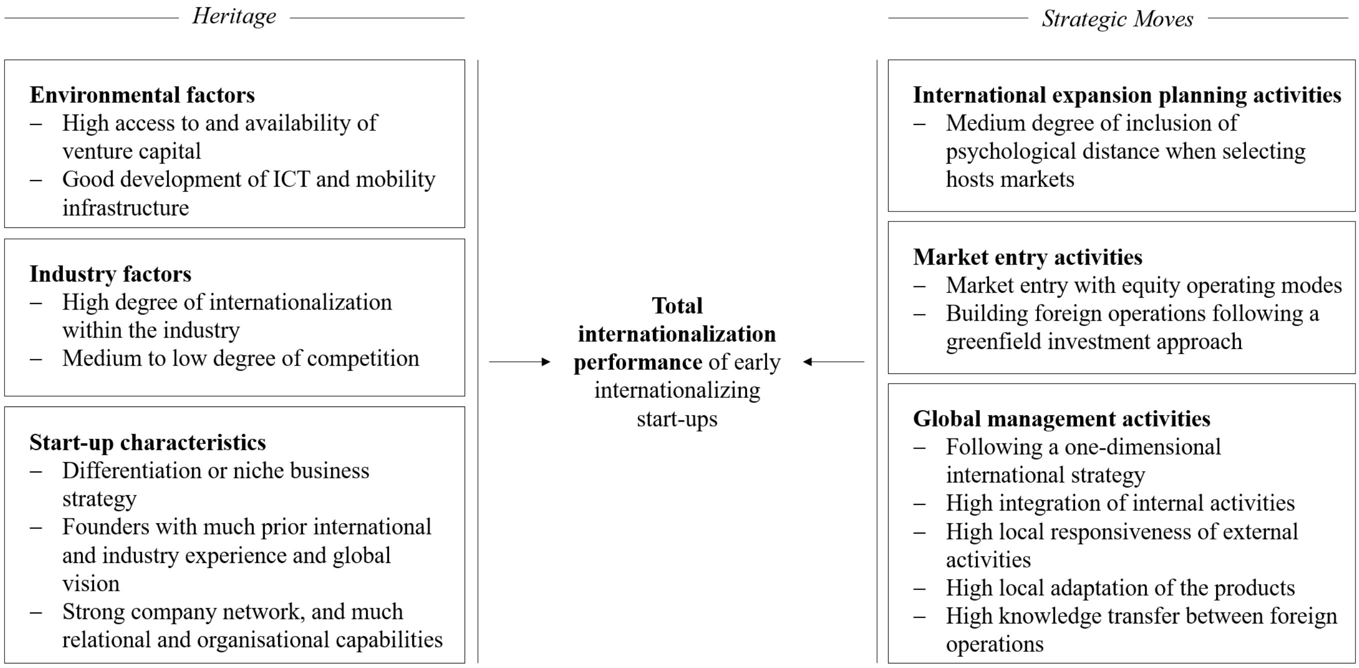


Figure 4: Start-up Internationalization Framework.

can be changed by its executives, founders can work on their personal development, and crucial resources such as network partners can be cultivated from the start or when preparing for internationalization. Moreover, this is also possible for environmental and industry factors. Headquarters can be changed during the beginning of a start-up life. Start-ups from Europe and other continents, for instance, do the "Delaware flip", which is registering a subsidiary in Delaware, USA, where the filing and business law for start-ups is easiest to follow in the U.S. (Warnes, 2022). In this way, start-ups profit from American accelerators, such as the Y-Combinator that requires the HQ to be in the U.S., venture capital, and infrastructure. Within an industry, start-ups can change customer and product segments or value chain stages they focus on (Bajwa et al., 2017). Upstream value chain stages are typically more profitable and service-oriented, allow for more differentiation, and show a more global level of industry (Ju & Yu, 2015). However, apart from the starting position of the start-up before internationalizing, the configuration of *Strategic Moves* is crucial as well.

International expansion planning activities

For the international expansion planning activities, my results show that it is crucial to include the psychological distance when selecting host markets. However, the ideal degree of inclusion of the psychological distance is not the more the better. Rather, the inclusion of the psychological distance is ideal when it leaves space for and is complemented by the inclusion of economic factors such as market size and growth. Hence, neither no inclusion nor the sole inclusion of the psychological distance is ideal. This inverted U-shape relationship for early internationalizing start-ups contradicts the Uppsala model for MNEs proposed by Johanson and Vahlne (1977). Using only the psychological distance leads to the miscalculation that foreign operations in the psychologically near countries are inappropriately simple to manage and important differences that exist are thus ignored (O'grady and Lane, 1996). Ideally, a start-up should balance the psychological distance and economic criteria such as market size, market growth, product life cycle, and foreign competition intensity to enhance internationalization performance. Psychological distance needs to be included to some degree because it prevents start-ups with organizational restrictions from overestimating their capabilities and expanding too broadly. However, not exclusively focusing on the psychological distance allows start-ups to expand to economically relevant host markets with high market size and higher share of customer adaptation instead of limiting them to immediately neighboring countries. Additionally, targeted managerial actions can enable companies to overcome liabilities of foreignness stemming from the psychological distance (Child, Rodrigues, & Frynas, 2009).

Market entry activities

For the market entry activities, my results show that using equity operating modes such as sales branches, production sides, or fully owned subsidiaries when entering host markets and entering them following a greenfield investment approach is ideal when internationalizing as a start-up. This effect for the greenfield investment approach however has been significantly shown only in the regression model without the control variable and has not been sustained when the control variable was added to the model. The effect is nevertheless included in my results and discussed in this chapter since it does show an existing tendency.

The superiority of equity modes can be explained by a start-up's characteristics and by host market specifics. The offering of technologically advanced products and services by early internationalizing start-up's favors equity modes. This is due to the high need for knowledge transfer, especially tacit knowledge, when producing, developing, and distributing those products and services (Brouthers & Hennart, 2007). Additionally, equity modes allow for a high control of foreign operation activities that is necessary when entering high-risk host markets that are unstable, fast growing, and competitive (Rasheed, 2005). Taken together, equity operating modes enable start-ups to tightly manage their foreign operations and overcome obstacles created by risky host markets or by potential management control demise due to the global expansion. Moreover, equity modes allow start-ups with totally global internationalization ambitions to internalize best practices and build up internationalization capabilities that enhance future success (Ripollés & Blesa, 2017).

According to my results, the equity operating modes should ideally be implemented by early internationalizing start-ups via a greenfield approach. The effect suggests that foreign operations should be built up internally from scratch rather than bought from other companies via M&A activities or created within IJVs. Building up foreign operations includes the following: hiring of foreign staff, potentially including a country director from the free market or from competitors or other companies and possibly the transfer of expats from HQ; the set-up of office locations that are either bought or built; and the transfer of inter-firm infrastructure such as the IT-landscape, processes, and so forth. The advantages of the greenfield approach are that it allows for easier duplication of firm structures and policies, transfer of competitive advantages that are not location-bound, and the control of foreign subsidiaries (Harzing, 2002). For early internationalizing start-ups, it is vital to maintain a high speed of development while continuously enhancing the competitive position. Accordingly, the greenfield approach enables firms that developed strong intangible capabilities to internationalize most effectively (Brouthers & Brouthers, 2000). This approach is crucial for new venture internationalization because it allows start-up headquarters to maintain a certain level of control and transfer intangible resources and capabilities that are the main sources of competitive advantage. Only when local capabilities are needed that cannot be obtained through hiring and adoption of existing structures can collaboration modes or acquisitions complement the greenfield approach.

Global management activities

For the global management activities, my results illustrated in the Start-up Internationalization framework show that five activities enhance the internationalization performance. These activities are the selection of a one-dimensional international strategy, the global integration of internal value chain activities, the local adaptation of external value chain activities, the local adaptation of the products and services, and extensive knowledge transfer.

When coordinating cross-border operations at the highest strategic level, a one-dimensional international strategy – the global or the multidomestic strategy – is optimal according to my results. Which of the two strategies is ideal depends on the business strategy of start-up and the characteristics of the industry it is in and is not investigated in with my study. However, employing a simple international strategy or a transnational strategy is, according to my results, detrimental for the internationalization performance of new ventures. This is because the simple international strategy is only an intermediate form that does not focus on enhancing the competitive position (Gooderham et al., 2019). The transnational strategy, by contrast, focuses on many complex enhancements of the competitive position at the same time, leading to overwhelming pressure from different directions. This scattered focus hinders rather than supports the international expansion of young firms (Bartlett & Beamish, 2018). The global and the multidomestic strategy thus have the ideal complexity-to-value-add ratio. The global strategy is most appropriate when local responsiveness needs are low and competitive advantages stem from intangible capabilities built at the HQ that need to be transferred with tight control to foreign operations. Whereas the multidomestic strategy is most appropriate when local responsiveness needs are high, foreign operations need to build up location-bound firm-specific advantages and subsidiaries need a high degree of autonomy.

Going one strategic level lower, there are the value chain activities. My results in the framework suggest that, independent of the international strategy, globally expanding start-ups enhance their internationalization performance best if they integrate internal activities and locally adapt their external activities. Internal activities support the international business development most when they are globally integrated between the foreign subsidiaries because they enhance the efficiency within the firm (Kobrin, 1991). Typically, R&D is fundamental for all subsidiaries without (for the most part) the need to be location-specific (Chiesa, 1996). Centralizing purchasing often comes with leaner processes and higher negotiation power when procuring material, licenses, and services (Tella & Virolainen, 2005). The degree of integration of these activities depends, however, partly on the international strategy; integration is higher when a start-up follows a global strategy.

External value chain activities enhance the internationalization performance according to my results when they respond locally to host market needs. Doing so results in activities that are more effective in the geographical areas (Prakash & Singh, 2011). It is crucial for these customer-facing activities to adapt since the customer characteristics usually change between geographical markets (Solberg, 2000). Customer journeys, buying center dynamics in B2B customers, and expectations regarding customer service support vary among host markets. Additionally, pricing implications differ because of the changing environment of customers as well as channels and content for performance marketing and the way of selling and negotiating.

When focusing primarily on integrating internal activities and adapting external activities to local needs, it is crucial to consider the minimum necessary level of adaptation of internal activities and integration of external activities as well (Berchtold et al., 2010). For instance, it is essential for start-ups when considering product development to tap into local know-how clusters (Lorenzen & Mahnke, 2002). Only these clusters of talent can, for example, locally adapt the product development if user interface designs of Software as a Service (SaaS) products differ. On the other hand, while adapting marketing activities, it is important to foster a certain level of best practice sharing to not reinvent practices that are working well (Matanda & Ewing, 2012).

Considering a start-up's products and services rather than the activities with which it is developed and distributed, my results in the Start-up Internationalization Framework suggest that the products and services need to be adapted to local circumstances. This is supported by results with MNEs as subjects for export firms as well as for firms with foreign subsidiaries (e.g., Tantong, Karande, Nair, & Singhapakdi, 2010); these results are often subdivided into the adaptation of quality, design, and brand name (Zou, Andrus, & Norvell, 1997). The adaptation pressure of these three aspects comes from internal and external factors. Changing competitors, industry peculiarities, and customer preferences are external factors (Tigre & Dedrick, 2004), and differing local firm strategies, and sales capabilities are internal factors (Calantone et al., 2006). Most often, these factors motivate internationalizing start-ups to adapt their products to enhance product-market fit. Sometimes, however, the changes are necessary for a viable market entry. Software products need to be available in the respective language as well as package inserts and instructions for material products. In China, most foreign B2C SaaS start-ups need to adapt their products so that they can be used via WeChat, the Chinese multi-purpose app (Plantin & De Seta, 2019). When entering a "bottom-of-the-pyramid" market which is a market with a globally low level of average income, such as India, the entire range of product characteristics needs to be adjusted to the local rules (Gebauer, Haldimann, & Saul, 2017). Fast moving consumer goods (FMCG) products need to be highly adapted to cultural and socio-economical preferences (Le Meunier-Fitz Hugh, Cometto, & Johnson, 2021). Service products need to be adapted to social norms (Lovelock & Yip, 1996).

Lastly, according to my results, extensive knowledge transfer between the HQ and subsidiaries and between subsidiaries themselves leads to a better internationalization performance of start-ups. Independent of the international strategy, knowledge transfer through management-initiated practices reinforces *Strategic Moves* in all areas. When subsidiaries are mandated to expand to neighboring countries or develop new capabilities, the sharing of experiences from similar former initiatives is important (Crespo, Crespo, & Curado, 2022). When implementing an equity mode via a greenfield approach, the transfer of expats from HQ to the subsidiary strengthens the initial development and speeds up the implementation while later on it eases the reverse knowledge transfer of the subsidiary to the HQ (Sarala, Sumelius, Sarala, & Sumelius, 2005). Moreover, when a global start-up sets up its international strategy and integrates or adapts activities and products, the knowledge transfer activities create common understanding and holistic buy-in from local top-management (Easterby-Smith, Lyles, & Tsang, 2008). Knowledge transfer is not only important for the formalized, technical know-how that is necessary for the day-to-day business routine of a start-up. It is much more important for the unformalized, relational know-how that often is unique in start-ups and that is the main aspect holding a young organization together. Examples are the company culture, interaction modes when working in cross-departmental teams, or tacit knowledge potentially described as "being a good saleswoman" or "being a good leader". Start-ups internationalize because they have been very successful in the home market through competitive advantages based on internal capabilities. When internationalizing, start-ups want to build upon these capabilities independently from the international strategy and the degree of autonomy they attribute to subsidiaries. Additionally, for the ramp-up in host markets, a rather tight control is necessary to have a well-built organization abroad from the first day on. To achieve this, face-to-face communication is highly important when transferring knowledge (De Meyer, 1991). Furthermore, informal networks and activities of employees from different subsidiaries, such as an informal leadership network, are beneficial (Ghoshal, Korine, & Szulanski, 1994). Moreover, to achieve formalized knowledge and procedures, common digital databases with texts, graphs, and videos that are accessible by all employees are crucial (Schreiber & Carley, 2003). At the same time, to foster cross-border communication and interaction, a common intranet and common systems such as project management tools must be in place (Buniyamin & Barber, 2004).

6.2. Theoretical implications

This work considers prior calls by INV research suggesting that there is need for quantitative insights into start-up internationalization strategy design to complement existing research on antecedents of start-up internationalization (Cavusgil & Knight, 2015). The work thus answers the stated research question with insights about how and to what extent a start-up's *Heritage* and its *Strategic Moves* collectively influence the internationalization performance. By answering the research question, this work expands existing research in two directions. Namely, the two research gaps that are illustrated in Figure 1. First, this work provides systematic insights into the *Strategic Moves* of early internationalizing start-ups. This has been done only sporadically before because the research previously focused on a start-up's *Heritage*. Second, this work establishes a holistic framework for start-up internationalization by complementing the study on *Strategic Moves* with the literature review on the start-up's *Heritage*.

For the systematic insights on *Strategic Moves*, the study results show which moves are beneficial for start-up internationalization. These results enhance prior research that deduced insights from case studies by founding the insights on a data set of 51 international new ventures. Prior studies on international new ventures have focused – with the help of case studies – on determinants of internationalizing start-ups and of external and firm-internal factors influencing the speed and rationale of internationalization (Knight & Liesch, 2016). In my study, I complement and extend this research by adding an important dimension of self-control for start-ups when expanding globally – namely, the *Strategic Moves* which can be designed independently from a start-up's *Heritage* to enhance internationalization performance.

The selection of the *Strategic Moves* grouped into three categories – the international expansion planning activities, the market entry activities and the global management activities – further extends the existing findings by providing an overview of the most important *Strategic Moves* for start-up internationalization. This overview could be further enhanced only by the addition of the IHRM that has not been considered in the Start-up Internationalization Framework. The compilation of the *Strategic Moves* allows research to streamline and focus future research efforts and ensures the inclusion of the most important factors.

When looking at all individual *Strategic Moves*, the results provide insights into which moves lead to higher internationalization performance. These results adjust the frameworks and implications that exist in the MNE literature to the early internationalization start-up setting. In particular, the inverted U-shaped relationship between the degree of inclusion of the psychological distance when choosing host markets and the internationalization performance shows the position of early internationalizing start-ups relative to born globals and MNEs. For MNEs, the relation is linear in accordance with Johanson and Vahlne's (1977) Uppsala Model. For born globals, there is no relationship because born globals internationalize worldwide rapidly (Oviatt & McDougall, 1997). Early internationalizing start-ups, however, need to balance the psychological distance with economic factors when aiming to internationalize.

In addition to that, my results show that market entry with equity modes and following a greenfield investment procedure enhance the internationalization performance. In MNE literature, all viable alternatives within these two areas received support in certain settings. My study showed that the two named alternatives are advantageous when looking at early internationalizing start-ups, setting an anchor point that did not exist before.

Further, my results show that a one-dimensional international strategy is best for early internationalizing start-ups, that internal value chain activities need to be globally integrated, external value chain activities as well as products need to be locally adapted, and extensive knowledge transfer across foreign operations needs to be fostered. Showing which *Strategic Moves* lead to higher internationalization performance for start-ups allows future research to focus on these moves and to deepen our understanding of them. The importance of a one-dimensional strategy specifically provides new insights that do not confirm existing MNE literature. In MNE literature, all types of international strategy have a rationale to be chosen; however, when looking at early internationalizing start-ups, only the one-dimension international strategy is a reasonable choice. Ruling out the simple and the transnational strategy, this new finding allows future research to investigate in depth the global and multidomestic strategy for early internationalizing start-ups.

For the holistic framework of start-up internationalization, including both the *Heritage* and the *Strategic Moves*, the Start-up Internationalization Framework shows a more comprehensive framework than prior research has developed so far. The compilation of the *Heritage* factors enhances existing meta-analyses by not only gathering all prior findings regarding INV characteristics but also by synthesizing the most important factors. Showing that the start-up's competition is one of the most important *Heritage* factors indicates the necessity of future research in this area since current research has shown only mixed and ambiguous results. Furthermore, the unity of both aspects in the same framework sets a milestone in INV research by enhancing the scope of factors taken into consideration when researching the internationalization of start-ups. Although not focusing on the interactions between *Heritage* and *Strategic Moves*, the Start-up Internationalization Framework in its entirety provides the first comprehensive framework for start-up internationalization and a basis for future research that aims to investigate global start-up expansion holistically.

Closing the two research gaps enables researchers to distinguish more precisely between factors of *Heritage* and *Strategic Moves* of born globals and early internationalizing start-ups. Closing the gap advances the understanding about the *Heritage* factors of start-ups, provides the first results on the ideal *Strategic Moves* for start-up internationalization, and shows the first comprehensive framework for start-up internationalization. With that, the focus of INV research is shifted, accordingly from pre-internalization topics such as the *Heritage* to during-internationalization topics such as the *Strategic Moves*.

6.3. Managerial implications

The established framework has several implications for start-up executives. Finding that the internationalization performance of start-ups depends on selected factors of *Heritage* and *Strategic Moves* suggests that founders and start-up top-management should internalize this two-fold perspective. Therefore, they need to look ahead and plan properly from the very beginning. That is, it is crucial for founders to anticipate the future internationalizing endeavors and place the young organization in an environmental and industry setting that enhances the expected internationalization performance.

When looking at the *Heritage* side, my findings imply to establish the start-up in or change to a country with enough venture capital to finance the internationalization endeavor and good ICT and mobility infrastructure conditions. These are often developed countries such as the U.S. and Canada in North America; countries in the European Union; or Japan, South-Korea, or China in Asia. Additionally, market research in the pre-seed stage should focus on the international level of the industry and the competition. When segmenting the industry and analyzing customers, these factors need to guide the decision-making process. Additionally, founders should gain the necessary experience, follow the adequate business strategy, and build up the crucial capabilities laid out in the Start-up Internationalization Framework. The international and industry-specific experience can be gained during exchange semesters and industry-specific courses while being enrolled at university or with the help of office exchanges during work. This also indicates that founders should found a start-up within the industry they work in. The selection of a differentiation or niche strategy, as well as the capability development, is something that needs to be set up when establishing the business model and reconfigured throughout the market entry. An important capability that needs to be highlighted is the firm's network; therefore, the early development of an international network with the help of business partners, investors, customers, and among others should be prioritized before internationalizing. This can be best done by partnering with potential investors and other co-founders, tight collaboration with suppliers and customers, and horizontal allying with competitors and firms from related industries (Vesalainen & Hakala, 2014).

For the *Strategic Moves*, one of the most striking findings from this study is that, separate from the business model or the industry segment, there are clear best practices for early internationalizing start-ups to follow. These are the *Strategic Moves* listed in the Start-up Internationalization Framework since they lead to higher internationalization performance. Start-up executives need, therefore, to take into account the psychological distance toward host countries and balance it with economic factors. Early internationalizing start-ups from Germany typically internationalize toward France and the U.K. since these two types of factors are ideal for these countries.

Furthermore, executives need to prepare for entering host markets with equity modes and the greenfield investment approach. These two *Strategic Moves* are slower and more costly than their alternatives and this needs to be accounted for in the planning. In my findings also indicate that start-up executives need to be comfortable with high-risk and high-commitment moves when internationalizing. Additionally, the Chief Operating Officer needs to pay special attention to finding country directors, managing expat movements and reorganizing the organizational structure.

For the global management activities, the C-level must decide whether a global or a multidomestic strategy is ideal for the start-up and configure the value chain activities, products, and knowledge transfer according to the Start-up Internationalization Framework. For fast growing start-ups, correctly determining these moves is not easily doable because the operational performance has the highest priority. These moves, however, require timely top-management attention and many strategic discussions. Often, start-ups do not determine a clear international strategy and only do tactical, situational knowledge transfer. To avoid these mistakes and make sure that the internationalizing start-up has a clear strategic direction, these *Strategic Moves* must be well thought out, the necessary systems must be put in place, and the strategies must be communicated to the entire organization, especially to the middle management. By way of example, the global integration within the global strategy and of value chain activities is achieved through people- and information-based means such as exchange events and many interactions instead of formalization- and centralization-based means such as processes and hierarchies (K. Kim, Park, & Prescott, 2003). To this end, employees need to be sensitized to the importance of integration and incentivized to share or receive the know-how (Cruz, Pérez, & Cantero, 2009; Wilkesmann & Wilkesmann, 2011). If the management agrees on this international strategy, there is a cascade of subsequent activities that need to be implemented.

While it is still necessary to adapt these best practices to the situation the start-up is in, the finding on the *Strategic Moves* nonetheless provide a starting point for strategic discussion in a start-up's top-management meeting. Moreover, the findings give founders direction concerning the kind of support to ask from their investors when internationalizing since investors have an overview of best practices from their portfolio companies. Best practices to ask for from investors can be the selection of host markets, the search for country directors for the foreign equity modes, and the selection of the one-dimensional strategy.

6.4. Limitations and directions for future research

This work also has some limitations. Concerning the results and discussion of the findings presented so far, it is important to bear in mind the exploratory nature of the thesis and the accompanying limitations.

While the key informant approach secures a high data source reliability, it must be noted that only 24 out of the 51 start-ups finished their internationalization. The other 27 start-ups needed to rely on internal forecasts and strategies to respond to the questionnaire.

Regarding the measurement, the reliability of the performance variable is limited. It is acknowledged that those objective measures such as financial data are difficult to obtain from start-ups, so I collected subjective data on hard and soft factors for performance. Since not all 51 start-ups could indicate this, but only the ones that had already finished internationalizing, I had to use the subjective measure of the overall performance, which is the least reliable measure for the regression analyses. Additionally, the literature constructs used for the questionnaire have not been used for INV research yet and therefore no quantitatively validated measures could have been selected.

For the analyses, the regressions have not been computed together within the same regression model but rather individually due to the small sample size of 51 start-ups. As already mentioned, while all variables have been used for the regressions, as presented in the results and incorporated in the model for discussion, not all variables have been proven to be appropriate for these analyses. As already mentioned, some variables did not have the prerequired normal distribution for the regression analyses conducted. However, this does not have a severe impact since the OLS method in the regression analyses is resistant to not normally distributed variables, according to Cohen (2013). Furthermore, during the analyses, the interactions between the *Heritage* and the *Strategic Moves* aspects have not been taken into consideration, although the *Heritage* aspects define the option space for the *Strategic Moves* and might influence the selection.

The study results and the Start-up Internationalization Framework must be considered with caution because they are industry- and business model-agnostic. The generalized results do not provide reliable insights for start-ups that differ greatly from the average in the sample. Moreover, the results are not complete because not all possible alternatives have been investigated or did not yield significant results. For instance, when looking at the operating modes, the non-equity modes have not been investigated; and when looking at the entry types, the market entry following the acquisition approach did not yield significant results. Additionally, the results of the study and most of the results of the literature review refer to start-ups from developed countries such as Western and Central European countries and the U.S. The results, therefore, have only limited implications for start-ups from developing or transitioning countries. For the greenfield approach specifically, the regression results did not support the hypotheses any longer when the control variable was included, requiring that this insight to be viewed with caution.

To tackle the stated limitations, future research should focus on some specific topics. The increasing importance of start-ups for worldwide economic and technological growth requires more focus on their performance optimization (Baumol & Strom, 2007). A major aspect of this optimization is the ideal configuration of their internationalization plans. My work presents a first holistic picture of the main determinants of internationalization performance of early internationalizing start-ups. Now, future research needs to broaden and deepen the understanding of the aspects within the Start-up Internationalization Framework.

The aspects of the framework can be broadened by investigating the same topics in this work for born globals instead of for early internationalizing start-ups. The circumstances differ considerably since born globals have internationalization-ready characteristics and face much more uncertainty than early internationalizing start-ups (Madsen, 2013). The aspects of the framework can also be broadened by deriving insights from specific industries and specific business models that are analyzed in the same model. The automotive industry differs considerably from the FMCG industries, and SaaS business models differ from platform models or e-commerce models. In addition to that, the aspects can be deepened if they are singularly selected and research so as to gain an extensive understanding of each *Strategic Move*.

The study itself can be duplicated with a higher number of start-ups to have more robust results. Since my analyses could not produce significant results for all stated hypotheses, these hypotheses could be reinvestigated to be included in a further developed Start-up Internationalization Framework. Furthermore, new hypotheses can be added that have been left out in my study such as the effect of non-equity modes or IJVs on internationalization performance. Additionally, the start-ups could be founded not only in Europe but around the world since start-ups from emerging countries differ much in their *Heritage* and in the viable *Strategic Moves*.

Furthermore, the Start-up Internationalization Framework considers a start-up's *Heritage* and its *Strategic Moves* as well as the single *Strategic Moves* independently. According to prior literature (e.g., Zahra, 2005), this is not accurate since the *Heritage* has significant influence on the optimal choice of *Strategic Moves*. Additionally, certain *Strategic Moves* affect other *Strategic Moves*. For instance, the international strategy affects which market entry activities are ideal (Harzing, 2002). These interdependencies need to be addressed.

At last, although the Start-up Internationalization Framework shows a holistic picture it, falls short of showing the relative importance of all *Heritage* and *Strategic Moves* aspects. Future research could create regression models including all aspects and determine their relative importance so as to enable founders to focus even more on the most impactful moves. This will allow researchers to correctly prioritize future research and to weight the importance of the aspects in my framework. Special attention could be paid to the international expansion planning activities. The investigation of this category did not yield many results, raising questions about its importance.

7. Conclusion

Founders are the inventors and innovators that shape the global economic progress and international new ventures are the chief vehicles for it. An extensive body of literature has made tremendous progress in understanding what creates INVs and how their *Heritage* influences their chance to win when going global. My work expands existing research by adding the start-ups' *Strategic Moves* to the equation of successful internationalization. It does so, with the help of the established Start-up Internationalization Framework, on the one hand, to set the course for future research toward a more holistic and strategy-centered perspective on start-up internationalization. On the other hand, the aim is to equip founders and INV executives with a strategy concept for top-management discussions. However, before reaching the same level of maturity that the MNE literature has already reached, much more work must be done in the INV research field. For now, this thesis will enable early internationalizing start-ups to win when going global and to accelerate progress in the world.

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