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ABSTRACT

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Title	DOMESTIC VENTURE CAPITALISTS' EFFECT ON EARLY INTERNATIONALIZATION IN FINNISH STARTUPS - A Non-Financial Resource-Based Approach		
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Venture Capital (VC) industry has grown rapidly both globally and in Finland for the past two decades. During this time, both the total amount of made investments as well as their size has grown considerably. As the industry has grown substantially, also scientific research has shown interest in the topic. Most of the earlier research has focused on the financial intermediary role of VCs, but lately there have been findings that indicate VCs would also carry out considerable amounts of non-financial resource-provisioning for their investments. This resource-provisioning has not been researched much in the context of early internationalization (EI) which provides an interesting perspective on the topic. Simultaneously, Finland possesses several traits as a market that provides a suitable research setting for this specific topic. Hence, this research attempts to understand the effect that domestic VCs' non-financial resources have on early internationalization in Finnish startups. The purpose of the study is divided into three sub-questions: the managerial resources, the strategic resources and heterogenous provision of these resources.

The theoretical background of this research is divided between earlier research on both early internationalization and VC investing. Both of these main themes are combined in the used theoretical model that identifies six distinct resources. The research method used in this research was an extensive case study which comprised of four unique cases that were selected based on requirements set by the earlier EI research. The data was collected from August 2020 to November 2020 by interviewing four VCs from applicable cases through semi-constructed interviews.

The results indicate that VCs are in fact in possession of the resources suggested by the model. However, they will not necessarily provide them to all of their investments as was suggested by the model. Instead, they try to optimize their resource-provisioning by investing in capable founders, who are also experienced entrepreneurs and experts in their field. All in all, the interaction between the founders and the VCs were observed to be much more reciprocal than what the initial model suggested. Findings from the observed cases also suggested that more than often the startups start to internationalize already before they receive VC investment which indicates that they do not need the VCs to start their internationalization process, but more to support the ongoing process.

Key words	Venture Capital, Early Internationalization, Non-Financial Resources

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Venture Capital (VC) -sijoittaminen on kasvanut voimakkaasti sekä Suomessa että maailmanlaajuisesti viimeisen kahden vuosikymmenen aikana. Tänä aikana sekä tehtyjen sijoitusten kokonaismäärä että sijoitusten keskimääräinen koko on kasvanut huomattavasti. Alan kasvun myötä myös tieteellinen yhteisö on osoittanut kiinnostusta aiheeseen. Suurin osa aikaisemmasta tutkimuksesta on keskittynyt VC-sijoittajien rooliin rahoituksen välittäjinä, mutta viime aikoina useat tulokset ovat osoittaneet, että VC-sijoittajat tarjoaisivat myös huomattavia määriä ei-rahallisia resursseja sijoituksilleen. Tätä resurssitarjontaa ei ole tutkittu lähes ollenkaan aikaisen kansainvälistymisen yhteydessä, mikä tarjoaa mielenkiintoisen näkökulman aiheeseen. Samanaikaisesti, Suomella on markkinana useampi mielenkiintoinen ominaisuus, jotka yhdessä tarjoavat sopivan tutkimusympäristön kyseisen aiheen tutkimiseen. Tämä tutkimus yrittää ymmärtää, mikä vaikutus kotimaisten VC-sijoittajien tarjoamilla ei-rahallisilla resursseilla on aikaisen vaiheen kansainvälistymiseen suomalaisissa startupeissa. Tämän tutkimuksen tavoite on jaettu kolmeen alatavoitteeseen: johdolliset resurssit, strategiset resurssit sekä heterogeeninen resurssien tarjonta.

Tämän tutkimuksen teoreettinen tausta on jaettu aikaisen vaiheen kansainvälistymistä sekä VC-sijoittamista koskevaan aikaisempaan tutkimukseen. Molemmat näistä pääteemoista on yhdistetty tutkimuksen pohjana toimineessa teoreettisessa mallissa, joka tunnistaa kuusi yksittäistä resurssia. Tutkimusmetodina tässä tutkimuksessa oli kattava case-tutkimus, johon valikoitui neljä case-tapausta, jotka täyttivät aikaisen vaiheen kansainvälistymistä aiemmin tutkineiden tutkimusten asettamat kriteerit. Tutkimuksen data kerättiin elokuun 2020 ja marraskuun 2020 välillä haastattelemalla näiden case-tapausten VC-sijoittajia puolistrukturoiduissa haastatteluissa.

Tutkimuksen tulokset vahvistavat, että suomalaisilla VC-sijoittajilla on hallussaan käytetyn mallin ehdottamia ei-rahallisia resursseja, mutta he eivät välttämättä tarjoa niitä jokaiselle sijoituskohteelleen, niin kuin malli alkujaan ehdotti. Sen sijaan, VC-sijoittajat pyrkivät optimoimaan resurssien tarjoamista sijoittamalla kykeneviin perustajiin, jotka ovat myös kokeneita yrittäjiä sekä asiantuntijoita alallaan. VC-sijoittajien ja yritysten perustajien välinen kanssakäyminen oli myös paljon vastavuoroisempaa, kuin malli antoi olettaa. Tulokset viittasivat myös siihen, että startupit kansainvälistyvät usein jopa ennen saatuaan VC-sijoitusta.

Avainsanat	Venture Capital -sijoittaminen, Aikaisen vaiheen kansainvälistyminen, Ei-rahalliset resurssit

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1 INTRODUCTION

1.1 The Globalized Venture Capital Industry and the Emerging Finnish Venture Capital

Venture Capital (VC), a form of private equity investment targeted to new ventures with clear growth and innovation potential but without any significant business operations yet, has been one of the most intriguing topics in the world of finance during the 21st century. The fundamental idea behind VC is that Venture Capitalists (VCs) invest in promising startups in exchange for equity which they can later sell to other investors at a higher price, when the value of the startup has increased. It is inherently speculative and thus high-risk investment, but capable of producing steady profits in the long run under capable fund management. It has gained popularity especially as an alternative investment option for institutional investors that want to diversify their portfolios.

The modern era of VC traces back to the 1960s in the USA, when the first professional funds were formed. For decades, however, VC was a rather niche investment segment and only a few investors seemed to practice it due to the considerable risks. The dotcom bubble became a turning point for the whole industry. The VC markets grew exponentially as investments poured into the fast-growing internet-based startups. For example, between Q1/1999 and Q2 /2000 the US VC markets quadrupled in size, growing from roughly 1,000 quarterly made investments with total invested amount of $ 7.5 billion to 2,300 quarterly made investments with total invested amount of $ 35 billion (PWC: MoneyTree 2020).

While the dotcom bubble eventually burst between 2001 and 2002 and the markets shrank rapidly back to their pre-bubble values, the popularity of VC seemed to persist. In fact, there seemed to remain plenty of VC funds and organizations that wanted to continue investing actively despite the adversities. However, the institutional investors backing the funds remained overly cautious due to the recent losses and did not want to commit funds in similar fashion. This considerably halted the recovery of the industry throughout the 2000s as the VCs could not raise capital. Similar effect occurred during the financial crisis of 2007–2009. Once again, the VC investors attempted to remain active, but the institutional investors became rather cautious with further commitments to VC funds.

The VC industry seems to have recovered during the 2010s. Throughout the 2010s, the number of made deals, their average size and total invested capital has grown across all categories. In 2019, startups received $ 276 billion in financing across 27,900 deals globally, and approximately 720 VC funds raised $ 87 billion of additional financing. The

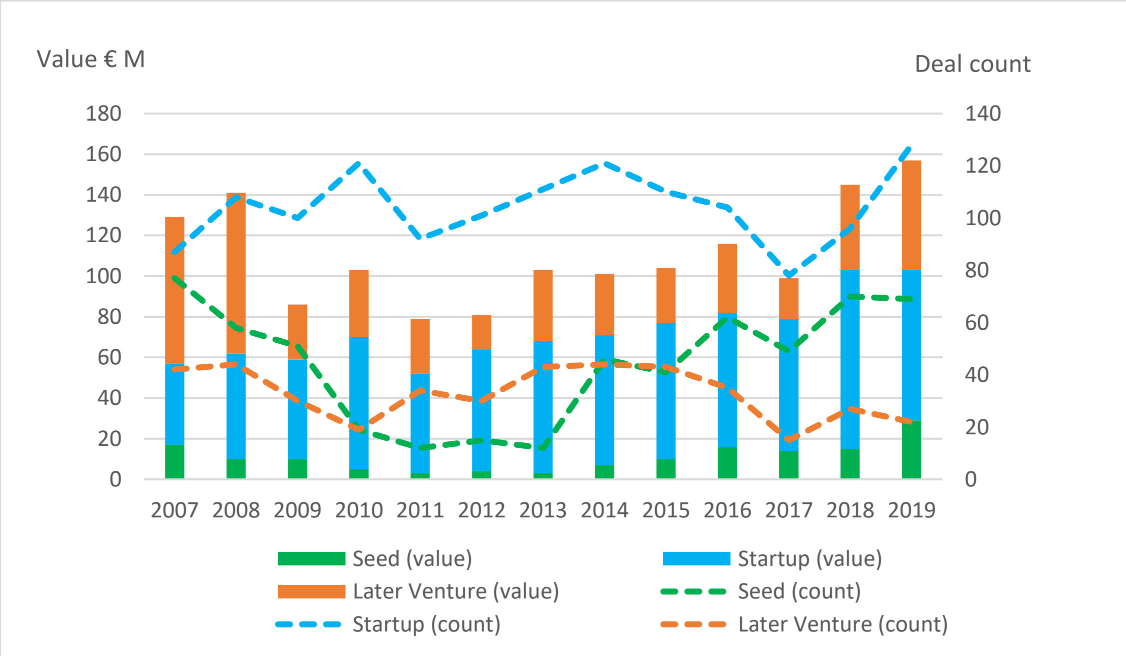
USA has lost some of its lead that it gained as a pioneer of the industry, but it has clearly remained as the center of the industry since 50% of VC invested and 44% deals made globally are done by US VCs. However, it seems that the rest of the world is slowly catching up: European VCs represent 15% of the capital invested and 26% of deals made globally, while Asian VCs represent 32% and 24% in respective categories, and African and South American markets are expected to grow exponentially in the future. (KPMG 2020.)

As the VC industry has matured, VC has become a rather popular topic in academic research as well. Due to the topic's strong background in Finance, scholars have been especially interested in VCs role as financial intermediaries. Popular themes include, for example, the investment process and the related decision-making (e.g. De Clercq et al. 2001; Kaplan et al. 2007; Gompers et al. 2020), the returns of the made investments (e.g. Gompers et al. 2009) and the success of the companies receiving VC (e.g. Dimov and De Clercq 2006; KPMG and FVCA 2020). However, it was noted early on that VCs spend considerable amounts of time with their portfolio companies also post-investment (Macmillan et al. 1989; Gorman and Sahlman 1989) which contradicts with the conventional view of their role. While some scholars offer active monitoring or the staging of VC as explanation for this behavior according the principal-agent theory (e.g. Chan 1983; Diamond 1984; Gompers 1995), there seems to be more to the cause than initially thought.

Some scholars argue that VCs would maintain close relationships with their portfolio companies post-investment because they are providing non-financial resources in addition to capital. VCs have been reported to, for example, participate in strategic decision-making through board seats (Fried et al. 1998), affect the management structure (Fried and Hisrich 1995) and organizational development (Hellmann and Puri 2002) of the startup, and even share their networks (Bygrave 1988) or industry expertise (Bottazzi et al. 2008) with the startup. While it seems that this non-financial resource-provisioning between VCs and startups is becoming a widely accepted fact in the academic community, there are still some aspects that have been neglected in current research. For example, there has been little research done on how these non-financial resources are provided in the context of early internationalization. This seems to be a clear research gap, especially considering how the whole process of early internationalization occurs during the critical early stages of their growth cycle, where they are already resource-deprived and struggling for survival.

The Finnish VC industry provides a suitable research setting for this specific problem due to following characteristics. First and foremost, the Finnish VC industry has grown considerably in the last two decades. The growth has been exceptionally fast in 2010s, as seen in Figure 1. The number of made deals and their total value has grown throughout the period. Although this period has mostly been recovery from the effects caused by the 2007–2009 financial crisis, which naturally inflates the growth, it is worth noting that the Finnish VC industry managed to surpass the pre-crisis levels in 2018 and the growth has continued after it. This growth has been fast even when compared to other European countries – Invest Europe (2020) reported that the size of the Finnish VC industry was above the European average, when adjusted for the GDP.

Figure 1 Development of Finnish Venture Capital 2007–2019



Source: FVCA (2020a, 13–14).

Fundraising has also been historically high: Finnish VCs raised € 384 million in 2019 which indicates that the institutional investors place trust on Finnish VCs (FVCA 2020a, 11). Strong interest in Finnish VC can also be seen in the number of active VCs which has nearly doubled between 2010–2019 and especially the number of specialized VCs has increased dramatically. This increase of interest can also be seen in the increased number of international and Corporate Venture Capital (CVC) investors. (FVCA 2019.)

The growth of the Finnish VC industry has been mainly driven by vibrant startup ecosystem. Finland is ranked as 13th best startup ecosystem in the world, while Helsinki is ranked as 39th best startup ecosystem in city category which improves to 6th best, when adjusted to population (StartupBlink 2020). Helsinki's startup ecosystem was also selected as the winner of the Global InnoVision Ecosystem Award from 50 major startup hubs. Finnish startups also attracted the most VC investments in Europe in 2019, when the values were adjusted to the GDP (Invest Europe 2020). Additionally, the number of large-scale startup events, such as Slush, Arctic15 and SHIFT Business Festival, has grown substantially which provides important networking opportunities for both startups and investors alike. The number of accelerator and other growth-supporting programs has also increased steadily. Since both the Finnish startup ecosystem and domestic VC industry have grown significantly, there should be enough suitable companies and data available to conduct research on the topic.

Secondly, despite the recent growth and success of the Finnish VC industry, there still remains room for improvement. Especially three factors are apparent: strong public background, dependency on pension funds as investors and high amount of international capital. Strong reliance on public sector limits the amount of competition and available capital. When the Finnish VC industry has grown and the amount of VC from private sector has increased (FVCA 2018), the public sector has embraced a new role as significant fund investor. This means that increasing the number of private VCs does not only diversify the market but can potentially grow it in size. Strong dependency on pension funds as institutional investors is problematic due to their importance for the Nordic capital markets. If Nordic pension funds could increase their commitments to VC funds from 0.1% of their total assets to 0.5%, this would increase annual VC fundraising in the area by 60% thus enabling further growth. (Copenhagen Economics 2018).

The amount of foreign capital invested in Finnish startups has increased throughout the 2010s. In 2019, approximately 61.4% of VC attracted by Finnish startups was from foreign sources (FVCA 2020a). If the current trend continues, it can severely limit the future growth of the domestic VC industry. This could also affect the whole economy as the eventual profits and taxes would flow outside of Finland. While none of these three factors are negative per se, they are interlinked and could create problems in the current situation. Thus, solving some or preferably all of them could help the Finnish VC industry develop further and any research helping to achieve this goal could be valuable.

The third important characteristic is that Finland is defined as a small and open economy (SMOPEC) which means that it relies heavily on international trade and networks (Scott-Kennel and Saittakari 2020). Practically, this means that our domestic markets are too small for majority of startups that aspire to grow considerably. In fact, startups practically have to internationalize in order to achieve their growth targets. Finnish public sector also acknowledges the importance of internationalization and supports startups in many ways. For example, Business Finland provides support for the internationalizing Finnish firms in the form of direct funding, support services and accelerator programs. Additionally, Finnvera offers financing, e.g. guarantees and export credit, for businesses with international customer base. Lately, there has also been a launch of a program that supports the acquisition of VC for internationalization. The program, “Venture bridge”, is offered by the Finnish Industry Investment (TESI) and it is a considerable € 250 million in size. Due to the Finnish companies’ strong reliance on international business, there should be enough of suitable cases available. It could also be expected that some of the VCs would be in possession of resources targeted specifically to support international growth.

Fourth and final characteristic is the ongoing COVID19 crisis. Initially, it was estimated that COVID19 crisis could cause similar damage as the 2007–2009 financial crisis. In the worst case, up to € 300 million of VC financing could disappear as the number of international investors and amount of foreign VC was expected to fall radically. The recovery process was estimated to last up to five years which would revert the currently achieved growth. (FVCA 2020b.) Currently, it seems that the worst-case scenario has been averted. In fact, both fundraising and made investments have been historically high. However, it seems that the data on made VC investments might be inflated by a few exceptionally large financing rounds: the six biggest deals formed 87.7% of the total value and these investments were made to the more mature startups. It seems that especially the first-time and early-stage VC investments are declining as investors prefer to re-invest rather than find new investments. The seen behavior could also be explained as precautionary measures; startups want to raise capital while it still is available, and VCs want to invest while there still are good targets. (FVCA 2020c.)

Furthermore, the crisis is still ongoing. The amount of foreign VC investments can still fall drastically in the future, especially if the crisis gets prolonged. There could also be a further decline of capital received from institutional investors, as happened in previous crises. The crisis can also alter the operating environment for many businesses irreversibly, especially if the current travel bans and trade restrictions continue. Overall, this creates a challenging environment for the Finnish VCs. This might affect especially early-stage startups because their VC is dominantly from domestic investors. Fortunately, there is also a lot of potential in the current situation. Once the crisis dissolves, the market opportunities and potential first-mover advantage could be considerable in an economic upturn. Thus, any research that could help the Finnish VC industry recover faster from the COVID19 crisis could be invaluable in current situation.

1.2 Earlier Empirical Research on VCs' Non-Financial Resource-Provisioning for Early Internationalization

This section introduces earlier research on the non-financial resources provided by VCs for early internationalization and shortly describes the used methodology and main findings. In general, there seems to be no preference for a specific research approach as both quantitative and qualitative methods have been used. A summary of all of the studies introduced here can be found from Appendix 3.

The earliest significant study available was conducted by Gabrielsson et al. (2004) which focused on Finnish born globals (BGs) and born internationals (BIs). The study was carried out as a longitudinal, multiple case study covering 30 Finnish companies from a single industry. The main objective of the study was to research how the financial process was shaped in each case during the early internationalization process, but VCs were included in this process model as an early stage financing option. Ultimately, the difference between BGs and BIs was the access to VC-financing as they observed that VCs were able to add value to the BGs which contributed to their larger scope of internationalization.

Another significant Finnish contribution to relevant literature was made by Mäkelä and Maula (2005). They studied how cross-border VC investments can facilitate early internationalization in the portfolio companies. They also chose to study the topic as a multiple case study with interviews, but they chose to use grounded theory approach. Their main contribution was that the portfolio companies were observed to often internationalize to the home markets of the VC investor because they can legitimize the startup. They also identified that VCs often seem to exert pressure towards their portfolio companies to comply with their goals.

Fernhaber and McDougall-Covin (2009) studied how the international knowledge and reputability in VCs affected the early internationalization of their portfolio companies. They suspected that VCs were capable of sharing their international experience to benefit their portfolio companies and that more reputable VCs could leverage their reputation to propel internationalization. Their multivariate analysis of 93 VC-backed startups in the USA revealed that both of the independent variables had a significant effect on internationalization. In addition, when both of these variables were evident, the effect was even more significant.

Lutz and George (2012) studied how VCs impact the early internationalization process of European companies through three mechanisms: slack financial provision, non-financial resources and aspiration. They conducted in total 31 in-depth interviews with 18 startups from different industries and with different scopes of internationalization. They found out that all three variables seemed to affect the scope of early internationalization. They were also able to distinguish a model that identified several non-financial resources which were provided in a heterogenous fashion.

Devigne et al. (2013) researched differences between domestic and cross-border VCs in their effect on early internationalization. They conducted an extensive multivariate regression analysis of 761 VC-backed European firms with data from a time span of 7 years. They noticed that domestic VCs seemed to have a larger impact during the early stages because they were in close proximity and possessed valuable institutional knowledge. Later on, the international VCs seemed to be able to add more value as they possessed better knowledge of foreign markets and could legitimize the startup. Moreover, the best results seemed to be achieved when both domestic and international investors were backing the same company.

Park et al. (2015) studied the same effect as Fernhaber and McDougall-Covin (2009) but approached the issue through quantitative methods. They conducted a multivariate regression analysis on 93 VC-backed US companies to observe the effect of international knowledge and reputation on early internationalization. They arrived at a similar conclusion as Fernhaber and McDougall-Covin; both international knowledge and reputation correlated significantly with the scope of internationalization, both independently and jointly.

Park and LiPuma (2020) studied how the type of venture capital, foreign or corporate venture capital (CVC), and their reputability affected early internationalization. They ran a multivariate regression of 646 VC-backed US companies that had completed an IPO between 1995–2010. Their results indicated that startups backed by international VCs were more likely to commit to more intensive early internationalization process. Reputation had unexpected interaction in their results; when reputable VCs were backing a startup, the positive effect of CVCs on early internationalization was mitigated.

Woo (2020) studied the effect that foreign VCs had on early internationalization and subsequent firm performance. They conducted regression analysis and linear modelling on 551 VC-backed US firms that had completed and Initial Public Offering (IPO) between 2000 and 2014. Foreign VCs seemed to have a positive effect on early internationalization by helping the portfolio companies with significant strategic decisions and lending their networks to their use. Additionally, early internationalization and foreign VCs together had a positive effect on the firm’s performance near the IPO process. This finding suggests that early internationalization and VC-backing could also have permanent positive effects on firm performance.

It seems that the earlier research has focused more on the characteristics of the VCs and how they affect the early internationalization. Some research has been done specifically on non-financial resources affecting the early internationalization, but these studies have focused only on few resources at a time which does not seem to offer a comprehensive view of the issue. Thus, researching the topic with a more diverse theoretical model could help find more insightful results. Considering the special characteristics of the Finnish VC industry that were listed in Section 1.1, the research objective could be focused even further by studying precisely the effect that domestic VCs have on early internationalization in Finnish startups. This perspective could provide interesting and useful contribution considering the current circumstances.

1.3 Objective and Structure of the Study

This research contributes to the literatures of both venture capital and early internationalization. The main objective is to study the non-financial resource provision that occurs in the post-investment phase of the Finnish venture capitalist-startup relationships and is targeted for early internationalization. The main research question is following:

How do domestic VCs affect the early internationalization of Finnish startups by providing non-financial resources?

To gain a comprehensive answer to this question, the issue will be approached by forming three sub-questions based on the used theoretical model:

- **What managerial resources do VCs provide to Finnish startups?**
- **What strategic resources do VCs provide to Finnish startups?**
- **How heterogeneously are these resources provided?**

The structure of the study is following. First, earlier research on early internationalization is explored in Section 2.1. The objective is to gain insight on what kind of process is in question, what does it require from the companies and whether it does have any considerable benefits. Then, this thesis continues by studying resources that VCs specifically provide to startups for early internationalization in Section 2.2. In this section the used theoretical model is also established. Each resource in the model is elaborated and reflected to relevant early internationalization and VC literature in sections 2.2.1 and 2.2.2 that are divided according to the model. The methodology of this research is described in detail in Chapter 3 together with the limitations of the research. In Chapter 4, the empirical findings of the research are presented together with background for each case. Finally, in Chapter 5, the main findings of this thesis are concluded. This is done by evaluating theoretical implications as well as providing managerial recommendations and suggestions for further research.

1.4 Key Definitions

This section aims to define key concepts relevant for this topic to reduce misunderstandings. Unless otherwise stated, the definitions follow Invest Europe's official definitions (Invest Europe: Methodology 2020).

Venture capital (VC) is defined by OECD (2017) as a form equity financing targeted to new ventures with clear growth and innovation potential, but which do not have any significant business operations yet. Venture capital can be seen as a replacement or complement for traditional bank financing as it is often provided to companies which would not qualify for financing from the traditional sources. From investors' point of view, VC can be seen as a highly speculative and future-oriented form of equity investing, because the investment decisions are made based on projected, future value of the company. The forecasting methods often utilize unconventional metrics (from traditional finance sector's point of view) and rely heavily on e.g. the entrepreneurial experience and industry-specific knowledge of the investor (Manigart et al. 2000). Venture capital can be provided in lump sums or it can be staged of which the latter is a more common practice because it allows greater control of the investment. VC investments can also be done during different stages of startup growth, ranging from pre-seed to late-stage investments that are close to buyout and acquisition phase.

Seed investment is VC funding provided to startup before it has begun mass production/distribution. The initial aim for the funding is to complete the R&D process behind the product/service, so that it could be launched to the market and start producing profit. Ticket sizes for seed investment are usually from € 0.2 million up to € 2.0 million, and the average seed phase investment done by Finnish VCs has been around € 0.4 million during the 2010s.

Pre-seed investment is VC funding provided to a startup before seed phase which often means that the startup's core concept is still in development and several key issues of the planned business model have not been addressed yet. At this point, the startup almost always consists solely of the founding team and the investments are made based on the team's competency and their core business idea even though they have not produced a viable business model yet. The ticket sizes are clearly smaller than in seed phase, often couple hundred thousand euros at maximum.

Start-up investment is VC funding provided to a startup that has fully developed its product/service and is ready to enter the markets on full scale. Investments during this phase are often described also as A or B round of financing, where A round is the first VC invested in the startup that has launched its product/service and B round any round occurring after that. Even at this point, the startup is not usually generating any profit yet, but the operations are in a more mature state than in the previous phases. The average ticket size grows yet again and now it is usually close to € 1 million and upwards.

Venture capitalists (VCs) are investors that engage in VC investment activities. They found or are employed by venture capital firms (VCFs). The return for their investment realizes, when they complete an "exit" which most often happens when their investment target gets acquired by another business entity or when it completes its IPO process.

Venture capital funds are governed by VCFs. The funds are often composed of General Partners (GPs), that invest a clear minority if any of the fund's total value, but take responsibility of the investing activities, and Limited Partners (LPs) that provide the majority of capital to the fund.

Syndicates are formed when several VCs invest simultaneously in one company. Syndicates are one of the most important means of hedging risks in VC investing as the different risks associated with the investment are divided between several actors instead of one or two. Additionally, the portfolio company receiving an VC investment through a syndicate can access even larger pool of professional networks and skills as there are even more experts involved. Syndicates often require the VCs to sign an agreement which defines each party's responsibilities and size of investment comprehensively. Syndicate investments are often initiated and lead by the lead investor who takes most of the initiative during the investment process.

2 VENTURE CAPITALISTS AS PROVIDERS OF NON-FINANCIAL RESOURCES TO EARLY INTERNATIONALIZING STARTUPS

2.1 Early Internationalization

Before establishing the theoretical model used in this research, the concept of early internationalization is elaborated as it is quite multifaceted and there appears to be several overlapping theoretical frameworks in international business to describe the phenomenon. This is done by exploring relevant international business research and concluding the previous findings to gain general understanding of the phenomenon. This section starts with a clear establishment of the relevant international business concepts and continues with a short historical recap to identify some reasoning for the emergence of this research. Then, it continues to different models explaining early internationalization and finishes by exploring the motivation and prevalence of the phenomenon. The purpose of this section is to help the reader understand the underlying mechanisms and actors behind the theoretical model introduced in Section 2.2. Concepts introduced in this section have been consistently popular and largely accepted among international business scholars, thus making them suitable reference points to gain better general understanding on the topic. These very same concepts are used later on to sample suitable case companies in the methodology section.

Internationalization occurring during the early stages of a company's life cycle has been described by many different names in international business research. Perhaps the most influential and long-term work on the topic has been done by Knight and Cavusgil (e.g. 1995; 1997; 2004) and Oviatt and McDougall (e.g. 1994; 2005a; 2005b) which has resulted in the profound concepts of 'born globals' (BGs) and 'international new ventures' (INVs), in their respective order, that are widely used even today. Other notable, somewhat popular definitions include born internationals; born regionals; born again globals; born academics (Romanello and Chiarvesio 2019). Common to these terms is that they describe companies that internationalize quickly after conception and some of them even contain the term 'startup' in their original definition (e.g. BG by Knight and Cavusgil 2015, 4) which means that they could be extended to startups.

However, all of these definitions are strict and often include specific metrics to set them apart from one another and should therefore not be mixed with one another. Romanello and Chiarvesio (2019) solved the dilemma of different definitions by using the term ‘early internationalizing firms’ (EIFs) which is an umbrella term for all companies internationalizing in early stage. Similarly, in this study the term EIF is used to refer to internationalizing startups.

When describing the early internationalization process itself, there has been a plethora of viable options as well. Scholars have most commonly used other broad umbrella terms such as new venture internationalization (e.g. Fernhaber et al. 2007; Lutz and George 2012; Park and LiPuma 2020), early internationalization (e.g. Sapienza et al. 2006; De Clercq et al. 2012) and rapid internationalization (e.g. Cavusgil and Knight 2015) when researching this topic. Despite minor differences, common to these terms is that they refer to internationalization that i) occurs quickly after inception, ii) covers several countries, iii) is mostly export-driven, but the spectrum of used entry methods is wide, and iv) is human capital intensive. There seems to be a widespread custom of using these umbrella terms almost interchangeably in research (e.g. Madsen and Servais 1997), suggesting that their differences could be treated as semantic, especially if one studies the topic in general. Therefore, it seems that the choice of which one to use is largely up to the researcher. In line with the earlier choice of using the term EIF to describe the internationalizing startups in general, we are going to refer to the internationalization process as ‘early internationalization’ from now on.

Now that we have accurately established correct terms for the process and the involved firms, we can start reviewing the earlier research. Some scholars argue that EIFs seem to possess unique characteristics or resources that enable their successful rapid expansion to foreign markets and mitigate some of the risks they encounter. This approach is known as ‘resource-based view’ of the firm (RBV). RBV sees each venture as a bundle of different resources that each provide unique competitive advantage through their intrinsic value, rareness, inimitability and substitutability, no matter what the market conditions are (Barney 1991). If company internalizes enough critical resources, they can successfully internationalize, thus explaining also the phenomenon of early internationalization. These resources do not always have physical form, they can also be intangible, such as knowledge.

Based on the definition of RBV, EIFs should therefore possess very similar resources, but this seems to not be the case. There seems to be no consensus regarding which resources or capabilities are of upmost importance for successful early internationalization. There have been observations of e.g. better industry-specific knowledge and management know-how (Westhead et al. 2001); product offering targeted at market niches (Zucchella et al. 2007); low asset specificity, reduced information asymmetries and accelerated learning (Schwens and Kabst 2009); and knowledge intensive products (Weerawardena et al. 2007) existing in successful EIFs. It seems like there are no resources that would guarantee instant success for EIFs. Instead, the competitive advantage can realize through a wide variety of resources.

Additionally, it was noticed early on that new ventures seem to possess only some of the resources deemed critical for internationalization by RBV. Yet, they still somehow succeeded in early internationalization. This has resulted on wide research also on the resource dynamics of the internationalizing new ventures to define whether some resources could be more important than the others. Knight and Cavusgil (2004) fittingly describe this state as "*asset parsimony",* where young enterprises try to overcome resource deficits through leveraging their unique resources and strengths. The existence of resource deficits results in the high risks which are inherent to early internationalization. EIFs have been reported to suffer from e.g. information asymmetry and limited financial resources (Freeman et al. 2006).

Interestingly, this lack of resources can sometimes also be beneficial. Autio et al. (2000) discovered that new ventures can acquire international knowledge more efficiently compared to their mature competitors due to learning advantages of newness (LAN) in which their learning is not hampered by pre-existing knowledge or learning capabilities. It has also been suspected that, instead of simply compensating for their lack of certain resources by owning unique resources, EIFs could simply be more efficient in utilizing their resources, thus enabling superior performance (Katila and Shane 2005).

Including the state of asset parsimony into analysis seems to strongly suggest that EIFs do not internationalize independently. Accordingly, there have been numerous findings that EIFs seem to rely heavily on their networks which suggests that they are used to gain access to some of the resources and knowledge they lack internally. Thus, analysing only the internal resources and levels of knowledge of a firm could not offer a comprehensive view of this issue. The effect of the venture's networks are integrated to RBV through the effect of social capital. Social capital is the actual and potential resources and knowledge available to a business through their existing networks (Nahapiet and Ghoshal 1998) which has been discovered to play a critical role in overcoming some of their resource deficits. This results in a 'business network view' of the firm, where each firm is seen as a single actor in a wide network of interconnected businesses from which they can acquire knowledge of the other actors, resources and even more contacts. (Johanson and Vahlne 2009.)

The access to and potential of social capital has grown significantly during the 21st century due to the advances in ICT which have made possible to maintain extensive networks without meeting physically (Prashantham 2005). Not surprisingly, EIFs tend to network primarily with partners that have local knowledge of their intended target market and localized resources as it can help them overcome liability of foreignness (Makino and Delios 1996; Lu and Beamish 2001). However, EIFs seem to favor masses of less intensive contacts, so called weak ties, instead of relying on a few major partnerships when they start internationalizing (Sharma and Blomstermo 2003). This type of behavior perseveres even after the initial internationalization processes – EIFs may accumulate critical international knowledge through experiential learning, but still continue utilizing their vast networks (Blomstermo et al. 2004). Their networks do not necessarily only consist of other small businesses, they can include e.g. government institutions, investors or even MNEs. The strength of these relationships can fluctuate constantly based on the needed resources and knowledge, but nevertheless continue (Prashantham and Dhanaraj 2010), further suggesting that long-lasting relationships could have a critical role in new venture internationalization.

When the effect of the business network is integrated to the RBV, it appears to offer a more comprehensive explanation. However, it is still not capable of fully explaining the phenomenon because the framework ultimately assumes that the resources themselves are the actual source of competitive advantage and should thus be internalized in order to sustain this effect. RBV also fails to offer an explanation for the possible higher efficiency in the use of these resources. This has led to scholars theorizing that instead of focusing research on the resources that exist or do not exist in early internationalization, the focus should be on how EIFs develop capabilities that improve the use of the available and provided resources, known as dynamic capabilities. This has resulted in 'dynamic capabilities view of the firm' (DCV) which extends the RBV with findings of dynamic capabilities theory. In DCV companies that are best at "*integrating, building and reconfiguring their internal and external competences"* (Teece et al. 1997, 516) will have the competitive advantage. Additionally, the model acknowledges the elements of learning and knowledge processes. DCV also paved way for human capital thinking, where all of the organization's individuals are seen as a single, invaluable resource and by identifying innovativeness as a key characteristic in EIFs.

Besides identifying the importance of knowledge and learning capabilities in EIFs, DCV also takes into account the factors that occur prior to founding, which broadens the time scope of research dramatically. For example, there has been proof of the significance of entrepreneur's pre-founding relationships for the venture's future network formation (Zucchella et al. 2007) and that entrepreneur's previous experience would affect the strategic choices of the EIF (Odorici and Presutti 2013). DCV also enables a more modern approach for the timeline of EIFs, where the resources and capabilities can fluctuate during different parts of the internationalization process. This research is often referred to as 'evolution of internationalization'.

DCV has also enabled better research on the entrepreneurial qualities and capabilities existing in EIFs. As a result, the effect founders have on the EIFs has been researched a lot. Founders have been noticed to affect the organizational culture of EIFs significantly through leadership skills, vision and empowerment (Chhotray et al. 2018). Founders also affect the cultural assimilation process of new recruits by passing on their vision and core values which results in a more unified organizational culture and increased proclivity to internationalize (Kumar and Sharma 2018). Founders even affect the strategic orientation of EIFs and the subsequent international learning efforts by promoting flexibility (De Clercq et al. 2014). These results quite clearly indicate that the entrepreneurs are critical for EIFs, as for startups in general.

Now that we understand the underlying mechanisms behind successful EIFs a bit better, we can advance to the motivation behind early internationalization. Risks have always been at the center of the EIF research as it is well-acknowledged that engaging in early internationalization inherently carries severe risks. These risks, that stem from quickly engaging in international business activities, are accompanied by those that startups in general have to counter (Knight and Cavuscil 2004). Especially liabilities of foreignness, newness and smallness have been noticed to cause substantial risks in early internationalization (Zahra 2005). Operating in this high-risk environment has its consequences: EIFs have lower survival rates when compared to other startups (Zaheer and Mosakowski 1997; Carr et al. 2010). Additionally, managing these risks require time and binds resources which can result in e.g. lower employment and slower growth (Luostarinen and Gabrielsson 2006). Although these risks are central for understanding the concept of early internationalization, only their existence is acknowledged.

When considering why startups seek to internationalize early if apparent risks exist, it is critical to evaluate the potential benefits caused by it. Internationalization per se is observed to have several positive effects. Internationalized firms have been observed to produce higher revenues, generate higher added value and employ more people (Mayer and Ottaviano 2008). There is also evidence of exporting firms exhibiting higher levels of productiveness, due to increased R&D activities (Aw et al. 2011; Esteve-Pérez and

Rodríguez 2013) and process known as "*learning by exporting*" (Bernard et al. 2003; De Loecker 2013). Engaging in export activities even seems to have a positive impact on start-up survival (Esteve-Peréz and Mañez-Castillejo 2008; Aw and Song 2013; Del Sarto et al. 2021), a critical problem for all startups.

However, some evidence suggests that early internationalization would have even further positive effect on firm performance. Choquette et al. (2017) found out in their research covering over 23 thousand Danish startups that EIFs show better performance in terms of market reach, employment and turnover when compared to startups that internationalize later on. Increased sales were reported by Zhou and Wu (2014) and Braunerhjelm and Halldin (2019). EIFs have also been found to internationalize more extensively (Moen and Servais 2002). Engaging in early internationalization has also been observed to permanently affect the data acquisition and analytic processes, and subsequent strategy formulation in new ventures resulting in sustained competitive advantage (Blesa et al., 2008).

There is, however, also contradicting evidence. The opponents often criticize earlier research for lack of reliable longitudinal data, unclear definitions, homogenous sampling and selective metrics. For example, Ferguson et al. (2021) found no differences in long-term firm growth between BGs and other exporters, after analysing over 27,000 Swedish manufacturing companies founded 1998–2011, and criticize earlier research for including spinouts and continuing firms in samples and using limited metrics to measure firm performance.

Improved performance seems to clearly create an incentive for early internationalization, but if only a handful of companies succeed in it, there is not much incentive for companies to realistically pursue it. In fact, there is an ongoing debate on whether EIFs are concentrated on certain industries. Several scholars have theorized that early internationalization occurs mainly in certain industries (Shrader et al. 2000; McDougall et al. 2003). Fernhaber et al. (2007) suggest that industry's knowledge-intensity, together with six other industry characteristics, would affect tendencies for early internationalization which could explain why some industries have relatively more EIFs. Yet, evidence has repeatedly shown that early internationalization can occur across all industries (Madsen and Servais 1997; Spence et al. 2011; Choquette et al. 2017). One explanation for these conflicting findings is offered by Choquette et al. (2017), who estimate that the previous results of EIFs existing only in some sectors could be mainly due to sampling issues and the general absence of cross-industry studies in early internationalization research.

The share of EIFs among all new ventures has also been a point of interest for scholars. Surprisingly, it was discovered already during the early stages of research that EIFs formed a majority amongst the newly established firms in some parts of the world (Lindmark et al. 1994; Preece et al. 1999). Latest studies have confirmed that EIFs are nowadays well represented among new companies, especially in Europe. Eurofound (2012) discovered that approximately one-fifth of the new companies in Europe, and almost half of the new companies in Belgium, Denmark and Romania are BGs. The amount of EIFs can also be expected to still rise in the future due to the accelerated technological development and state of globalization that enabled their existence in the first place. Based on this evidence, EIFs could be far more common than thought and this would in turn mean that it could be a realistic growth option for startups.

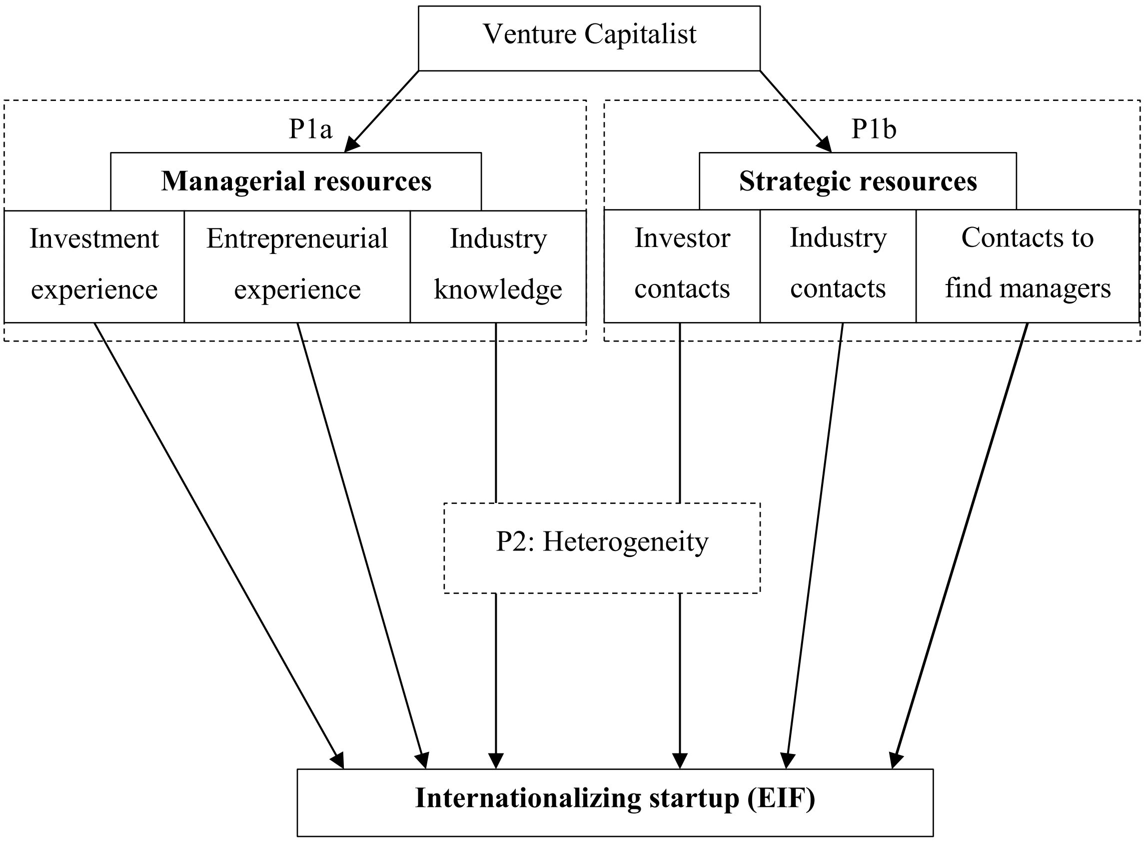
To summarize; the concepts of early internationalization and early internationalizing firms (EIFs) were explored in this part to gain better understanding of the process and different factors involved in it. EIFs have been observed to possess critical resources that enable their early expansion to foreign markets, but at the same time they suffer from severe resource deficits. These deficits contribute to significant risks that are caused by their attempt to internationalize early while they are still new business entities. These deficits are mostly overcome through social capital accessed through wide, external networks. EIFs also possess significant learning and knowledge capabilities which enable them to utilize their resources more efficiently. They are also very founder-centric and portray high levels of innovation and human capital. The resources and capabilities in EIFs fluctuate over time and they can even be imported from the pre-founding phase. Despite apparent risks, EIFs seem to be more common than anticipated, and the motivation to engage in early internationalization could be explained through findings of enhanced results.

2.2 Non-Financial Resources Provided for Early Internationalization

Now that we better understand early internationalization as a phenomenon, most importantly that EIFs are heavily dependent on social capital from their network to overcome resource constraints and mitigate risks, we can continue to analyze the resources that VCs specifically provide for EIF. This section introduces the theoretical model developed by Lutz and George (2012) that serves as a backbone of this research. The resource components suggested by the model are then reflected to early internationalization and VC literature in Section 2.2. The earlier research will be used to determine how VCs access these resources and provide them for EIFs to gain insight on the specific mechanisms involved. Finally, the heterogenous resource-provision component suggested by the model will be evaluated in Section 2.3

The used model is derived from the findings of Lutz and George (2012), who attempted to research how financial slack, non-financial resources and growth aspiration from the VCs affected early internationalization in the European context. As a result, they were able to conclude a simple model, seen in Figure 2, which demonstrates which of the non-financial resources provided by VCs should be important for early internationalization.

Figure 2 Non-financial Resource Provision from VCs to Early Internationalizing Startups.



Source: Lutz and George (2010, 36)

The model divides the non-financial resources provided by VCs to two main categories: managerial and strategic resources. Managerial resources are strongly dependant on the managerial experience and knowledge internalized by the venture capitalist and they are divided to three subcategories: investment experience, entrepreneurial experience and industry knowledge. Strategic resources are then again dependent mostly on the VCs' social capital accessed through external networks and they are also divided into three subcategories: investor contacts, industry contacts and contacts to find managers. All of these resources were evident in early internationalization occurring in European firms and therefore the model could possibly be extended to Finland as well. However, due to the simplistic nature of the model, low usage rate in the scientific community and the relatively small sample used to draw these conclusions, earlier literature will need to be visited to gain deeper insight on each resource.

2.2.1 Managerial Resources

Investment Experience:

Investment experience is the result of organizational learning from past investments and it helps the VCs operate more efficiently and avoid committing costly mistakes in the decision-making related to their subsequent investments. It is a process of experiential learning, where the received feedback from past experiences results in changes to behavior, knowledge and skills in an organization (Huber 1991). Investment experience is usually measured in active years or made investments (e.g. Kaplan et al. 2007; Gompers et al. 2009) as the organizational learning process requires time and opportunities to learn from.

Experienced VCs seem to become more efficient in the general governance of their investments. For example, Gompers et al. (2005) discovered that the prior deal flow experience of VCs affected their future investment opportunity identification process, while VCs who have more experience seem to also negotiate and draft more efficient legal agreements with their portfolio companies (Kaplan et al. 2007). Successful trade sale experience of VCs has been also noticed to increase the chance of their future companies to get acquired or sold in a trade sale (Clarysse et al. 2013) which could indicate that VCs become better at screening potential investments and/or establish relationships with significant actors in trade sale process which increases their future success rate.

Investment experience seems to accumulate through both successful and unsuccessful investments. Bacon-Gerasymenko and Eggers (2019) discovered that accumulating successful VC experience caused VCs to become more confident in their advisory skills and helped them prioritize areas of advice, where they were most efficient. VCs have also been observed to learn most from the biggest and most recent successful exits (Bacon-Gerasymenko 2019). Learning from failures might seem counterintuitive, but it has been recognized as an important process in organizational learning literature.

The negative feelings caused by the failure can interfere with the learning process, but this effect is mitigated after failure becomes more normalized in the organization (Shepherd et al. 2011). Increased number of failures with smaller magnitudes seems to also provide more opportunities to learn from (Khanna et al. 2016). In the case of VCs, past failures have also been observed to increase their tolerance for failure which potentially allows them to choose more innovative and potential investment targets as they can tolerate better their riskiness (Tian and Wang 2014). It seems like VCs can have either positive or negative experience since both can benefit the accumulation of investment experience.

Long-term and especially successful investment experience also has some indirect benefits for the VCs as it often translates to good VC reputation. Good VC reputation can cause e.g. startups to accept lower valuations just so that they can become part of VCs' portfolio (Hsu 2004) and reputable VCs have been observed to increase the value of their portfolio companies during the investment period, leading to better chances to exit successfully and with better results (Nahata 2008).

Investment experience seems to have direct benefits for the VCs and indirect benefits for the portfolio companies, but there is no clear indication on its effect specifically on internationalization, let alone early internationalization. The closest findings are made by Zhang and Yu (2017) who discovered that VCs who had experience of an IPO process in a foreign market increased the likelihood of a successful foreign IPO process. There is also some evidence that the international investment experience of VCs would affect the success rate of their international investments (Li et al. 2014), but there seems to be no evidence how it affects the internationalization of the portfolio companies.

This leads to suspect that investment experience would exist as a resource that does not have a specific dimension in relation to early internationalization, but it is generally very important for the whole investment process' success. In other words, it might not add directly value for early internationalization per se, but it helps VCs to operate more efficiently. These efficiency improvements might then be partially transferred to benefit the EIF during the investment period or they might enhance the VCs' capability to support early internationalization in general.

Entrepreneurial Experience:

Entrepreneurial experience is the result of an entrepreneurial learning process, where an individual learns skills and knowledge needed in entrepreneurial activities through trial and error. This learning process seems to be very multifaceted as Cope (2005) defined entrepreneurial learning to consist of up to five different types of learning: i) learning about oneself, ii) learning about your own business, iii) learning about the business environment and networks, iv) learning about small business management and v) learning about relationship management. As with investment experience, also entrepreneurial experience can accumulate through positive and negative events.

Experienced entrepreneurs seem to contribute strongly to startups' success. For example, Ucbasaran et al. (2009) discovered that experienced entrepreneurs are able to better identify and exploit new business opportunities which can lead to increased profits. The entrepreneurial experience accumulated from previous ventures also results in significantly increased sales and levels of productivity, when compared to firms run by first-time entrepreneurs (Shaw and Sørensen 2019). Experienced entrepreneurs are also capable of building more effective teams in startups that results in superior performance (Kirschenhofer and Lechner 2012). It would seem that entrepreneurial experience provides some competitive advantage over less experienced entrepreneurs.

Additionally, there seems to be a further dimension in entrepreneurial experience which would benefit specifically EIFs, earlier international experience. Earlier international experience stems from experiential learning occurring during international business activities and it gives individuals market-specific information, such as networks, possible competitors, existing culture and laws (Eriksson et al. 1997) and creates organizational routines and processes that help them conduct further international business activities (Blomstermo et al. 2006). Not surprisingly, individuals with international experience seem to often pursue internationalization and international business activities in their new organizations and this seems to be the case also in entrepreneurs with international experience. Schwens and Kabst (2009) found out in their research that earlier international experience of management positively correlated with early internationalization, and Zucchella et al. (2007) reported similar findings. Former international experience of the entrepreneur seems to strongly affect EIFs' decision to internationalize early.

The importance of entrepreneurial experience is also acknowledged by VCs and it affects their operations in two distinct ways. First, they seem to place high value on the startup's management team and their entrepreneurial experience during the screening process. Founders with prior founding experience are more likely to attract VC investments and receive higher valuations from VCs (Hsu 2007). This benefit seems to be polarized for founders with venture-backed entrepreneurial experience, but generally experienced founders are also capable of attracting more VC in total during the company's life cycle (Zhang 2011). Startups with experienced founders are also capable of negotiating better VC financing contracts with less constraints than first-time entrepreneurs, even if they were previously unsuccessful (Nahata 2019). This indicates that the VCs place value on the general entrepreneurial experience, not just on successful experience. VCs also seem to value international experience, as founders with international experience seem to attract VC funding more easily (Patzelt 2010). VCs seem to emphasize international experience, when they invest in startups that pursue early internationalization (Ribeiro and Meneses 2020).

Second, VCs themselves seem to employ managers with entrepreneurial experience as they have noticed that internalizing entrepreneurial experience can help them add value to their portfolio companies. For example, Gompers et al. (2010) found out that VCs can provide more value to inexperienced and unsuccessful entrepreneurs than to successful ones which indicates that they indeed can complement the founder's inexperience with their own entrepreneurial experience. Accordingly, Knockaert et al. (2006) discovered that VCs with previous entrepreneurial experience got more involved with adding value to the portfolio companies. Entrepreneurial experience seems to even dictate the VCs' investment strategies as Warnick et al. (2018) found out that VCs coming from entrepreneurial background seem to invest in startups with founders that portray entrepreneurial passion. Patzelt et al. (2009), then again, concluded that VCs with entrepreneurial experience seem to prefer to invest to earlier stage companies.

However, these findings seem to have their limitations as Walske and Zacharakis (2009) argue that entrepreneurial experience could be useful only when managing a few portfolio companies simultaneously and that these benefits would disappear when VCs would have multiple companies to monitor and assist. Interestingly, there has been next to nothing research done on the international experience of VCs and even this research seems to concern mainly the international diversity of their portfolios, not the internationalization of the portfolio companies. This seems like a gap that this research could partially address.

All things considered, it would seem like entrepreneurial experience, especially international experience, benefits early internationalization as EIFs are very founder centric. VCs seem to acknowledge this as well as they place more trust on experienced entrepreneurs which is shown in increased numbers of attracted capital and better contracts. VCs also pursue to hire managers with entrepreneurial experience which indicates that they want to be prepared to support their portfolio companies if they lack this critical experience. Therefore, we can assume that entrepreneurial experience should be provided by VCs to help their portfolio companies internationalize early and that it could be evident also in our cases.

There were no studies conducted on how the international experience of the VCs affects their portfolio companies' decision to internationalize, but, due to the importance of international experience in early internationalization, we can assume that VCs that invest in EIFs should also be in possession of international experience. However, as resources and available time are limited, entrepreneurial experience should be targeted mostly towards inexperienced founders, where it would add most value, and it should not be evident in the case of startups with experienced founders.

Industry Knowledge:

Industry knowledge is the result of an experiential learning process, where organizations (or individuals) learn invaluable, tacit knowledge about the industry where they operate in. The most efficient method to obtain industry-specific knowledge seems to be through professional experience because tacit knowledge cannot be shared easily (Klepper 2001). Industry knowledge seems to be present in startups mostly through their founders and managers due to their founder-centrism. Industry knowledge is also referred to as industry experience, industry know-how and industry expertise in literature.

Accumulating industry knowledge seems to enhance several processes in startups and seems to help them especially during the early stages. After founding, industry experience allows entrepreneurs to persist through adversities and gives them a chance to alter new business opportunities into more feasible and operable state (Dimov 2010). Industry knowledge also allows entrepreneurs to collect and analyze data about their industry more accurately (Landier and Thesmar 2009) which leads more accurate forecasts which help them act more efficiently as they will not waste time and resources on unsuccessful attempts (Cassar 2014). Industry expertise can also help attract investors (Stuart and Sorenson 2003). Ko and McKelvie (2018) argued that industry knowledge signals three important factors to potential investors: knowledge about industry success factors and possible customers; better understanding of opportunities existing in that industry; and social ties with important stakeholders. Occasionally, industry knowledge accumulation can also have negative results; if the startup is not capable of fully harnessing and exploiting it, their industry experts might start their own spin-off firms that might surpass them (Agarwal et al. 2004).

Industry knowledge seems to also have an impact on internationalization. Companies with industry-specific knowledge are more likely to become exporters (Westhead et al. 2001) and also pursue higher degrees of internationalization (Segaro et al. 2014). Tuppura et al. (2008) discovered that the accumulated industry expertise caused companies to internationalize faster and more intensively which resulted in early internationalization. Nadkarni and Perez (2007, 172) argue that diverse experiences and knowledge that were accumulated in the domestic markets can result in "*complex domestic mindset*" which can enable early internationalization, as individuals have learned to think in an advanced manner that can be used to process information also from foreign markets. It seems like industries have some universal traits which are not location-specific, perhaps due to increased state of globalization, and industry knowledge accumulated in domestic markets can be leveraged to internationalize quickly. Additionally, innovation, a distinctive and one of the most researched features in early internationalization, has close ties with industry knowledge as innovative R&D activities in specific industries must require substantial industry knowledge (Knight and Cavusgil 2004).

As with entrepreneurial experience, industry knowledge is also very visible in VCs' operations. Gompers et al. (2020) found out that VCs value industry expertise as the second most important aspect of the founder's human capital, when they are evaluating investment opportunities. Wright et al. (1997) reported similar findings, when they studied VCs' re-investments to familiar entrepreneurs. Interestingly, there were no findings of specific premiums associated with industry knowledge, as there was with entrepreneurial experience. This might be explained through the close relationship between entrepreneurial experience and industry knowledge accumulation. If entrepreneurs accumulate experience in certain industry, they could be expected to prefer to found another business in the same industry as they could leverage both the accumulated industry-specific and general entrepreneurial experience to receive the best results. An alternate explanation could also be that VCs view industry expertise as a mandatory component in their investments. After all, they seek to invest in innovative companies that will achieve substantial growth, and this can be a tedious task for companies without industry-specific knowledge.

VCs seem to also internalize a lot of industry knowledge in their organizations. This allows specialized VC firms, as in specialized to certain industry, to outperform generalist VC firms due to industry-specific human capital (Gompers et al. 2009). Investing in familiar industries also seems to cause their investments to yield better results (De Clercq and Dimov 2008) which indicates that VCs are able to add more value to their portfolio companies, when they invest in industries they have more knowledge in. Investing in an industry where the VCs are specialized in also enhances the survival rates of the portfolio companies (Dimov and De Clercq 2006). There is also indication that VCs can spark early internationalization through their industry know-how. Gabrielsson et al. (2004) found that VCs helped Finnish BGs to internationalize with a larger scope and intensity than Finnish BIs by providing them industry-specific knowledge.

To whom they provide their industry expertise also seems to matter. VCs add the most value to their portfolio companies when they can directly provide specialized complementary assets while their portfolio companies are operating under uncertainty (Park and Steensma 2012). The reliance on their industry expertise also seems to grow as they mature; De Clercq et al. (2001) discovered that when VC funds mature, the more they seem to prefer specialized investing as they can better control risks and maximize returns in those investments. Industry-specific knowledge embedded in VCs can even affect the geographic location of their business. Specialized VCs capitalists are often located close to significant startup and industry clusters (Stuart and Sorenson 2003) as they want to use their industry expertise to scout and evaluate possible investments.

Industry knowledge seems to have an important role in both domestic and international growth of startups. It allows better understanding and evaluation of applicable business solutions within a certain industry and helps signal potential investors about growth potential. There is not much evidence on the importance of industry knowledge specifically in early internationalization, but it seems to have universal dimensions. This allows its accumulation before internationalization which hints that it could have a central role in early internationalization, despite it not being directly stated by the scientific community. The importance of industry knowledge is also evident in VC-organizations. They value it in their portfolio companies, but also try to internalize it to large extent. Some VCs even become specialized in single industries as a measure of risk mitigation and profit maximization. Through their specialization, VCs are able to provide important support for startups to help them grow, but it seems, once again, that they should exercise caution and focus on portfolio companies that need it the most to add the most value. All things considered, industry knowledge should be evident in our research and VCs should be in possession of it, if they wish to support the early internationalization of their portfolio companies.

After reviewing research on investment experience, entrepreneurial experience and industry knowledge, we can summarize the following. Investment experience seems to have great impact on the VCs' operations during the investment, as more experienced VCs have learned from their successes and failures and are capable of doing better decisions and helping their portfolio companies more efficiently, but it does not seem to have direct implications for early internationalization. Investment experience clearly has a positive impact and it can also help EIFs, but it seems to be more of general factor that enhances the success rate of VC investments, not a resource that is specifically targeted to EIFs.

Entrepreneurial experience, then again, should have direct effect on early internationalization. Entrepreneurial experience seems to help startups operate more efficiently and successfully and entrepreneurs with international experience seem to have competitive advantage also during international business operations. The high value of entrepreneurial experience is also evident in the organizations and actions of VCs.

Industry knowledge should also have a direct effect on early internationalization, although the effect is not as evident as with entrepreneurial experience. Industry knowledge allows experienced individuals to identify and accurately evaluate business opportunities in the context of a specific industry. It can be accumulated in domestic environment and then, to a large extent, be applied also in international environments. VCs seem to value industry knowledge as well, as they often internalize industry-specific knowledge or even fully commit to a certain industry.

2.2.2 Strategic Resources

Investor Contacts:

VCs network with other investors very eagerly as it brings several benefits for themselves as well as their portfolio companies. One of the main reasons why VCs choose to upkeep an extensive network of other investors is maintaining the possibility to co-invest in a promising startup, a process known as VC syndication. Syndicates are formed, when two or more VCs want to simultaneously invest in a startup during the same financing round. Syndicates always have one VC who acts as *lead investor*, an investor with largest equity stake and higher amount of contractual and monitoring responsibilities, and several non-lead investors that have smaller equity stakes and less responsibilities. The lead investor also initiates the whole syndicate building process as they invite the non-leads to participate. VCs seem to prefer having both lead and non-lead roles in their portfolios. Jääskeläinen (2012, 444–445) describes VC syndication as "*multilevel phenomenon combining aspects of contracting, venture development, VC firm strategies, partnership formation and organization networks*" which manages to well capture how complex the process actually is.

Reputation, a factor that was first discussed when analyzing investment experience, has an important role in maintaining investor contacts as reputable VCs get more investment opportunities through their networks. Interestingly, syndicate agreements seem to rarely include any legal sanctions for the parties involved (Wright and Lockett 2003). Instead, VCs have their reputation at stake, and it seems that their reputation is one of their most important assets. VCs also maintain contacts to later stage investors, for example buyout investors and institutional investors, that would invest when the company would go public, because it helps them complete their exit successfully.

The main reason for syndicate activity is that they increase the number of VCs and number of available resources tremendously. Syndication helps the startups receive financing easier as they can get access to more capital than with just one investor because single investors could be reluctant to invest large sums as they have to also carry all the risks. Also, the accessible resource bases should be larger, as there are more actors involved. Syndicates investing in early-stage startups seem to be formed with a strategic intention; lead investors pursue to recruit non-lead VCs that can compensate for resources and capabilities that they cannot provide (Manigart et al. 2006).

The second reason is that investor contacts help VCs to acquire further financing for their portfolio companies as endorsements from VCs signal trust to other investors (Stuart et al. 1999). An alternative view of the importance of investor contacts is given by Wilson et al. (2018), who argue that there would exist a second equity gap where later stage startups would still not receive financing from the traditional sector. This would mean that they would need at least a second round of VC investments and investor contacts are crucial for the organization of these later stage investments due to the endorsement effect and syndicate formation.

Investor contacts seem to also affect the internationalization of the portfolio companies. The primary mechanic is the inclusion of international investors in syndicates. If startups are backed by foreign VCs, they are more likely to internationalize and they internationalize more intensively. Startups also appear to perform better during early internationalization, when they are backed by foreign VCs. (Woo 2020.) There seems to be also additional benefits if the foreign investor comes from an intended target market. If EIFs expand to the foreign VCs’ home markets, they can provide important knowledge resources and monitor the investments more efficiently than the domestic VCs (Chahine et al. 2019). When backed by foreign VCs, companies are also more likely to list overseas. This effect persists even if the firms were mainly backed by domestic VCs. Foreign VCs can also provide invaluable access to top-tier intermediaries which ease the IPO process. (Humphery-Jenner and Suchard 2013.) Despite the apparent benefits brought by international VCs, an optimal situation seems to be a mix of domestic and foreign VCs. Syndicates where there are both domestic and foreign VCs have shown best results (Wang and Wang 2012). It also seems like that domestic VCs are in key position, when international VCs are being attracted, as they typically invest first, legitimize it as a quality investment and then invite international investors to later investment rounds (Mäkelä and Maula, 2008).

From VCs' point of view, investor contacts have a slightly different role. Forming syndicates would be impossible without investor contacts and syndicates allow VCs to diversify their portfolio and mitigate their exposures to risks of single investments. Investor contacts also seem to help distribute VC investments between several industries and even beyond national borders (Sorenson and Stuart 2001). Syndication seems to enhance the overall returns of their portfolios as startups backed by VC syndicates complete more successful IPOs and are more likely to survive to further financing rounds (Hochberg et al. 2007). Despite apparent benefits, it is worth noting that syndication can also cause problems. If the syndicates include too many investors, the returns are very limited, and participants might experience conflicts when they are trying to add value. An overcrowded syndicate might even keep investing in unprofitable startups because some investors exert pressure to continue syndicating, the organization becomes so complex that information flows are restricted or because leaving the syndicate can harm the VCs' reputation (Birmingham et al. 2003; Guler 2007).

Other investors are also an important source of information and deal flow even if they were not in the same syndicate. VCs place high value on the opinions and evaluations given by the other VCs in their networks and they consult them often when they lack information themselves (Fiet 1995). However, VCs do not seem to rely much on other VCs during the screening process, unless they absolutely have to, as it limits their future returns (Brander et al. 2002; Casamatta and Haritchabalet 2007). It would seem like using investor contacts to add value to their investments is a matter of constant balancing between the costs and benefits. Nevertheless, it is apparent that VCs are highly dependent on their contacts to other investors and cannot operate alone.

The investor contacts of VCs seem to affect both the VCs and their portfolio companies as syndicates are in such central position in the VC investments. Investor contacts also help VCs to organize further financing. It appears that especially the contacts to international VCs would be crucial for early internationalization and, thus, they should be evident in either the syndicates or in the VCs' contact network also in our cases. But; we cannot belittle the role of domestic VCs as they seem to take the first, perhaps the most crucial risks, with the startups and the most beneficial syndicates seem to have both international and domestic VCs in them. Therefore, there is a chance that international investors would not be evident in our cases as they might not have had a chance or desire to invest yet. Additionally, it appears that VCs want to limit the size of co-investors to retain larger profits and this could also cause the absence of international VCs.

Industry Contacts:

VCs gain access to wide networks of industry contacts largely through internalizing entrepreneurial experience and industry-specific knowledge as we stated in the last section. If they employ, for example, an experienced manager from technology sector, all of that manager's professional contacts can now potentially be utilized by the venture capitalist to provide value to their portfolio firms. Interestingly, some of the industry contacts can also be generated through VCs' old investments that have grown large and reputable enough to support these new investments. Especially the most experienced and reputable VCs have access to hundreds of contacts sometimes even across several different industries.

The value of direct industry contacts for startups with limited networks is rather self-explanatory; they provide access to potential customers, suppliers and other important actors in the industry. Not surprisingly, gaining contacts from foreign industries can help startups to internationalize early. For example, foreign industry contacts can be used for outsourcing which can give access to economies of scale, that would otherwise be unreachable, which enables early internationalization (Freeman et al. 2006) or foreign industry contacts can be used to collect knowledge about the foreign markets before completely internationalizing (Ellis 2000). Instead of acquiring just vertical contacts, as in vertical in the firm's value chain, sometimes also horizontal contacts can be the answer; Chetty et al. (2003) discovered that establishing networks with competitors can help companies to internationalize early.

The motivation for VCs to provide these industry contracts is also quite apparent; they want to accelerate and maximize the startup's growth by providing them direct contacts to different actors in their industry. Once again, the endorsement effect of being backed by a specific VC is in central role as EIFs often suffer from low reputation levels throughout their early stages and they are highly dependent on third parties to endorse them. EIFs seem to also benefit the most from business contacts during the early stages of their growth, including early internationalization. (Coviello 2006). When VCs take care of attracting potential customers and business partners, the startup can focus on product/service development which ultimately gives them the competitive advantage.

The benefits of direct industry contacts for early internationalization seem unquestionable. For example, if the startup receives direct foreign contacts from VCs, they should be able to leverage the business leads, knowledge and further networks of those contacts to succeed in early internationalization.

Contacts to Find Managers:

As we have established in the previous sections, EIFs are very founder centric. A lot of the human capital in EIFs is embedded in the founders and first managers hired to the startup. As the startups grow, they need to hire more capable managers in order to be successful when their business scales up. The initial founders cannot remain in such a central position as the organization and business grows and the need for specialized managers is apparent as they can bring their own human and social capital to benefit the organization. However, it seems that EIFs have a hard time finding and attracting new managers which can jeopardize early internationalization if the current organization lacks e.g. international experience (Sapienza et al. 2006). This is where the VCs' contacts to find new managers becomes crucial. Once again, they can legitimize the startup through endorsement and help attract talents that otherwise would not consider working in such a small and unexperienced organization. In fact, VCs seem to be the most probable source of new managers as they take responsibility of the recruitment process, but only if they have a board seat (Amornsiripanitch et al. 2019). VCs seem to also give better valuations for startups that are governed by entrepreneurs who are able to recruit managers through their own networks (Hsu 2007).

Occasionally, even the founders might have to be replaced if they either fail to achieve the goals set by the VCs or simply because they lack the human or social capital that would be needed to take the next step. This seems to be more than common; Baker and Gompers (2003) discovered that about two-thirds of VC-backed companies do not have a founder as CEO by the time they complete their IPO. In these situations, the VCs have to find replacement managers or even CEOs which is not an easy task as the founders are often in such a central position in terms of the organizational structure and networks and they often embody the original identity and vision of the startup. Replacing a founder CEO can happen both forcefully or voluntarily and it is the most likely to happen if the startup has not achieved considerable success. Surprisingly, the dismissed founder CEOs often remain in the organization and adopt other roles which can indicate that VCs acknowledge their importance for the startup and do not want to fully get rid of them, even if they failed to live up to their expectations. (Hellmann and Puri 2002.)

It would seem like that the ability of VCs to provide contacts to find managers can affect early internationalization, especially if these new managers can complement the knowledge that is missing from the current organization. Additionally, the process of founder CEO replacement seems to be an important mechanism that the VCs often exercise to help the startup grow and it could also make important contribution towards early internationalization.

After reviewing research on investor contacts, industry contacts and contacts to find managers, we can summarize the following. Investor contacts seem to be in critical role when VCs are forming syndicates and organizing further investments for their portfolio companies. Especially the role of contacts to international investors seems to be crucial for early internationalization. However, we cannot exclude the possibility that only domestic VCs would contribute to the early internationalization of startups as they take the first risks on early stage startups and might want to limit the number of involved investors as it can affect their own returns and increase certain risks.

Industry contacts are important for establishing new connections with actors in both horizontal and vertical networks, and especially the importance of foreign industry contacts cannot be emphasized enough. The VCs' contacts to find new managers is also important for the founder and manager-centric EIFs as they need to attract new talent as they grow, but they often lack the credibility and reputation as a small firm. Additionally, manager contacts are needed when VCs want to replace a founder in a startup e.g. if they fail to achieve agreed goals. Attracting especially managers with international experience and knowledge should be crucial for early internationalization.

2.3 Heterogenous Resource-Provisioning

Lutz and George (2012, 34) also identify heterogeneity of provided resources as a factor in the model. Their findings indicated that when non-financial resources were provided in a heterogenous fashion, it would further benefit early internationalization. Heterogenous resource base seems to be beneficial for early internationalization (Nadkarni and Perez 2007). Heterogenous resource provision also gains support from the findings of asset parsimony existing in EIFs that was pointed out by Cavusgil and Knight (2004). EIFs seem to possess internally very few resources and compensate the lack of these resources by utilizing the social capital accessible through their networks. And, as internationalization in general requires a lot of resources, the more resources VCs are able to provide for EIFs, the more able these EIFs should be to internationalize early. The heterogenous resource provision should also be evident as VCs want the EIF to succeed (to maximize their profits) and therefore support their growth however they can.

However, there are plenty of findings that just a large number of resources will not automatically result in early internationalization. For example, Westhead et al. (2001) found out that the total human capital variable in their research was not capable of projecting future SME internationalization, but instead single resources, such as industry-specific know-how and earlier international entrepreneurship experience, could project it. Coincidentally, Knight and Cavusgil (2004) argue that the early international expansion of EIFs is better explained through internal capabilities than their resource bases, whether they were accessed internally or through social networks. These findings suggest that pure heterogeneity of resources does not automatically benefit early internationalization. When evaluating heterogeneity as an important factor, we need to also consider the costs of providing certain resources as VCs do not have unlimited time or resources to invest in their portfolio companies. Especially since their funds often invest in dozens of companies and they manage multiple funds simultaneously.

In light of this evidence, we should not assume that every single venture capitalist would provide the resources showed in the model to every single one of their portfolio companies and this would be evident in our research. Instead of expecting VCs to blindly provide all of the resources in the model, we can expect the heterogeneity to be of moderated nature, where the already existing resources and capabilities in a startup dictate which resources should be provided. The heterogeneity should, however, remain in the model as a component because i) we acknowledge that EIFs do not internally possess all the resources they require for early internationalization and suffer from multiple resource deficits and ii) we can expect the VCs to support the early internationalization as much as they can as rational investors.

3 METHODOLOGY

3.1 Research Approach

The earlier empirical research on early internationalization has employed both qualitative and quantitative methods almost in equal amounts (Romanello and Chiarvesio 2019). Earlier research specifically on how VCs affect early internationalization has then again been mostly quantitative with some studies utilizing mixed methods. However, the researcher lacks the necessary resources and networks to commit to the quantitative methods. Due to the limited resources, we cannot either follow the suggestions of Hurmerinta-Peltomäki and Nummela (2006) and use mixed methods. Thus, this thesis approaches the research problem through qualitative methods. Qualitative approach is also suitable as there is much room for subjectivity in this specific topic and the applicable population is limited. Qualitative methods are also more capable of capturing the complex dynamics of the VC-startup relationship, the ongoing internationalization process and the resource provision included in it. Additionally, qualitative methods can reveal additional information that has not been covered by earlier research. (Walle 2015.)

Qualitative methods are also better capable of addressing some of the issues pointed out by literature reviews of both venture capital and early internationalization research. For example, (Tykvová 2018) raises the issue that research on VCs has earlier focused on whether they can add value to their portfolio companies but has failed to specify the mechanisms through which they add value. They further add that one of the unanswered questions in current research is whether the managerial resources or networks provided by VCs can benefit the startup which can be answered quite precisely with our model. Through qualitative methods, we can also more thoroughly analyse the effect of external actors in early internationalization, which is one of the research gaps identified by Romanello and Chiarvesio (2019).

The chosen approach to our topic in general is, first of all, strongly behavioral. Behavioral view sees the firm as an active member of its network which can affect the outcome of its operations by identifying opportunities and developing capabilities (Welch et al. 2016). By employing a behavioral view on early internationalization, we constitute towards a more modern view of the firm that is not just the sum of its resources. Instead, EIFs can access resources through their social networks and leverage them to achieve early internationalization. They can also develop knowledge and capabilities already before the founding and use that knowledge for the benefit of the startup. Behavioral view also identifies that firms cannot be analysed apart from their networks and acknowledges that information is not equally accessible to all. Behavioral view is also used to interpret the relationship between VCs and EIFs. In this way, we do not observe VCs as mere financial intermediaries that just want to maximize their profits and advocate their own benefit at any cost, but instead as supportive and actively encouraging partners, much in the spirit of Lutz and George (2012).

We also try to view early internationalization as a process, not as a binary variable that has either happened or not happened. We try our best to reflect how each resource helped each individual firm in a particular point in time and how it impacted the internationalization exactly on that moment. However, there remains room for further improvement as we ultimately fail to capture the modern, intricate process timeline of internationalization, that is suggested by e.g. Welch et al. (2016). This is fundamentally caused by the simplistic research setting. Additionally, we fail to take into consideration the evolutionary aspects of early internationalization. For example, we do not study how the resource provision fluctuates during the different stages of early internationalization and after it which would most likely require a longitudinal research.

3.2 Data Collection

Qualitative research can be conducted with different data collection methods. The most common methods include e.g. case studies, interviews and participant observations. The choice depends on the type of information collected and its source. (Eriksson and Kovalainen 2008; Walle 2015). Case studies allow the researcher to present complex phenomenon and have been long used in business research. Case studies can also utilize data from various sources to present the topic in holistic manner. (Eriksson and Kovalainen 2008.) Since the objective of this thesis is to study a relatively complex and unknown phenomenon that would benefit from multiple sources of data, case study was chosen as the most appropriate option.

Furthermore, case studies can be conducted as either intensive or extensive case studies. Intensive case studies attempt to understand how a single, unique case works by utilizing a rich body of data that is specific to that case. This individual case is seen as intrinsically interesting which is why it is worth studying. Extensive case studies, then again, are interested in single phenomenon and utilize several applicable cases to gain understanding of it. Extensive case study can also be applied in situations where the current research has a gap. (Eriksson and Kovalainen 2008.) Considering the objective of this thesis, to gain better understanding of non-financial resource provisioning done by Finnish VCs, conducting an extensive case study seems most fitting. By utilizing multiple cases from the same industry, this thesis can provide better overview on the topic than an intensive case study with a single case.

As mentioned earlier, data collection in extensive case studies can occur from multiple resources. This study chose to utilize data from primary and secondary sources. Primary data is the data that the researcher collects themselves and secondary data has been collected by others (Hirsjärvi et al. 2015). Primary data in this study was collected through semi-structured interviews. Interviews are perhaps the most common way to collect qualitative data in business research due to its flexibility and capability to produce high amounts of in-depth data. Interview setting also allows a more genuine interaction between the interviewer and interviewee. (King 1994.) Furthermore, interview-based case studies are one of the most popular ways of conducting qualitative research in internationalization research (Welch and Paavilainen-Mäntymäki 2014). This further supports the decision to use interviews as a primary data collection method.

Interviews can be conducted in either structured, semi-structure or unstructured form (King 1994; Walle 2015) and it is important that the choice reflects the objectives and research problems of the research. Due to the objective of this thesis and the general research setting, the choice was to conduct semi-structured interviews. First of all, semi-structured interviews allow the information to flow freely, but enables the researcher to define the discussed themes beforehand (Walle 2015). This is crucial as there is no universally accepted theoretical model of the chosen topic, but there is still some earlier relevant literature. Additionally, semi-structured interview setting allows the researcher to incorporate their own expertise into the interview situation to provide richer data (Walle 2015). While the researcher was not by any means an expert on the chosen field, their earlier experience of the industry and the Finnish startup ecosystem provided additional reasoning for choosing semi-structure interviews as the primary data collection method.

By choosing semi-structured interviews, the researcher could also utilize the earlier research to construct a preliminary interview structure. The main function of the interview structure was to ensure that all the critical themes and questions had been covered in each of the interviews. Additionally, it could be used to provide back-up questions if some unexpected problems would occur. The interview structure was not followed meticulously if the interviewee answered the desired themes amidst the natural flow of conversation. In Table 1, we can see the operationalization chart that depicts how each theme reflects each research objective. The interview structure that was build based on the operationalization chart and was sent to the interviewees beforehand can be seen in Appendix 1.

Table 1 Operationalization Chart

Research Question	Sub-question	Theoretical framework	Interview themes
How do domestic VCs affect the early internationalization of Finnish startups by providing non-financial resources?	What managerial resources do VCs provide to Finnish startups?	Lutz and George's (2010) model of non-financial resource provision in early internationalization	**Investment experience:** Positive vs negative; career length; reputation; effect on operations **Entrepreneurial experience:** Intra-VC; intra-startup; international experience **Industry knowledge:** Specialization vs generalist; knowledge in startups
	What strategic resources do VCs provide to Finnish startups?	Lutz and George's (2010) model of non-financial resource provision in early internationalization	**Investor contacts:** Syndicates; networks; reputation; follow-up financing **Industry contacts:** Source of contacts; contacts in own portfolio; reputation **Contacts to find managers:** Manager recruitment; founder replacement; recruitment contacts
	How heterogeneously are these resources provided?	Moderated heterogeneity (3)	- supporting internationalization through large amounts of resources, but attention to restrictions of available resources and potential value added

In addition to primary data, secondary sources of data were utilized quite extensively in this thesis. The main purpose of the secondary data was to guide the data collection process. During data collection, the secondary data exclusively defined the case company selection process and helped the researcher to prepare for the interviews. Additionally, secondary data was used when constructing case backgrounds and during the analysis phase to complement the primary data. Most important secondary data sources included: official websites (e.g. FVCA, Business Finland, VCs, startups), Crunchbase.com database and credible business media sources (e.g. Talouselämä, Kauppalehti). The secondary data was gathered from as credible and trustworthy sources as it was possible.

Selection of the Case Companies:

Since this research focuses specifically on resources that are provided by Finnish VCs to the Finnish startups that internationalize early, the sample had to be constructed according to our focus and various definitions. First of all, we needed to define the characteristics we categorize VCs based on, for example, are they Finnish. Secondly, we need to define when internationalization is considered as early internationalization and when startups can be referred to as EIFs. By identifying these startups through the term EIF, we can better position our research in relation to the previously done international business research, but we also have to follow the definitions set by the field's scholars. This is rather problematic since there is a common error of using the dozens of available terms interchangeably. A shorter description of the case company selection process can be seen in Appendix 2 which was also sent to the potential interviewees as a part of the interview invitations.

The sampling process began with gathering a list of all the possible Finnish VCs. In the first stage, only three measurements were considered: i) is the VC private; ii) is the VC Finnish; and iii) do they have early enough investment strategy, so that they could invest in EIFs. The data used in this phase was collected from the member registry of FVCA which covers 71 Private Equity and VC investors. Additionally, 1 VC investor was added to the list outside from FVCA member list due to researcher's personal knowledge which increased the number of potential VCs to 72. The private ownership was determined based on whether the VCF was state-owned. Removing public organizations from the list was crucial due to their differing strategies, available bundles of resources and investment criteria. After that, each VCs' nationality was defined first based on the location of their headquarters and their main market, and their investment strategy was categorized based on their own definition of it. Data for all of these measurements was gathered from the official websites of the VCs which can be considered as credible sources. As a result, 34 VCs remained in the sample. However, three of these VCs had just recently been founded and they were removed from the sample as it was deemed that they could not have provided any non-financial resources yet to their portfolio companies. The remaining 31 VCs had 837 startups in their portfolios which were further analysed and categorized based on their characteristics.

In the next phase, limitations were set for these 837 startups based on attempts to improve the general reliability and credibility of the results and the EIF framework. First of all, too old and non-Finnish startups were eliminated from the sample. The founding period of the startup was set between 2010–2020 to eliminate too old cases from the sample and to avoid the biggest effects of the 2007–2009 financial crisis and the COVID19 crisis on these startups' operating environment. The founding period was defined based on information received from their or their investor's official website, the official business information system of Finland (YTJ) or reliable third-party sources. Occasionally, there were conflicting information between these sources, mostly due to the fact the legal entities are often formed last in startups, but in these cases the YTJ database was deemed the most reliable. The nationality of the startup was defined based on the location of its headquarters and founding country. The nationality of the founders was not deemed a significant factor and was therefore left out of the analysis. After all, what mattered the most was that the startup began its journey in the Finnish startup ecosystem, thus sharing the same benefits and adversities with other companies in the same ecosystem. The location of a startup's headquarters and its founding country were both determined from the same sources of information. Especially the official startup websites were used much, where the startups often proudly inform where they were founded and where they currently have offices, but occasionally a third-party website Crunchbase.com was used which collects global data on startups and VC investments.

After the non-Finnish and too old startups were removed from the sample, the internationalization processes of the remaining ones were analysed based on the criteria suggested by the EIF framework. Romanello and Chiarvesio (2019) suggest that future research on EIFs should clearly define all three dimensions of internationalization: timing, scale, and scope to increase the validity of the research and to unify the field's practices. The aspect of timing is answered already in the same article by the authors; they propose a 3-year time limit from founding to engaging in international business activities to constitute as early internationalization. This limit is widely used, especially in research on BGs, and therefore it can be considered credible enough for this research as well. The question of a proper scale of internationalization gets answered by Cesinger et al.'s (2012) review of 51 articles on EIFs. They conclude that the median measure has been that EIFs achieve 25% of sales coming from abroad within the given time limit. The scope of internationalization does not seem to have almost any unified measures; some studies use absolute measures such as 'more than one country', while the others rely on simply stating that EIFs need internationalize to 'multiple countries'. 'Multiple countries' is the median in former research, but we choose to use 'more than one country' for two reasons: i) we want to avoid the ambiguity and subjectivity of loose definitions; and ii) including just one additional country to the scope of internationalization complicates the whole process considerably, narrowing the difference between the two terms.

In addition, the timing of the VC investment was included in the analysis, so that the VCs would at least potentially have time to provide non-financial resources to the internationalizing startups. There was no general guideline provided by industry standards or earlier research for this, but a year was deemed long enough time for the VC investor to actually provide any results. The data for these criteria was collected from startups' and VCs' websites, Crunchbase.com and other reliable third-party sources of information, such as Business Finland and Kauppalehti.

As a result of this elimination process, 52 suitable case companies were left in the list which were divided between 13 different VC portfolios. All of these 13 VCs were contacted and invited to an expert interview via email. In total, 4 VCs accepted the interview invitation and Table 2 illustrates key information of the interviews. The rest of the invited VCs had either no time or interest to participate in this research.

Table 2 Organized Interviews

VC	Interviewee's position	Date	Duration	Portfolio company
A	Managing Partner	11.8.2020	01:21:48	Alpha
B	Founding Partner	1.9.2020	01:15:14	Beta
C	Partner	7.9.2020	01:16:57	Gamma
D	Partner	20.11.2020	01:02:44	Delta

Interview Process:

The interview invitation was targeted to an individual who was the most closely acquainted with the specific startup, but ultimately it was left up to the VC to decide, who participated. In the end, all of the interviewees had been actively involved with the startups and they clearly possessed a lot of applicable information. In the case of one VC investor having multiple suitable cases in their portfolio, they were given a suggestion of the most suitable startup based on the preliminary sampling, but the final choice was left up for them. Additionally, the VCs were asked to confirm the relevancy of the done analysis due to the use of potentially unreliable sources of information and combining information from several sources.

The interviews lasted from approximately 1 hour to 1.5 hours. All of the interviews were organized in Finnish. An option to do the interview in English was offered as well due to the fact that not all of the organizations had native Finnish employees, but no interviewee chose this option. All of the interviews were organized through video communication tool Zoom due to ongoing COVID19 restrictions which limited the ability to travel for face-to-face interviews. All of the interviews were recorded, but in the case of participants using video, the recording did not include any video material because it was not deemed relevant for the analysis.

3.3 Data Analysis

The data analysis process turns the received data into simple and understandable findings. In qualitative research, the analysis phase can be time consuming and require a lot of work as the amount of received data is enormous. Therefore, the analysis process in qualitative research often requires the reduction of data and its coding. (Auerbach and Silverstein 2003; Rowley 2012.) The chosen data analysis method in this research was thematic analysis. Thematic analysis identifies certain key themes in the data which are used to draw conclusions on the studied topic (Clarke et al. 2015).

This method can be used in various contexts in qualitative research due to its flexibility and up to six different forms of thematic analysis are identified by Clarke et al. (2015): inductive, deductive, semantic, latent, descriptive and interpretative. Out of these options, deductive thematic analysis was chosen as it allows the researcher to view the data through a predetermined theoretical lens (Clarke et al. 2015). This decision is consistent with our decision to utilize a clear theoretical model on which we base our data collection. In deductive thematic analysis, the used theoretical model also guides the coding process and development of central themes. As a result, the main themes were based on the categorization that is visible in Table 1 and each theme would have one or several codes assigned under them.

The data analysis process began after completing all of the interviews. As our primary data consisted of the discussions had during the interviews, each interview was transcribed based on the recording into a single Word file. The transcription included everything that was spoken during the interviews without revising any words or sentence structures. However, it did not include pauses or any inaudible sounds (e.g. grunts, laughter, coughing) as they were not deemed to be an important for the actual analysis. After transcribing the interviews, each transcription was read through and segmented based on the main themes. After that, each segment was coded by comparing them between cases and looking for similarities. Each code was separated from the rest of the text by highlighting it with its own color. After each segment was analysed, the marked sections were moved to another file where they were grouped together with similar findings from other cases. These findings were then analysed to produce the different results.

While the theoretical framework guided the thematic analysis, it was not limited only to it. Any new code or finding under the designated themes was identified from the text and analysed. These new findings were then used to provide additional insight on the research topic. The final results were presented in partially anonymous state due to request from the interviewed parties. In addition, some of the interviewees specifically requested the researcher to avoid using direct quotations, when reporting the results.

3.4 Evaluation of the Study

The evaluation of the study is done according to the traditional criteria of evaluation for qualitative research established by Lincoln and Guba (1985). These criteria evaluate the research from four standpoints: credibility, transferability, dependability and confirmability. The criterion of credibility describes how well the research reflects real world (Lincoln and Guba 1985; Walle 2015). In this research, credibility was increased by strongly emphasizing the role of previous theoretical findings as it concretely affected the structure, method and analysis of this study. The method of triangulation, an additional source of credibility, was also used as both primary and secondary data was utilized to gain better understanding of the studied phenomenon. Data triangulation was also utilized by comparing the results between the cases.

Transferability describes how well the findings can be applied in other environments without having the experience or knowledge acquired during this specific study (Lincoln and Guba 1985; Walle 2015). The received results should be transferable as long as the specific context is preserved as we have applied quite strict criteria during the sampling process. The research design is also described in accurate fashion to increase transferability. When reporting the findings, there is also an attempt to describe each case and its specific context as accurately as possible which should increase the transferability of our results. Lastly, the decision to use extensive case study with multiple cases, not just one, should produce more easily transferable results.

Dependability, then again, describes how well other researchers with the same topic and same context can replicate the results (Lincoln and Guba 1985; Walle 2015). There was best of efforts to reduce dependability, but qualitative methods are ultimately up to the subjective interpretation of each individual. Thus, dependability can perhaps never be fully eliminated in a qualitative approach. Dependability was increased by describing the research process and data analysis as accurately as possible. There was also an attempt to reduce the role of subjectivity during the interviews. However, due to the decision to commit to semi-structured interviews, there always remains room for different interpretations, whether they are from the interviewee's or researcher's point of view.

Confirmability describes how well the results reflect the acquired data (Lincoln and Guba 1985; Walle 2015). The research design and methods of analysis should be able to produce objective interpretations. Additionally, when conclusions based on the received data are made, there is an attempt to reflect the findings on the earlier empirical research to better demonstrate how we arrived at each conclusion.

4 EMPIRICAL FINDINGS

4.1 Case 1: VC "A" and Portfolio Company "Alpha"

Case Background:

VC A is an early-stage Finnish VC that invests in startups operating in Finland, Sweden, Estonia and Denmark. They began their operations in 2012 as an accelerator and their first fund invested in over 30 companies. Due to their history as an accelerator and the founders' strong experience in entrepreneurship, their investment philosophy is closer to an angel investor's than a typical VC's and it is strongly modelled after famous US-based angel investors philosophies. They view each case objectively and utilize statistics a lot in their operations. They prefer to invest in startups with capable founding teams and with which they see a good fit both culturally and personally. They also prefer to invest in tech-oriented startups that can complete an early exit, but the startups do not need to have their product on the market yet necessarily. They only co-invest and their initial tickets are between € 50,000 and € 150,000 representing max. 50% of the round. Follow-up investments depend on each case and they can be larger in size. They have two funds of which one is still actively investing – their first fund is currently tending the made investments. Their currently active fund raised its capital in 2017 and started investing in 2018, and it has currently invested in over 50 companies. Their goal is to have 100 companies in their portfolio and their run rate is 20+ investments each year.

Alpha was founded in Q4/2015 and they offer a platform directed towards professional investors, mainly those operating in VC or PE sectors. The platform offers enhanced analytics and data visualization designed specifically for the use of professional investors. VC A invested in Alpha during an angel round together with an international investor in Q4/2016. The round was around € 700,000 in size and was carried out as an equity investment. The funding round occurred soon after they had launched their product which occurred in Q3/2016. Already from the beginning, it was clear for Alpha that they had to pursue international markets because domestic markets are far too small here in Finland for these types of specialist software. Alpha managed to internationalize quickly after releasing their product to the market and has continued expanding to new markets ever since.

Managerial Resources:

VC A had quite clearly accumulated investment experience. The accumulation of the investment experience had apparently started before the fund was formed as both of the founders had worked closely with startups: the other as an angel investor and the other as a consultant/advisor to startups. After forming the funds, they have invested in over 80 startups and completed several exits. They stated that their VC investment experience was mostly accumulated through experiential learning and that they have to constantly learn new things in order to adjust and keep up. The accumulation of investment experience had occurred both through positive and negative experiences. Learning from negative experiences was described as a more straightforward process as it often is a lot easier to point out ‘the cause of death’ than the cause of success.

As a result of accumulating investment experience, they seemed to have developed their organizational efficiency. First of all, they regularly review each made investment in order to track their progress and improve their own learning. The main tool for this reviewal is standardized monthly report that they require from all of their PFCs. The report consists of certain financial indicators that measure the growth process of the startup and help evaluate it according to their investment strategy and principle. Second, their investment experience enables them to express themselves and their goals more clearly and transparently which helps them in attracting correct types of investment leads. Third, investment experience has improved their screening process as they can better evaluate the startup’s fit to their portfolio and strategy. Fourth, they think that investment experience has taught them to remain at a ‘suitable distance’ to their PFCs – far enough to not get too much involved, but close enough to actually affect decisions if needed.

VC A perceived that they had developed a relatively good reputation within the industry after operating for such a long period of time, investing in dozens of startups and producing steady results. Between their funds, they briefly thought about re-branding themselves, but ultimately decided not to do it after consulting their partners and shareholders which advised against it.

VC A could not provide any concrete examples on how they could have leveraged their investment experience to benefit the startup in this specific case despite the fact that they clearly were in possession of this resource. It is likely that the investment experience is such an underlying resource for the VCs that it is hard for them to specifically point out when it could have helped in each specific case. However, they were able to recognize that this case itself accumulated valuable investment experience for them. They specifically mentioned that this case helped them to formulate their investment criteria and improve their screening process efficiency. They initially allowed Alpha’s founder to outsource the CEO position which caused problems after a short period of time and required interference from the VC’s side. Later on, they have realized that allowing an outsourced CEO so early on was a misjudgement as the startup is relying so heavily on its founders and their vision that they need to be involved also in operational activities in order for the startup to grow successfully. Based on this observation, they have actually implemented a separate clause in their investment criteria ("*Controlled by those who execute daily*") and they confirmed that this type of administrative set-up would currently be a deal-breaker for them.

VC A had quite clearly accumulated entrepreneurial experience as well. The other founder had found and scaled several businesses from start to M&A phase indicating strong entrepreneurial experience. The other had worked for a multinational tech firm during its early stage of international growth, but they described the organizational culture to be very entrepreneurial rather than corporate. In addition, the latter had worked as a consultant/advisor for startups meaning that they were closely working with founders during different stages of growth and thus likely accumulating entrepreneurial experience also themselves. Both of the founders had considerable international experience as well: the other had scaled all their firms to international markets and worked abroad after their acquisition, while the other had worked almost half their career abroad for the multinational tech firm.

The entrepreneurial experience of the VC even seemed to affect their way of operating and they described their own way of working as very entrepreneurial. They also highly value entrepreneurial qualities in founders and see it as the single most important factor in their screening and investment decision process because they invest so early on and there is very little reliable data on the actual business. They thought that entrepreneurially experienced founders are more capable of adapting to changing situations and overcoming adversities indicating that they see it as an experiential learning process. Additionally, the origin of their fund seemed to also be very entrepreneurial: they recognized a clear gap in the industry and decided to act on it by themselves. When asked about evaluating their level of entrepreneurial experience in relation to other VCs, they stated that it is hard to estimate because there has lately been a trend of former founders turning into VCs resulting in growing numbers of entrepreneurially experienced VCs. Nevertheless, they acknowledged that they had a strong entrepreneurial background.

The founder of startup Alpha was deemed as a trustworthy and capable founder by the VC. While they did not have extensive experience of founding firms or growing them from the start, they had built a career as a M&A manager for an MNE and through that position acted as an CFO to several acquired companies. Additionally, the VC had met and got acquainted with the founder before they had found the startup. This apparently affected the decision to invest positively because they knew more accurately what type of a person and leader he was and how well he handled his responsibilities.

In this case, there was one clear occasion when the VC's entrepreneurial experience was leveraged to help the startup. This occurred when the startup was struggling due to the outsourced CEO who could not apparently carry out the founder's vision correctly or run the operational side as expected. This led to poor performance and dissatisfaction on all sides (founder, CEO and VC). After acknowledging the problem, the VC started discussing the issue with the actual founder in order to solve it to avoid further hindrance of growth. They shared their own insight on the issue and actively sparred with the founder which resulted in the decision for the founder to assume the CEO position. After the founder started as the CEO, the VC continued to spar and support them for a while as they adjusted to their new position.

After assuming the CEO position, the founder solved two critical situations independently by utilizing their very own entrepreneurial experience. First situation occurred shortly after they had become the CEO. The financial stability of Alpha was threatened due to prolonged poor performance. By utilizing their previously acquired CFO skills, they were able to keep the burn rate low enough in order for them to avoid relying on external capital in a sub-optimal situation. Second situation is related to the technical development of their product. Initially, they utilized only 3rd party subcontractors for the development work because the founder was not capable of doing such work. This created increasing number of problems as the development progressed. After enduring these problems for quite a while and trying to learn from them, the CEO realized that this was not sustainable situation and decided to search for a development professional to work for the startup in order to internalize some of the required skills. They managed to find a capable individual, who in fact was able to exceed the requirements. They got promoted to CTO very quickly and act now as a co-founder.

VC A identified more as a generalist than a specialist. They did not feel that they possessed any considerable industry-specific knowledge – their strengths were more on general startup scaling and growth strategies that are not tied to any specific industry. They categorized themselves as volume investors, who operate a relatively big portfolio, especially considering their small organization size, with varying types of portfolio companies. Their strategy is to invest in scalable solutions/services that do not require a lot of capital and in capable founders who can operate independently. As mentioned earlier, the founder of Alpha was an experienced M&A manager in an MNE. While working there, they started to notice that investment professionals lacked proper tools to effectively follow their investments (e.g. deal flow, reporting) and many portfolios were tracked entirely on Excel or other spreadsheet software. They decided to try to produce a solution to this problem and started working on a software that could be used by all professional investors.

Despite identifying as generalists, in this case VC A was able to leverage their industry-specific knowledge to help Alpha as they were partially operating in the same industry. First of all, they helped Alpha to develop the reporting functionality of their service by providing their best practices to form the basis. In fact, VC A actually uses Alpha's service for their own reporting needs. Second, when the CEO replacement occurred and the founder assumed a previously unknown role for them, the VC gave them some tips on which direction to head next and held sparring sessions with the founder to ensure a smoother transition process.

<u>Strategic Resources:</u>

VC A invests practically always in syndicates as both of their funds have made minority investments (≤ 50% of the investment round) and seek low ownership, and thus they require other investors to create decent sized rounds. They often act as a lead, but this is not necessarily by choice: due to their very early-stage focus, they mostly invest together with angel investors and since they are the only professional investor, it makes more sense that they act as a lead. Investing mainly with angel investors also means that they have different co-investors in each case because angel investors are not serial investors due to their limited capital and resources. This prevents any preferred partnerships to be formed with angel investors. They have also co-invested with several VCs, but they do not think that they would have formed any preferred partnerships with them either because the reason why they end up co-investing repeatedly with other VCs is that they share a similar investment strategy rather than that they would purposefully choose to co-invest with them.

Despite VC A acting as a lead in several investments, they emphasize that they never help to form the syndicate by proactively contacting other investors. They leave this to the potential PFC which they see as an additional performance test for the founders that they take into consideration, when making their final investment decision. If they cannot attract other investors, it could signal that they are not capable of selling their product effectively enough to achieve results and they should re-consider their investment. However, they acknowledge that their commitment to a financing round can send positive signals to potential investors. They prefer to be 'first-to-commit', meaning that they want to be the first investors committing to the investment round, and they emphasized that more than often the founders can leverage VC A's commitment to the round, when they are trying to attract other investors to complete it.

After operating for several years and completing several successful rounds as part of different syndicates, VC A seems to have acquired a wide network of investors and established a strong reputation within this network. This reputation is described as "*straightforward and critical people, but with high amounts of knowledge and professional skills*". They have also expanded internationally during the last few years and feel that they have established a certain reputation also with foreign investors.

In this specific case, VC A did not provide any investor contacts to Alpha or help them gather the angel round. This is due to their principle that startups have to gather the investors themselves as it measures their ability to sell and pitch their business. VC A's commitment to invest during Alpha's angel round could have signalled to other investors that Alpha would be a credible investment target, but this is impossible to confirm afterwards. Therefore, it seems that the angel investors and the international investor that co-invested during the angel round were all contacted and gathered by Alpha. VC A did not organize or actually even participate into the follow-up round that was held in Q2/2019. They ultimately decided not to re-invest as the follow-up round already had many interested investors that were enough to complete the round without them.

Due to their generalist investment strategy, VC A has not accumulated any significant industry-specific contact networks. In fact, they do not even see networks being that beneficial because knowing someone does not guarantee any results. Additionally, they think that the chance of the precisely needed person already existing in someone's networks would be so low that no one should build networks just for the sake of them. VC A strongly believes that if an individual needs to get in touch with another individual, they will ultimately find a way to do it if they truly want it and they have something that is worth their while.

Due to their proactive stance on establishing contacts within an industry, VC A emphasizes that if a startup would require constant feeding of industry contacts, they would not even invest in such cases. They see this type of networking within one's own industry as such integral part of conducting business that this would take them too deep into the PFC's operational activities which they try to avoid at all costs due to their large portfolio size. Additionally, getting too involved would cause a conflict with their investment strategy. However, they are willing to help establishing contact with key individuals that are hard to reach for the startup, but only if the startup can express their needs explicitly and if they have tried to get in contact first. In these types of cases, they try to utilize their existing networks to provide an initial contact with the desired individual and might even provide a short introduction on their behalf, but after that the startup is on its own.

In this specific case, VC A did exceptionally provide some cold leads to Alpha. However, this occurred only during early stages of growth and they were mostly potential pilot customers, not any potential major clients. The fact that VC A and Alpha were operating within the same industry must have also affected this decision as they could just contact other investors from older cases with whom they had actively kept in touch. When contacting these leads, it is possible that VC A's reputation could have been leveraged by Alpha to improve their chances of landing a pilot customer, but it is impossible to confirm this credibly afterwards. After the initial help with pilot customers, Alpha has acquired all of its clients independently and outside of their own networks. In fact, most of their Finnish clients were contacted by Alpha even before VC A had contacted them suggesting that Alpha was more than capable of operating and selling independently. VC A did not provide any contacts from their portfolio either as Alpha's product was not targeted towards other startups and since there were also no suitable companies in their portfolio to carry out the needed development work for Alpha.

Similar to industry contacts, VC A does not want to provide contacts to find managers for their PFCs. This would take them too deep into the operational side of the startup and require additional resources which would be in conflict with their investment strategy. However, they are willing to affect strategic decisions that might sometimes induce the need to recruit or replace new managers.

In this specific case, Alpha first replaced their CEO and then recruited another key individual, the CTO, that later became a co-founder. VC A did not provide any contacts to find managers for neither of the processes and they were carried out internally by Alpha. However, they actively influenced the decision to do both decisions because they thought that they were critical issues that needed to be solved. In both cases, they sparred with founder and helped them to browse the different options that were available. They did not want to exert any pressure on either of these decisions because they think that it cannot cause good results. In fact, they see that it would most likely have only negative effects.

<u>Other findings:</u>

VC A agrees that Finnish markets are often far too small for startups to scale and that they practically have to internationalize in order to grow big enough. However, they emphasize that internationalization itself does not have any intrinsic value as a process and it should not always be forced, if there is no need for it. If a company could scale their business just by remaining in domestic markets, which could theoretically happen in certain Finnish industries, e.g. forest industry, there would be no need to internationalize at all. VC A recognizes that internationalization complicates the operational environment of a company and carries additional risks. They also add that internationalization at an early stage of growth can cause additional challenges that are related to the limited resources and capabilities in the startup.

Already before Alpha started to collect their angel round, they had started contacting potential foreign customers and doing international market segmentation. Additionally, Alpha had started to develop their product to fit the needs of international clients right from the start as the targeted business niche was so small that selling their service only in Finland would not have been enough to scale. Alpha as an organization had also adopted several ways of working that supported a smoother transition from domestic to international markets such as holding all sales and support meetings via virtual meeting tools. It was apparent that Alpha had started planning to internationalize straight after the conception. Considering these findings, it seems that Alpha did not need the VC investments or the VC's potential non-financial resources to start their internationalization process. In fact, it seems that Alpha wanted to legitimize themselves also in the international markets before seeking investment. It is highly likely that VC A acknowledged these qualities, when making their investment decision and it affected their decision positively.

4.2 Case 2: VC "B" and Portfolio Company "Beta"

Case Background:

VC B is an early-stage VC investor that focuses on deep tech and distinctive brands. They entered the Finnish VC markets in 2018 after raising their first, € 80 million fund. Their fund structure is a bit unusual from the industry's standpoint as they have over 70 LPs of which most are actively participating into supporting and scaling the made investments. Their core organization also encompasses a lot of experience from various backgrounds and they currently have six full-time members. As investors, they are industry, technology and country agnostic, but they have a strong preference for strong and capable founders. They do not expect all startups to have ready products as long as they can portray vision. They attempt to enter early (from seed to A rounds) and also participate into the later rounds as well as they have reserved 2/3 of the fund solely for follow-up investments.

Beta was founded in Q4/2016 and they are providing a platform for AI customer service agents. The state-of-the-art deep learning technology they have developed is language agnostic and can currently understand over 100 human languages. This solution is used to help their clients automate the simplest tasks of customer service representatives. Their platform offers integrations for the most used CRM software and the deep neural network analyses the customer service dialogue done through these systems. Initially, the platform starts to offer answer options for the customer service representatives and after analysing enough conversations and the made choices, it can ultimately learn how to answer them by itself. They received a co-investment from VC B and an international investor in Seed round that was closed in Q3/2018. VC B was first to commit, and the international investor joined a bit later to complete the syndicate. The round was € 1.3 million in size and was made as an equity-based investment. Beta had been accepted to an international accelerator program in 2017. By the end of 2019, they already operated in dozens of countries and received over 50% of their turnover from abroad.

<u>Managerial Resources:</u>

Since VC B is a relatively new VC investor, they had not had much time to accumulate investment experience as an organization. They had not achieved any exits yet nor had any failed investments. Thus, they relied mostly on the investment experience accumulated by the organization’s members. Both of their founding partners seemed to have considerable earlier investment experience: the other founder had previously invested in startups both as an angel investor and as a M&A manager, while the other founder was previously a partner in another Finnish VC fund. In addition, they had worked closely with startups as startup coaches and advisors which should have accumulated beneficial experience in terms of VC investing. There was also clear indication that other members of their organization had a lot of experience operating with investors and startups as they had several members from Slush’s background organization, and one of them even had previous experience from founding a micro-sized VC fund.

This investment experience seemed to have observable effects on their operational efficiency. VC B emphasized that due to their earlier experience, they are capable of understanding and tolerating risks associated with VC investing which affects their screening as well as their monitoring processes. They also seem to be well embedded in the Finnish startup ecosystem because they are able to recognize the importance of proactively networking with startups, for example, in events. There was also clear indication that VC B was well aware of their resources and their limitations as they stated that they buy a lot of know-how and supportive skills as a service from other experts, instead of trying to internalize every possible resource needed for supporting and scaling their investments. They also actively reviewed each investment and stated that they try to learn both from successful and unsuccessful cases as much as possible.

Investment experience even seems to have affected some qualities of their fund. VC B stated that their earlier investment experience allowed them to position their fund well in relation to the rest of VC investors because they could recognize a suitable gap in the current value chain. Their investment experience is also visible in the allocation of their fund: their fund reserves around 2/3 of its capital solely for follow-up investments because it allows them to increase their commitments to successful cases, while mitigating exposures to unsuccessful cases. VC B also emphasized that they have intentionally tried to build their organization as diverse as possible which signals that they understand how diverse knowledge and backgrounds can be beneficial in VC investing.

VC B estimates that they have managed to build a strong reputation despite being such a young organization. Their reputation is a result of the reputation acquired by their individuals as well as the reputation they have built as an organization. They see that their reputation is a strong asset for them and they try to constantly build it by actively marketing themselves, producing content to different media and attending startup events. In fact, VC B sees that without the reputation of their founders, they could not have raised such a big fund as their first one as most of the Finnish first-time VC funds are around € 10–20 million in size and can realistically raise this much capital for their second fund.

Regarding this specific case, VC B estimated that their investment experience was clearly visible in the decision to form a syndicate to invest in Beta. First of all, they do not normally invest in syndicates during seed rounds, but they recognized that by bringing a suitable co-investor aboard so early on could potentially make Beta already eligible for A round as it could guarantee a certain amount of scaling and growth. Second, even though VC B had to search for a suitable co-investor longer than they would normally take time to close a round, in the end they managed to find an experienced international VC investor with complementary resources and several potential clients in their own portfolio which allowed Beta to scale successfully. In addition, VC B's investment experience could have acted as an underlying resource affecting their operations in ways that are hard to notice as has been mentioned before.

VC B seemed to also have a strong entrepreneurial background. Both of the founders had been entrepreneurs themselves and they had also operated as startup coaches and advisors for several startups which requires deep level of understanding of entrepreneurial activities and processes. Also other members of the organization seemed to have accumulated various types of entrepreneurial experience: one member had co-founded a consulting agency while another had co-founded a nano-sized VC fund. In addition, majority of the members had several years of experience being part of the Slush's background organization which seemed to have accumulated experience that was at least on some level comparable to entrepreneurial experience due to the startup-oriented and entrepreneurial nature of the event.

Both of VC B's founders seemed to be internationally experienced as well. The other founder had scaled at least one of their companies to international markets and after it was acquired by an MNE, they remained in the organization for some time acting as a VP and working abroad. The other founder had built a considerable career working in an MNE from its early growth stages onwards. During their employment, the company expanded globally and formed several international subsidiaries. They worked abroad for a total of seven years and even acted as a temporary CEO at one point. In addition, they had operated as a M&A manager for another Nordic MNE. Other members of the organization did not apparently have any considerable international experience.

The entrepreneurial experience of VC B seemed to clearly affect their way of operating. First of all, they identified that evaluating the entrepreneurial experience and capabilities of the founding team was the most important factor in their screening process as they invest so early on. VC B thought that their own entrepreneurial experience in fact helped with this evaluation process as they had been in the same position themselves. They thought that entrepreneurial learning occurs mostly through experiential learning and emphasized that both successful and unsuccessful experiences can accumulate entrepreneurial experience. However, in case of earlier failures, they expected that the founders should somehow be able to prove that they had learned from their earlier mistakes. Their earlier entrepreneurial experience had also accumulated experience from recruitment and team building, and they saw that evaluating founders and organizations was comparable to these processes in many aspects.

VC B also stated that they see their organization's entrepreneurial experience as an asset which they can leverage to benefit their PFCs. VC B also reflected their own entrepreneurial experience in the way they interact even with potential investments; they stated that they often advise startups to conduct a similar evaluation process on their potential investors than what these conduct on them. They clarify that the logic behind this is that the startup should also carefully consider who they allow to invest in them as it is a relationship that lasts several years and partnering up with wrong type of investor can even have a negative effect. When asked about evaluating their entrepreneurial experience in relation to other Finnish VCs, they estimated that they probably had more experience than most VCs. However, they could not be absolutely sure of this evaluation because there is no industry-wide data available.

The entrepreneurial experience of Beta's founders was not discussed in detail. However, it was stated that the founder was familiar to them from earlier instances and the fact that VC B started to discuss about investing into them even before their fund was officially formed could indicate that they deemed the founding team as capable entrepreneurs that were worth investing into.

In this specific case, VC B stated that they were able to leverage their entrepreneurial experience to especially help the founder and CEO of Beta. They mentioned that they sparred with them on certain key managerial issues, e.g., on how to spend their time and what to focus next in their scaling process. They emphasized that the CEO position in an early stage startup might be a "*lonely*" position and that they do not necessarily have suitable sparring partners within the organization, for example, for high level development or strategic plans. In these types of situations, the CEO could benefit greatly from exchanging ideas with someone who has earlier experience from similar situations which is exactly why they, as experienced entrepreneurs, were there to support the founder in this case.

VC B identifies themselves as "*industry, technology and country agnostic investors*" thus indicating quite clearly that they are more generalists than specialists. Their portfolio currently consists of 25 investments which are all, more or less, from different industries. Despite it appearing that they do not have clear investment focus, they prefer to invest in technological disruptions and strongly branded startups, and in an ideal case both of these qualities would be present.

Interestingly, they still did seem to possess industry knowledge in some specific industries because their organization had members from various backgrounds. In fact, they try to divide their PFCs between each member based on their expertise and the startup's industry to ensure that they have someone with suitable knowledge managing each case. They also utilize their exceptionally large LP network as a source of industry knowledge in some cases. However, they acknowledge that they are far from specialists and state that they often cannot even find anyone from their organization or LP network with experience from the same industry as the startup, and just try to appoint individuals with closest suitable experience. Accordingly, in most cases they do not advise the startups on their industry-specific matters, but more on certain universal issues that are related to tech-based solutions and startup scaling in general, for example trademarks, patents and intellectual property rights. Ultimately, they leave the true expertise to the startup and emphasize that they would not even consider investing if they felt that they knew more about the industry than the startup.

In this specific case, the other founder of VC B possessed earlier experience of working with AI and machine learning (ML) solutions and thus they were appointed to manage the post-investment phase with Beta. However, VC B emphasized that this level of knowledge was only enough to form a credible analysis of Beta's business during the screening process and help Beta with certain recruitment processes and top-level strategic decisions and plans. They did not participate in, e.g., any product development or other technical aspects as Beta's team were experts in natural language processing (NLP) and other required fields. VC B also acknowledged that in this case their level of industry knowledge affected their decision to deviate from their typical investment pattern in seed rounds and seek a co-investor to form a syndicate as they could clearly identify that they needed someone to complement their resources. Both of these factors seem to support the notion that VC B possesses enough industry knowledge to understand, guide and provide insight on different major issues and guidelines, but they leave the actual business for the startup to handle.

Strategic Resources:

VC B invests in both syndicates and alone. As they prefer to invest early and seek a relatively high ownership for an early-stage investor, 15–20%, they often could not even fit another VC into the same round. They form syndicates mainly for later rounds and follow-up rounds, where they have to have more VCs involved because the rounds grow in size and they do not want to increase their exposures too much. However, they evaluate the need for a syndicate in each case individually and in some cases, they do invest in syndicates also during early stages. This happens especially when they seek complementary resources and knowledge for an industry or technology they do not have competence in or if the startup has a lot of potential and the early rounds are already considerable in size. They have both domestic and international investors in their syndicates.

VC B does not have a preference for being a lead in their syndicates, but they maintain an active role in the formation process: they introduce their PFCs to later-stage VCs and actively leverage their investor networks. In fact, they even seem to do this proactively as they regularly meet with later-stage VCs to assess if any of their PFCs could be eligible for a follow-up round. However, they emphasize that they help only by providing introductions and leads to their networks, the startup and the founders themselves have to ultimately pitch their business and convince the VCs. In addition, they think that this type of investor contact provision is only effective in early-stage investments because from B rounds onwards, the investors rely more on actual data and results, and less on introductions from other investors and the founders' pitching skills. Although VC B quite actively contributes to the formation of syndicates, they have not developed any preferred partners that they prefer to co-invest with because the decision to form a syndicate is always done on a case-to-case basis.

VC B sees that one of their main assets is their extensive network of other investors. As they are a relatively young VC fund, these contacts have been mostly acquired by the members of the organization in their previous roles. They seem to actively leverage this network to build syndicates, gather their deal source and provide deal source to later-stage investors. This network also has a lot of international investors and they seem to have good connections especially to Europe and the USA. In addition, their LP network acts as an extension to their own networks and they can leverage investor contacts from there as well. VC B states that they also have established a good reputation in their investor networks and they seem to have very low threshold to contact other investors or be contacted by them. In fact, they actively stay in touch with their syndicates and even organize informal events, where they get more acquainted with their co-investors.

In this specific case, VC B actively contributed to the formation of the syndicate significantly because they were the only initial investor. They recognized that they would need certain resources in order to improve Beta's scaling process and decided to search for a suitable co-investor. In the end, they managed to find the international investor which could provide clients from their own portfolio to Beta and that had the necessary know-how to help them scale. In addition, this international investor had local presence in one of Beta's office locations abroad. Although the investor was not previously familiar to them, they knew VC B's reputation and it apparently heavily affected the decision to join the syndicate.

Even though VC B can be categorized more as a generalist VC than a specialist, they have acquired some industry contacts due to their members' versatile backgrounds. In addition to their members' contacts, they also have their network of LPs and their contacts available for use. VC B can leverage these contacts to establish a first contact to certain key individuals and give them a brief introduction on the startup. They acknowledge that even just a small referral from them can make a difference on whether the startup can utilize the lead the way they intended. However, they are only willing to provide the initial contact because they expect the startup to operate their own lead funnels and sales processes. They do not want to get too deeply involved in the operational side of the startup.

In this specific case, VC B estimates that they might have provided some contacts that could have helped Beta acquire partnerships or clients, but it is very hard to prove unconditionally. They also emphasize that, as usual, most of the credit should go to Beta for acquiring them as partners or clients. However, Beta did seem to utilize the international investor's industry contacts quite heavily and now also VC B has established connection to them that could be utilized in future investment cases. There was no indication that any of VC B's other PFCs would have become Beta's clients or partners. The other PFCs were too small to gain any benefit from Beta's service and they lacked the necessary AI and NLP know-how to help them with the development work.

In contrast to industry contacts, VC B seems to be quite actively involved in recruitment processes, especially for key individuals. They state that they have participated in interviews and helped in the formation of recruitment processes. They have also leveraged their networks for recruitment leads and utilized external recruitment partners. In addition, they have helped the founders to maintain and update their organizational structures as they grow and develop to better match their needs. As they have a central role in recruitment processes, they have also been part of C-level recruitments and even some founder replacements. However, they emphasize that founder replacements occur very rarely and that the initiative for it has to come from startup themselves and that they cannot force their will through.

In this specific case, no significant C-level recruitments or founder replacements have occurred during VC B's investment. However, there was a significant organizational re-structuring process that shifted the roles of certain key individuals a bit and VC B apparently played an important part in it. They helped especially by assessing the strengths and capabilities of each member and identifying clear gaps in the current talent resource base in which they were able to leverage their earlier experience in team building and recruiting.

<u>Other findings:</u>

VC B stated that a Finnish startup basically has to internationalize in order for it to meet their return expectations as an investment. There are some exceptions, for example, if the startup is operating in a certain industry where the domestic markets are already big enough. VC B prefers that the startup would have already began to internationalize or at least have a plan for it during screening process. In fact, they prefer their investments to be "*Born Global*" which they described as that the startup's identity and business model are formed as international right from conception. They thought that it had a fundamental difference whether the startup had started by producing a pilot for domestic markets or already thought about the international or even global markets straight from the beginning.

Beta had already internationalized before the VC B and the international investor invested into them. They had several international clients and they had been accepted into a renowned international accelerator program for tech startups. They also already ran their commercial operations from another country which suggests that they were quite intensively internationalized despite their young age. It seemed that Beta had planned their whole business to be globally scalable from the start as they decided to develop a language agnostic solution, which could potentially scale to all possible languages, instead of producing it in English. These findings suggest that Beta did not need VC B or the international investor to begin their internationalization, but that they had more of a supportive role in the further international scaling process.

4.3 Case 3: VC "C" and Portfolio Company "Gamma"

<u>Case Background:</u>

VC C was found in 2012 and is one of the leading seed stage-focused VCs in the Nordics. They prefer to invest in tech, and they are currently looking especially for deep tech, HW (hardware) and HW interfacing SW (software) startups. They have offices in three locations: Oulu, Helsinki and Stockholm. They aim to co-operate with the founders they invest in and utilize their wide network of partners. They invest early on and up to 80% of their portfolio companies do not even have any revenue generated by the time they invest. They have invested in over 60 companies and they have € 30 million under management with around € 20 million already committed to investments. They are moderately active investors as they try to add 10 new companies to their portfolio each year.

Gamma was founded in Q4/2014. They provide a mobile-based floor plan creation service, where the user scans the desired space with their mobile device and the system creates an automatic floor plan based on the recorded material. The main applications for the floor plans are in the real estate industry, as accurate and customizable floor plans are very much sought after since they engage customers with higher rates. Coincidentally, their product is mainly used by residential real estate businesses (realtors, builders etc.), but also businesses operating in the office and retail real estate industry can benefit from the product. The product has additional applications for creating smart homes and internet of things (IoT) solutions, as the floor plan can be integrated for the control panels for these types of solutions. Real estate photographers can also boost the lucrativeness of their services by offering complete floor plans together with appealing sales photos. VC C invested in Gamma during a pre-seed round that was closed in Q1/2015. They were the only professional investor accompanied by several smaller angel investors. Gamma has since received additional funding in two seed rounds that were organized in Q2/2017 and Q2/2019 during which an international investor and angel investor have joined the syndicate. They started their internationalization by entering US markets in 2016. In Q2/2017, they were also accepted to an accelerator program where they got the chance to network and work with high profile US real estate organizations to further scale their US expansion. By Q2/2017, they had already sold their service in 45 different countries and analyzed over 117,000 floor plans.

Managerial Resources:

VC C had accumulated considerable investment experience both on organizational and individual level. As an organization, they have been investing for 8 years into dozens of startups and their first two funds are starting to reach their exit stage. Currently, they have had seven exits and they are also preparing several other exit rounds. In addition, they have had several failed investments. On individual level, one of their members had earlier VC investment experience and experience of working with VCs for almost 20 years, and another member had long-term investment banking experience. In addition, some of the other members had experience of working closely with startups which could be considered as an asset in terms of VC investing.

VC C thought that VC investing had a lot of aspects that could only be learned through experiential learning. VC C also stated that both positive and negative experiences can accumulate investment experience. Failure was described as an important and integral part of VC. In fact, earlier negative experience related to investing in software as a service (SaaS) and games affected their decision to reduce their interest towards them early on. However, VC C as an organization emphasized learning from positive experiences as their investment strategy was relying on finding abnormal returns and committing to them early on.

The investment experience of VC C seemed to affect many aspects of their operations. First of all, they had several risk control mechanisms in place. Their screening process seemed to be very carefully constructed and transparent, as they utilized a model where they gave scores to five different key areas of the startup. They also tranched out their investments which allowed them to retain more control in comparison to investing a lump sum immediately. In addition, their contract terms were apparently quite strict which is another form of risk management. Second, VC C seemed to be very committed to their investments – if they decided to invest in a startup, they did not abandon them even though there would be some or even a lot of adversities. This kind of behavior suggests that they understand startups as investment targets and their growth process on a fundamental level and are not afraid of setbacks.

VC C estimates that they have built a good reputation due to their long-term investment experience and relatively good results. This reputation is especially visible in their deal flow as they get around half of their investment prospects through their current PFCs recommending them as investors to other startups.

In this specific case, there are two factors where VC C could clearly distinguish that their investment experience affected their interaction with Gamma. First occurred when they were doing screening process for Gamma. Even though Gamma's case showed considerable technology, market and team risks, VC C was capable of looking past the current situation and focus more on the potential of Gamma. This resulted in positive decision to invest in Gamma, even though several other VCs had already declined. The second factor is visible in the resilience and risk tolerance VC C has shown with Gamma. Gamma has apparently almost gone bankrupt at one point during which they also had retract from US markets which where their main markets. Even though the success of Gamma must have looked very improbable, VC C continued to support Gamma and even helped them acquire additional funding to prevent Gamma's insolvency. Due to this additional funding, Gamma could focus on their R&D and their second enter to US markets currently seems more successful. In addition, there could have been several other situations, where investment experience could have affected VC C's decisions and actions, but VC C could not distinguish its effect.

VC C showed also signs of strong entrepreneurial experience. One of the fund's founders was a serial entrepreneur who had found their first businesses already in the 1990s and had very long-term experience. There were also several other members with entrepreneurial experience and this experience had been accumulated from very different stages of growth – all the way from very early stage startups to mature corporations. There was also indication of international experience as some of the firms the members were involved with had scaled internationally and some even to global scale. In addition, one of the members was an US citizen and they had moved to Nordics to operate their second fund.

The entrepreneurial experience seemed to affect their operations and even the composition of their organization. For example, founder evaluation formed one fifth of the score in their screening process indicating that they acknowledge significance of founders for startup's success. Their way of working and sparring with their PFCs is also extremely entrepreneurial and it focuses on progressing the growth cycle of the startup. VC C also stated that they prefer their own members to rather have entrepreneurial experience than finance background because entrepreneurial experience is more beneficial for early-stage VCs. The previously mentioned strong commitment to their PFCs can also be seen as an extension of their entrepreneurial experience – they can tolerate adversities and setbacks because they have first-hand experience from same situations. When asked about evaluating their level of entrepreneurial experience in relation to other VCs, they estimated that they would have a sufficient amount to operate as early-stage VCs because they have several members with diverse entrepreneurial backgrounds.

The entrepreneurial experience of Gamma's founders was not discussed in detail, but it became apparent that VC C had placed trust on their entrepreneurial experience and capabilities during the screening process which affected their decision to invest positively.

In this specific case, VC C estimated that they could leverage their entrepreneurial experience to help Gamma with certain initial market focuses and optimizing their product offering. However, they acknowledge that their role was more advisory than authoritatively leading and that it was emphasized in the early stages of Gamma's growth. There were also clear elements of VC C's entrepreneurial experience in the decision to re-invest into Gamma despite their adversities as it reflects that VC C knew that Gamma could potentially still become a success if their founders were just given a second chance.

VC C could be categorized as a generalist because their investment focus is not on any specific market vertical, but on hardware and deep tech with scientific background. VC C in fact states that they could not exercise their current investment strategy if they would focus on a specific vertical in Finland because the deal flow would be so small that they would also have to invest in sub-optimal cases. As a result, they have PFCs from various industries, for example medtech, energy, AI and ML.

Despite their generalist approach to VC investing, their members seem to possess strong backgrounds in certain industries, especially wireless communication hardware and software. This industry knowledge seems to be an important asset for VC C because they can utilize it in suitable cases to conduct more thorough analysis and provide better support for the startup. In addition, their earlier experience in hardware has enabled them to include hardware in their investment focus even though this seems to be very rare for an early-stage VC investor. However, there are limitations to how deep they want to go in terms of expertise in startup's field. VC C states that they need to understand enough of startup's technology and solution in order to do credible analysis during screening process and coordinate their resource-provisioning, but they do not want to be the experts in their PFCs' field because otherwise they would risk getting too deeply involved. Having the need to, for example, assist their PFC with their technology development would incorporate additional risks into their investment.

In this specific case, there seemed to be several indications that VC C could leverage their industry knowledge to help Gamma. First of all, VC C showed their industry knowledge during screening process as they could identify the market potential of Gamma's solution better than many other VCs. In fact, even Gamma themselves had not included any concrete international market potential into their pitch deck, but VC C was nevertheless able to recognize their solution's immense market potential in the USA. This market potential ultimately allowed them to look past the various risks that were apparent in Gamma's case and invest in Gamma. Second, VC C helped Gamma to arrive to a significant conclusion in their product development as they offered their insight on whether Gamma should focus on software or hardware. Their expertise in hardware allowed them to estimate that focusing on hardware could become too capital-heavy and there could be too much competition. As a result, Gamma focused their development on the software side of their business which ultimately enabled better scaling. Third, VC C also seemed to help Gamma to shape their business model to enable better scaling as they advised them to move towards more partner-based model. As a result, Gamma has now practically outsourced the acquisition of the data to real estate photographers and they can focus their development resources on their software's analytical capabilities. Despite seemingly apparent contributions to development processes, VC C emphasizes that they did not contribute to the actual scientific development of their product at all. They left it completely to Gamma and focused more on the general guidelines.

Strategic Resources:

VC C has invested mostly in syndicates during their first and second funds. These syndicates have included both angel investors and other VCs due to their early-stage investment focus and there has also been a combination of domestic and foreign investors.

Forming syndicates has also been recognized as an important source of additional capital, resources and knowledge by VC C. Lately, after accumulating investment experience, they have also started to invest alone in pre-seed rounds. However, in these cases, they still form syndicates in seed or at the latest late-seed rounds in order to guarantee sufficient amount of capital for the startup which they could not provide alone anymore. As VC C enters the startups early and tranches their investments, they practically always re-invest multiple times into one case. In these follow-up rounds, they assume an active role and try to attract other investors by utilizing their investor networks and providing leads to their PFCs. They also prefer to be the lead in earlier rounds, but they often leave that responsibility to bigger funds from A rounds onwards.

VC C described their investor networks as good and they seem to have connections to very different types of investors with different investment focuses and fund sizes to complement their offering. They seem to also have good connections to several international investors which they try to actively maintain and improve. These investor contacts seem to be utilized rather actively as VC C estimates that around 50% of co-investors in their rounds have come from their own leads. VC C also states that they have established some preferred partnerships which are often limited to certain market verticals. If either of the parties comes across a suitable investment, they will actively introduce them to one another. Some of these partners have been angel investors, some have been other VCs. VC C experienced that they also had a good reputation among these investor contacts and networks.

In this specific case, a few familiar angel investors co-invested with VC C during the seed round, but there was no clear indication that VC C would have contacted or actively recruited them. The international investor and angel investor that joined during the follow-up rounds were contacted and introduced by VC C, but the actual pitching and negotiating was done by Gamma. It is very likely that VC C's investor contacts could also have a large role in Gamma's future A round as they specifically want to maintain good relationships to later stage investors to secure future growth of their PFCs, but this is entirely speculative.

As VC C's members had quite strong background in certain industries, they had also acquired industry contacts that they can leverage. VC C stated that they deemed active presence in both investor and industry networks as important because it enables them to better support their PFCs and know the markets. However, they acknowledge that most industry contacts have to be acquired by the founders alone because they cannot always have a perfect contact already in their networks. They also want to avoid situations, where the startup would become too dependent on their investor for sales leads. In fact, these contacts are used only to establish a first contact and perhaps give a small introduction about the case, and most of the work is done by the startup. These industry-specific contacts were acquired and maintained mostly by the individual members, but they had also acquired certain industry contacts as an organization.

In this specific case, VC C had provided two important industry contacts to Gamma. First of all, they helped Gamma reach an US-based company that later became their strategic partner and accounts for half of their US revenue. Secondly, one of VC C's other PFCs became a significant technological partner to Gamma as they had complementary science behind their solutions. During this partnership, one of Gamma's founders spent a year working in the other startup in order to learn more about the technology and improve their own solution. Apparently, also some of the other PFC's experts have worked with Gamma's projects which has helped them with their product development.

VC C stated that they try to actively help their PFCs also with recruitment processes by sharing information to their networks and by sharing suitable contacts to their PFCs. However, they try to avoid getting too deeply involved and most of the responsibility for this type of operational activity belongs to the founders and the VC is there mostly for additional support. VC C tries their best to avoid the need to do founder or CEO replacements in early stage startups, because they are in such central role, but they will interfere if they deem it necessary. The threshold for such actions, however, remains very high.

In this specific case, VC C did not have significant role in any of Gamma's recruitment processes. Gamma had good connections to a local university which provided them with steady source of talent and therefore they did not most likely need any additional help with recruitment leads. They also acquired some of the needed knowledge through their technical partner (the other startup from VC C's portfolio) which most likely reduced their need for help with recruitment processes.

Other findings:

VC C stated that it would be almost impossible for startups to reach their growth expectations if the startup would remain only on domestic markets. While a startup can become profitable and even successful by staying solely in domestic markets, they expect the startup's value to increase tenfold within five years from their investment and this type of scaling cannot be achieved domestically in such a short period or perhaps even at all. Interestingly, VC C thought that they have acquired resources and knowledge to specifically support the internationalization process of their PFCs. They stated that they help their PFCs to find their product-market fit after which they already start to progress internationalization in sprints according to lean principle. After the growth has continued, they might join the board of the startup and further accelerate the internationalization by sparring the founders on strategies and helping them acquire clients and other key contacts. Later on, they can try to help the startup with business models and contracts. All in all, they think that the sooner the startup internationalizes the better the results are because they have to turn their focus immediately to international markets and clients.

In this specific case, Gamma internationalized completely post-investment. There were some efforts by the founders to validate the market before they raised their pre-seed round, but all the concrete actions occurred after they received investment from VC C and the syndicate. VC C seemed to assume a significant role as a driver behind Gamma's internationalization. Gamma quickly took over the domestic markets and became a profitable business, but this was seen only as a milestone in their internationalization process and VC C and Gamma decided to push on. VC C seemed to also affect the target market decision heavily as they had insight on the potential of the US markets. In the beginning, VC C even sent their representative to North America to boost the expansion to US markets, but it ultimately required the founders' own presence in the USA before it launched properly.

4.4 Case 4: VC "D" and Portfolio Company "Delta"

Case Background:

VC D was founded in 2015 and it has two active funds with a total of € 50 million of assets under management. The first fund was formed in 2015 and the second one in September 2020. Their main focus is currently on Finland, but they have started to attempt to increase investments also in the Baltics during the next few years. This plan is supported by the recent additions of international partners from Estonia and Latvia to their organization. Their core investment strategy is to make seed or pre-seed investments into data- and data insight-oriented startups with ticket sizes ranging from few thousands of euros up to € 1 million. They invest in moderate pace as they target to invest in 25 startups over the next four years with their new fund.

Delta was founded in Q4/2016. They provide a platform that streamlines machine learning (ML) processes in different critical phases, from build to testing to deployment. They estimate that their platform helps data science teams to deploy deep learning models approximately 10 times faster. They started to internationalize early on and by Q1/2018, they already had major clients in Germany, France and the UK. VC D invested in Delta in Q1/2018 together with two other Finnish VCs. The investment was categorized as pre-seed and the round was around € 1.5 million in size with Delta being the lead investor. Apparently, the investment was sought after with further internationalization in mind with especially the US markets being the main target. Nowadays, Delta has offices in San Francisco, St. Louis and Helsinki, but their HQ has remained in Turku since the beginning. Delta received another investment, this time seed round, in Q4/2019 in which a foreign VC from UK led the round with VC D joining as a minor investor.

Managerial Resources:

During its first five years, VC D seemed to have accumulated investment experience as an organization. Their first fund had completed over 20 first-time investments into startups and also several follow-up investments. One of these investments had already resulted in a successful exit, but there were a few divestments as well. Their second fund had made its first investments, but no exits or divestments had occurred due to the short period of time. Their organization's members seemed to also have accumulated individual investment experience as well. One of the partners of the fund had worked previously in another VC fund and their Baltic Venture Partner had over a decade of experience as an angel investor. In addition, all the other members had long-term experience working in or with startups which can be treated as beneficial experience in terms of early-stage VC investing.

Their accumulated investment experience seemed to affect several aspects of their investment strategy and operational efficiency. First of all, their screening process seemed very founder- and industry-centric. They arrange a series of meetings with the founders to discuss their solution and future plans, so that all of the members of their organization could have a chance to meet the founders before making the investment decision. They also do additional background checks between the meetings to validate certain key information. As a result of this comprehensive screening process, they were able to identify certain risks that they protected themselves against with legal contracts. For example, they could include clauses regarding talent acquisition to ensure that the startup's growth would continue or secure their voting rights in the case of ownership disputes.

VC D also formed their investments so that they could acquire a large enough share of the startup and they reserved enough funds for follow-up investments in order to maximize their returns on successful cases. Nevertheless, they seemed also capable of identifying potential failure and detaching from failed startups at the correct moment which is also visible in the number of their divestments. The organization of VC D was also formed with the intent of including experts from various, complementary backgrounds which indicates that they had earlier VC investment experience. The current results of VC D's first fund also support claims that they would have invaluable investment experience and know-how as their fund belongs to top quartile according to European Investment Fund's statistics.

When asked about their reputation, VC D could not give a comprehensive answer as they felt that they were the wrong organization to ask about it. They saw that reputation was best visible to shareholders and other actors in their network. However, they acknowledged that they have received quite a lot of good feedback which could be used as an indicator for their reputation.

Regarding this specific case, VC D could not distinguish any concrete actions or decisions that would have been affected by their investment experience. Once again, it is more likely that their investment experience has optimized their behaviour and affected their decisions as underlying resource, and it would be extremely hard to distinguish its effect consciously.

VC D seemed to also possess entrepreneurial experience. Two of their three partners had experience of founding startups and scaling them up to international markets. Also, both of the recently added Venture Partners from the Baltic States were experienced entrepreneurs that had been involved in international scale-ups. The two other members had operated closely with startups and had thus most likely acquired beneficial experience in terms of startup entrepreneurship.

The entrepreneurial experience of VC D was visible in their operations as well. Their screening process was very founder centric as they acknowledged that, as seed investors, they have to invest mostly based on the evaluation of the founders' qualities because there is not enough data available yet for credible data analysis. During the screening process, they evaluate specifically international experience as the most important entrepreneurial experience for founders as the startups would have to eventually internationalize. They did not see much value in entrepreneurial experience per se because it could theoretically be acquired just by founding a company. In addition, their screening process did not focus only on existing resources but also on the capabilities of the founding team. If a founding team was lacking, for example, sales expertise, they could still invest in them, but they would expect the startup to acquire the needed talent later on.

In this specific case, VC D evaluated Delta's founding team as extremely capable which affected their decision to invest positively. The founding team was not necessarily experienced entrepreneurs, but they were extremely adept in their field of expertise which convinced VC D that they could succeed. During post-investment phase, VC D has actively sparred with Delta's CEO and founder on topics such as how to organize their international sales, what to focus on the US markets and how to build general growth. This interaction has been mostly strategic and top level since VC D has not had any reason to get too deeply involved in the operational side of Delta as the founding team has matched their expectations and the CEO has delivered their promises.

VC D identifies as a SaaS investor without any industry-specific focus. They seem to have good knowledge of producing different types of SaaS solutions: they can validate potential markets and they are aware of universal industry metrics that are used to track growth. This SaaS industry knowledge has been acquired by the VC D's partners during their previous positions. However, they are not specialized in any specific niche and they leave the industry-specific side of the business entirely for the startup. They expect the founding team to be experts in their specific niche and this industry knowledge forms a majority of their evaluation process. As a result, their PFCs often specialize in certain industries, for example, real estate, medtech or optics, and they are responsible for acquiring their own specialist knowledge, while VC D helps them with certain universal issues and challenges related to SaaS solutions and monitors the growth. Thus, VC D could be categorized more as a generalist than a specialist despite there being certain traits of specialist investing.

In this specific case, one of VC D's partners was capable of sparring with them on certain technological issues, but their input to product development has been miniscule as Delta's founding team possessed more expertise in the specific niche. Therefore, their focus has been more on general business development and business model optimization.

Strategic Resources:

VC D has invested primarily in syndicates during their first fund. These syndicates are mostly formed with angel investors for the first rounds due to their early-stage investment focus, but there are also cases of co-investing with other VCs early on. The follow-up rounds contain more often other VCs. However, the formation of syndicates ultimately depends on the deal structure and valuation of the startup – as they seek double digit ownership, there might not necessarily be enough room for two investors in the same round if it is an early investment round. VC D prefers to lead the rounds and have done so in over 80% of the syndicates formed for the first rounds of investment.

VC D estimated that they would have large amount of investor contacts. They stated that practically all of the Finnish VCs would be in their networks as the Finnish VC industry is still relatively small. In addition, they estimated that they would have around

300 international investor contacts in their networks. These international investors are mostly European, later stage investors because they invest so early on that they need these contacts to secure follow-up investments. They actively stay in touch with their investor contacts to provide them with leads and deal flow. However, VC D does not assume a large role in gathering the other investors for the investment rounds. They supply the startup with direct contacts to potential investors and perhaps even give a short introduction on their behalf to validate the startup as investment case, but the actual work is left for the founders. Ultimately, every investor is acquired by the startup through intensive pitching and negotiations.

In this specific case, VC D did not need to provide any investor contacts to Delta as they seemed to be very proactive and independent in contacting and negotiating with investors. Thus, all the co-investors in their pre-seed and seed rounds, two domestic VCs and one international VC, were acquired entirely by Delta.

As VC D's members had strong background in SaaS businesses, they had also acquired various industry contacts that they could leverage. Their industry contact provision is similar to their investor contact provision as they only give a direct contact and perhaps also a short introduction of the startup to the contact, but after that the startup is on its own. VC D has also apparently had some intra-portfolio business activities between some of their PFCs, especially in the case of SaaS solutions related to business management.

In this specific case, VC D could not provide practically any industry contacts to Delta because their niche was so specific and required very specific set of knowledge. In addition, Delta's founding team already possessed considerable expertise in their field and therefore did not really need, e.g., assistance with their product development. Some of the VC D's other PFCs have shown interest towards using Delta's service, but currently only one has apparently actually used it. The main barrier for usage seems to be that only very few startups require services related to large-scale AI development or data science.

VC D seems to also participate quite actively in their PFCs' recruitment processes. They do this by matching suitable candidates from their own networks with open positions in their PFCs and by providing contacts to external recruitment services that can help the PFCs acquire special talents even from abroad. However, suitable contacts can be very hard to find from their own networks as different types of professionals and experts rarely are available exactly when the startup would need them which makes it a very situational resource. VC D has also had to carry out a few founder replacements in their PFCs. They see this type of activity as inevitable the more the fund matures as not all of the investments can become successful and the main reason for founder replacement is poor performance. In the easiest cases, the initiative for replacement comes from within the startup, but occasionally VC D has had to proactively facilitate the replacement.

In this specific case, Delta did not experience any founder or CEO replacements as the core team has remained the same. Some key individuals have been recruited during the investment, but VC D has not provided any contacts to these recruitments as the CEO of Delta has shown that they are capable of recruiting and attracting talent independently.

<u>Other findings:</u>

VC D stated that they do not see domestic markets as a viable choice for a startup to achieve substantial growth. They prefer that their investments would internationalize early or even start immediately abroad without even entering domestic markets first. The sooner the startup starts to solve problems specific to the international or global markets, the sooner they can achieve a truly scalable business model that can yield results. If the startup stays in the domestic markets for too long, they might waste time and resource solving irrelevant problems. Despite their preference for early internationalization, VC D identifies that Finnish companies struggle in certain areas. Apparently, the main problem for Finnish companies conducting international business is usually the sales and marketing processes because we have traditionally focused more on engineering and product development as our economic structure has relied on production of capital-intensive goods. More than often, Finnish startups have to acquire this type of talent locally from their target markets if they wish to sell their solution effectively.

In this specific case, Delta had started to internationalize quickly after conception. Their solution was practically globally scalable from the start as they built their service on cloud and it did not include any country-specific elements as it focused on data science and AI development. By the time VC D invested in them, they had sold their service to European and US businesses, with the US markets being their target market. Later on, their CEO has moved to Silicon Valley to promote their service and its expansion to the US markets. Nowadays, a clear majority of their clients are foreign businesses and they have in fact only about two or three Finnish customers. Their largest markets are currently Germany, Canada and the USA, but they also have some smaller, individual clients around Europe.

4.5 Summary of the Main Empirical Findings

The findings regarding investment experience seem to suggest that even early-stage VCs are in possession of distinguishable, long-term investment experience. This experience can be accumulated both as individuals and as organization, and trough both positive and negative experiences. Investment experience can also result in positive reputation for the VC that can provide additional benefits. While investment experience's effect in each of the studied cases was not always apparent, there was strong indication that it could have acted as an underlying resource that affected certain qualities of the VC and improved their operational efficiency.

The findings regarding entrepreneurial experience seem to suggest that early-stage VCs possess considerable amounts of entrepreneurial experience. This experience can be accumulated by founding businesses and scaling them up, preferably to international and global markets. Similar, startup-specific experience can be achieved by operating closely with startups, for example, as startup advisors/coaches or in startup organizations. The entrepreneurial experience of the VCs was also reflected in their operations and they often emphasized the evaluation of the founding team during screening process. While the entrepreneurial experience appeared in several different contexts in the studied cases, as a resource it was targeted towards the CEOs/founders in order to support them in certain top-level decisions and formation of major strategic guidelines. The entrepreneurial experience of the VCs was shared to the startups through sparring and active discussion, not so much through direct methods.

The findings regarding industry knowledge seem to be a bit conflicting. On the other hand, the findings suggest that early-stage VCs prefer to operate as generalists and with relatively large portfolios. On the other hand, there was clear evidence of VCs being in possession of large amounts of industry-specific knowledge that they could have potentially leveraged. The conclusion from the observed cases, if one can be drawn, seems to suggest that early-stage VCs want to possess enough industry knowledge to screen their potential investments properly and help them focus their growth on correct things, but they leave the actual niche expertise entirely to the startup. This arrangement is done in order for them to avoid getting too deeply involved in the operational side of the startup.

The findings regarding investor contacts seem to suggest that early-stage VCs invest both in syndicates and alone. The later the round is in question, the more likely it is that a syndicate needs to be formed in order to provide a sufficient amount of capital. These syndicates can consist of both angel investors and other VCs, occasionally also international investors might join in early. Some of the early-stage VCs have a preference to be the lead, others not, and this preference seems to closely correlate with their investment strategies. In some cases, they might just have to assume the role as they are the only professional investor in the round. Early-stage VCs seem to also maintain large investor networks in order to improve their chances of securing follow-up funding for their PFCs and their own deal flow. However, the investor contact provision is limited: VCs seem to provide a direct contact and perhaps a short introduction, if needed, but the rest is up to the founders and they need to be the one to win the other investors over. Wide investor networks and preference for syndicating was also observed to contribute towards good reputation among other investors which can in turn bring additional benefits.

The findings regarding industry contact provision were partially in line with the findings on investor contacts – VCs were observed to occasionally provide industry contacts to their PFCs, but they did not actively promote the startup to these contacts. The provided industry contacts were a mix of both domestic and international contacts. In general, active industry contact provisioning seemed to be interpreted by the VCs as getting too deeply involved with the operational side which caused them to refrain from doing it. In most of the observed cases, industry contacts were provided, but their actual effect was nearly impossible to distinguish afterwards. Contacts to other PFCs in VC portfolios were also provided in some cases, but the effect of these contacts was highly dependent on the context and required very specific conditions to make a clear difference.

The findings regarding contacts to find managers seem to suggest that VCs are surprisingly active helping their PFCs with recruitment processes, especially key individual recruiting. They can provide, for example, recruitment leads from their own networks or offer contacts for external recruitment services. Occasionally, they have had to also replace founders/CEOs in startups. This, however, occurs only in critical situations and they want to avoid such measures to the very end. In the observed cases, there were no indication of manager contacts being provided to PFCs despite a CEO replacement occurring in one of the cases.

All in all, it seems that early-stage VCs are indeed in possession of the non-financial resources suggested by the model. However, they prefer to invest in capable founders that have the capability to operate independently – without constant supervision and support from their side. These founders ideally show both entrepreneurial experience and industry-specific knowledge and can constantly learn and adapt to changing situations. By investing in capable individuals, they can optimize their own resource provision and time consumption which are scarce resources for small investment organizations with large portfolios. This allows them to remain distant enough to not get too much involved into the operational side of the startup, but close enough to actually affect decisions, if needed.

The VCs' way of affecting decisions seemed to be very indirect: they mostly spar and give insight on issues, not so much exert pressure or force their will. In fact, this would not even be possible on most occasions as they do not acquire a large enough share of the startup's equity to force any decisions, even if they wanted to. They also seem to constantly evaluate whether the startup actually needs any resources before they interfere. This is done in order to reserve their resources for the most critical incidents that would most likely threaten the growth or survival of the startup and therefore the return of their investment. This constant evaluation happens through active monitoring measures, such as monthly reporting and maintaining close relationships with their PFCs.

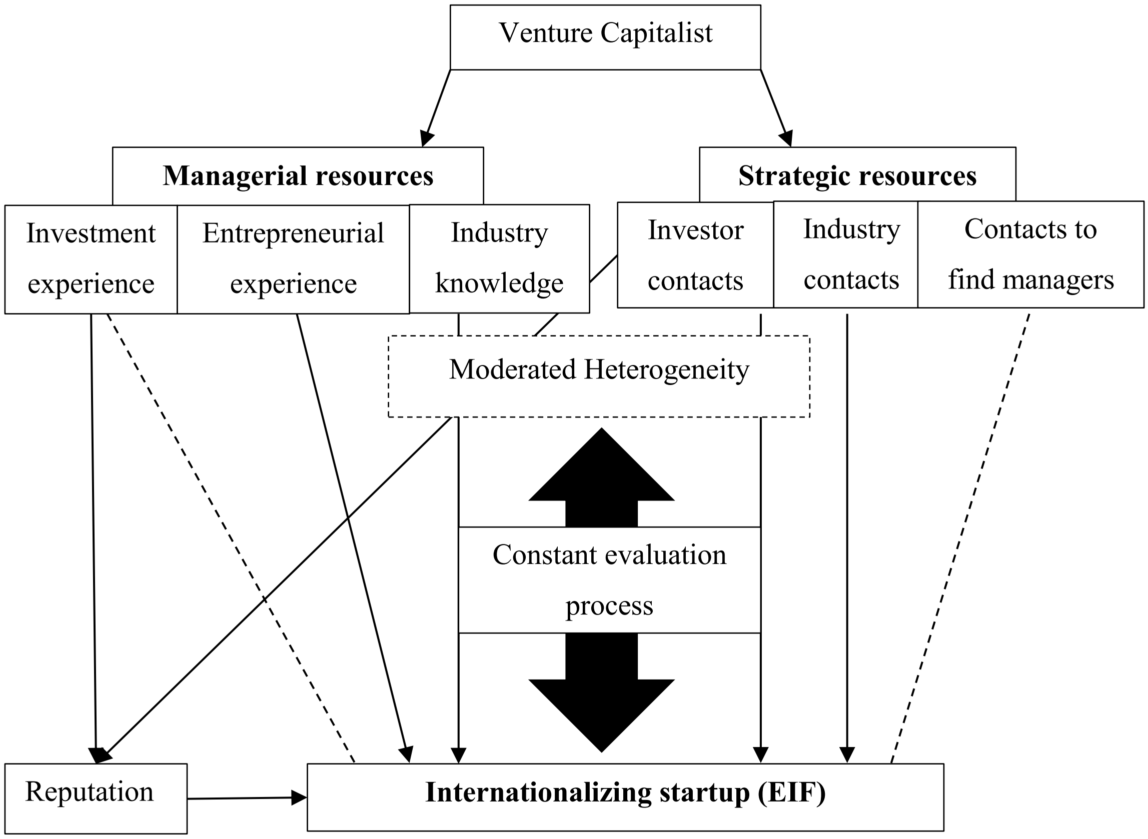
The concrete effect of these resources on early internationalization remains unclear, as the EIFs in the observed cases were so inherently international that it became nearly impossible to distinguish whether a resource affected internationalization or the startup's general survival rate positively. However, in all of the observed cases the startups had continued their internationalization rather successfully which could suggest that these resources were helpful at least in some way.

Considering the amount of provided non-financial resources, resource-provision from VCs to startups was not as heterogenous as the used theoretical model suggested. There was clear evidence of only entrepreneurial experience, industry knowledge, investor contacts and industry contacts being provided to the PFC, and these resources were not apparent in all cases. This can be explained partially through the VCs' investment strategies, in which they do not want to get too much involved in the operational side, but also through rational behavior as an investor – if the startup would not require any immediate resource-provision from the VC, there is no need to get involved as it only subtracts those resources from being used to benefit other startups.

Based on findings from these cases, heterogeneity of non-financial resources should not be expected to occur per se, but to occur based on each EIF's situational needs. This leads towards the proposal of replacing factor 'heterogeneity' with 'moderated heterogeneity' in the model which better describes that not all of the resources of the model are provided in every applicable case. Partially in relation to this, the model should better acknowledge that VCs constantly evaluate the startup's need for non-financial resources because they stay actively in touch and closely monitor their investments. If the startup and its founders are already in possession of certain resource, the VC has no motivation to try to provide it. Therefore, it is suggested that this ‘constant evaluation process’ should be added to the model in order to enhance its ability to explain the phenomena.

Outside the used theoretical model, two important findings were made. First of all, the role of reputation was partially confirmed to affect and co-exist together with investment experience and investor contacts. In some cases, the VCs felt that they had developed a good reputation after operating for so long and with so many different investors. This reputation could theoretically also be leveraged by the startup, for example, in attracting other investors. Therefore, it could be added to the model as a separate resource. Second, in most cases, the EIF had started to internationalize already before they received VC investment. This could suggest that EIFs do not necessarily seek VCs in order to start their internationalization, but more likely in order to support the ongoing process. All of the observed VCs seemed to have acknowledged this factor in their screening process, and the international potential or already achieved international success seemed to affect the decision to invest positively. This leads to propose that perhaps startups should seek to start internationalizing before attracting investment because by doing that, they could achieve early validation that their solution can be successful also in the international markets. Additionally, if they decide to pursue international growth almost straight after their conception, they can start solving the main issues related to international operations and considerably enhance their chances of scaling successfully.

Figure 3 Adapted Model of Non-Financial Resource Provision from VCs to Early Internationalizing Startups



Proposals based on the findings from the observed cases were added to Figure 3. Heterogeneity was transformed into 'moderated heterogeneity' to better depict that not all of the model's resources are necessarily provided to EIFs. Reputation was also added as a separate factor into the model that could be leveraged by the startup. The constant evaluation process that is carried out by the VC was also added to the model as it fundamentally affects what non-financial resources are provided to the startup.

5 CONCLUSIONS

5.1 Theoretical Implications

The main findings of this research have several theoretical implications which are now first concluded according to the structure of the used theoretical model. Findings on managerial resources confirmed some of the earlier studies, while contradicting others. In terms of investment experience, some of the cases confirmed that it accumulates mostly through experiential learning (Huber 1991) and that it requires a lot of time and opportunities for the VC to learn from (Kaplan et al. 2007; Gompers et al. 2009). All of the studied cases also seemed to confirm that already accumulated investment experience can improve VCs' investment screening process (Gompers et al. 2005). Some of the observed cases also portrayed how successful investment experience can help the VC to prioritize the most efficient areas of advice which are similar to the findings of Bacon-Gerasymenko and Eggers (2019). No supporting evidence was found that the VCs reputation could cause startups to accept lower valuations (Hsu 2004) or that earlier experience of achieving an exit would cause increased chances of achieving a successful exit (Clarysse et al. 2013).

In terms of entrepreneurial experience, we were also able to confirm some earlier findings. First of all, the strong entrepreneurial experience present in VCs' organizations clearly affected their choice to invest in very early-stage companies (Patzelt et al. 2009) and in capable and experienced founders (Warnick et al. 2018). Findings of entrepreneurial experience being accumulated mostly through experiential learning (e.g. Cope 2005) were also confirmed in most of the cases. The findings of Gompers et al. (2010) were also partially confirmed as VCs offered sparring sessions during difficult times. Despite international experience existing in several of the observed cases, its effect ultimately remained unclear which means that the findings of Blomstermo et al. (2006) and Patzelt (2010) could not be fully confirmed. No confirmation could be found for Zhang's (2011) findings as the observed startups had attracted only a few investment rounds which were all quite small in size.

In terms of industry-specific knowledge, support was found in all of the observed cases that founders' industry expertise can help attract investors (Stuart and Sorenson 2003; Ko and McKelvie 2018). Additionally, some observed EIFs seemed to internationalize early mainly because their founders utilized their industry-specific knowledge and realized that their product would scale well in the international markets which is in line with findings of Tuppura et al. (2008). The findings of Klepper (2001) were partially confirmed; while the statement that industry-specific knowledge would be best accumulated through professional experience as it is tacit knowledge gained traction, VCs were still able to share this knowledge with their PFCs. However, there was no indication that VCs would have provided substantial amounts of industry-specific knowledge to the startups which disagrees with the findings of Gabrielsson et al. (2004). All of the observed VCs had also clearly remained as generalists which contradicts the findings of De Clercq et al. (2001).

Findings on strategic resources seemed to be mostly in conflict with earlier research. Findings regarding investor contacts were perhaps the most controversial. Although VCs often acted as the lead, they did not seem to actively recruit other investors for the first investment (Manigart et al. 2006) or the follow-up rounds (Wilson et al. 2018). Some of the VCs did utilize their investor networks actively for information acquisition which confirms the findings of Fiet (1995). We could find partial confirmation for Stuart's (1999) findings as in some cases one VCs' commitment to a startup could signal trust to other investors, but they did not necessarily actively endorse their potential PFCs to other investors. Mäkelä and Maula's (2008) findings were confirmed in one case as VC B was first-to-commit and they potentially signaled to the international investor about the case's credibility. Then again, the findings of Brander et al. (2002) and Casamatta and Haritchabalet (2007) were confirmed as VCs operated in a very independent manner and made their investment decisions solely based on their own analysis.

Findings regarding industry contacts were mostly in contrast to earlier research. VCs did not provide practically any foreign industry contacts to help their PFCs reach economies of scale (Freeman et al. 2006) or to collect knowledge of foreign markets (Ellis 2000). All of the provided contacts were also vertical which does not support the findings of Chetty et al. (2003). However, VC A did provide their cold leads during the early stages of Alpha's growth when it was clearly beneficial for the startup which are similar findings with Coviello (2006). Findings regarding contacts to find managers were also predominantly contradicting with earlier findings. In one of the observed cases, Alpha was solely responsible for two significant recruitment processes which contradicts the findings of Sapienza et al. (2006). Then again, Hsu's (2007) findings of VCs appreciation of founders capable of independently recruiting key individuals was partly confirmed in some cases as some VCs clearly emphasized that they seek this type of founders.

This research's findings on heterogeneous resource-provisioning were similar with the earlier findings of Westhead et al. (2001) and Knight and Cavusgil (2004) as VCs did not constantly offer their non-financial resources to PFCs even if it occasionally seemed like they could benefit from them. This type of behavior was not in line with their investment strategy, and they wanted to reserve their resource-provisioning only for critical situations, when they absolutely needed to interfere. This approach is also visible in their investment criteria which placed heavy emphasis on capable and experienced founders meaning that they actively sought these types of founders to minimize the amount of situations where they would have to get too much involved and deviate from their strategy.

When compared to earlier research on the same topic, the received findings both confirm and contradict some of the earlier findings. The findings of Fernhaber and McDougall-Covin (2009) and Park et al. (2015) seemed to be confirmed by the received results as all of the observed VCs were in possession of considerable earlier international experience and were quite reputable. In addition, the findings of Devigne at al. (2013) seemed to be confirmed in two ways. First, the observed domestic VCs seemed to have a larger impact on the EIF than the international VCs although there were international VCs involved in all of the cases. Second, VCs seemed to clearly target international investors in order to secure investments in later funding rounds which could indicate that they would have a bigger impact in the later stages of the startup's growth cycle. Partial confirmation for the findings of Mäkelä and Maula (2005) were visible in two cases as both Gamma and Beta had international investors from their significant target markets, but their effect on early internationalization could not be clearly identified afterwards. The findings of Park and LiPuma (2020) and Woo (2020) could not be confirmed either based on the received findings as the role of the international investors was not always apparent in the observed cases.

5.2 Managerial Recommendations

Despite this research focusing solely on VCs' perspective on the issue, some managerial recommendations can also be made for startup founders. These recommendations are fundamentally different and are therefore divided into two separate sections – one for VCs, the other for founders/startups.

The managerial recommendations for VCs are following:

1. Establish an experienced and skilled organization in order to provide support when its needed;
2. Invest time and resources for a proper screening process;

3. Closely monitor your investments and also stay in touch with them, but do not get too deeply involved; and
4. Carefully evaluate when you need to and when you do not need to interfere with startup's operations.

First and foremost, VCs should attempt to build their organization as versatile and capable as possible because some of the underlying resources in the organization can be leveraged to benefit the PFCs. Especially entrepreneurial and industry-specific experience can be beneficial. In addition, accumulating international experience can provide additional advantage as the startups seek to quickly expand to international or even global markets. These resources and capabilities also improve the operational efficiency of VCs and would therefore be in constant use even if PFCs would not require them. Second, VCs should invest enough time and resources to do a proper screening process on every investment opportunity because it pays itself back in the long run and might prevent committing to a costly mistake. Carefully assessing each startup and their founders also gives valuable information on which areas the startup needs to improve on. This type of information can be immediately put into use after the investment has been finalised and the shared journey begins.

Third, VCs should closely monitor their made investments and stay in touch with the founders and organizations they have invested into. This allows them to remain up to date on each case and make decisions based on correct and timely signals. The monitoring process should also include other metrics than just basic financial metrics: taking startup's industry and their stage of growth into consideration is already a great start which can produce more in-depth information than just tracking revenue. The monitoring should also include more than just data – exchanging pleasantries with the founders and actively engaging with them ensures that the VC is not seen as so distant. However, VCs should always remember not to get too deeply involved with the startup. After all, VC ultimately is just a form of investment and VCs are investors with large portfolios that have dozens of other investments in them. Therefore, they cannot afford to run every errand for the startup or help them on every occasion.

Fourth, VCs should always carefully evaluate when they are going to interfere with startup's operations. While they have their own investment at risk in the startup, they cannot start forcing their will or exerting any pressure on every decision. By constantly hovering in the background and affecting every decision, they are at risk of creating an atmosphere of mistrust between them and the startup. Also, if they have to constantly interfere, they have either made a bad investment decision or they have missed some critical signals from the startup. Picking up the correct signals and offering their help at the right moment enables them to build genuine trust between them and the founders which is beneficial in the long run. Occasionally, not interfering, even though the situation would seem critical, might also pay off as the founder can then have a chance to solve the issue themselves and accumulate invaluable experience.

The managerial recommendations for startup founders are following:

1. Try to acquire as much talent as you can, but also invest time in self-development;
2. Grow with your organization straight from the beginning;
3. Know your business and markets inside-out; and
4. Consider starting to internationalize already before seeking VC investments.

First of all, founders should try to equip their organizations with as much talent as they possible can. Naturally, startups cannot operate with limitless resources or massive personnel costs, but they should nevertheless try to assemble an organization of like-minded individuals working towards the same goal. Founders should not forget themselves either; they, too, have to try to develop their skills as much as possible and enthusiastically try to learn new skills. Both of these qualities are sought after by VCs, no matter which industry you operate in. Secondly, founders should always grow with their organization straight from its conception. Having someone without the founders' vision and inner motivation running the operations is not a sustainable model and very rarely leads to good results. Startups are so heavily dependent on its founders that they need to be on board from the start.

Thirdly, founders should always know their business and markets thoroughly because they have to be able to understand every aspect of their business and understand what the markets currently want (and also what they want in the future) if they wish to grow successfully. Knowledge on both of these is crucial and founders cannot be proficient only in one of them if they wish to be successful. Knowing your business also helps in attracting VC investments as you pitch your business more effectively and will therefore more likely land an investment. Fourth, startups should consider internationalizing before seeking VC investments because it forces them to think beyond domestic markets and start solving issues that need to be assessed at some point in any case. Additionally, internationalizing early forces them to adopt business models and ways of working that promote international growth. The sooner the internationalization process starts, the better. However, internationalization should always be the result of a careful planning process and startups should not commit to it unless there are potential benefits to be achieved, e.g., larger markets or lucrative partnerships.

5.3 Limitations and Suggestions for Further Research

Despite the multiple case study research setting, the results of this research are not necessarily very well applicable to other cases. Therefore, studying the exact same topic quantitatively could provide even more credible and generalizable results. In addition, quantitative approach could allow the research of more complicated, underlying resource-provisioning that could not be done with smaller samples and qualitative approach. While the case company selection process followed somewhat strict guidelines set by the earlier EI research, the studied cases were surprisingly homogenous despite the fact that the sampling process did not actively pursue this goal. For example, all of the studied VCs had quite similar investment strategies and could be categorized as generalists. If there would have been a more heterogenous sample of VCs, the results could have been very different.

Changing the research setting to study the differences between domestic and international investor's resource-provisioning could also yield interesting and valuable results, especially considering the high rate of foreign capital invested into Finnish startups. This type of research could be conducted both on investors in the same syndicate and completely unrelated investors to study how syndication affects resource-provisioning. Additionally, the sample could also be expanded even further to include foreign startups and VCs to study differences between different markets and nationalities.

Another interesting angle on the topic would be to conduct a longitudinal study where the resource-provisioning and the interaction between the VC and startup could be tracked more accurately. In this research, all the information was gathered afterwards which might cause some potential findings to be left out. By following a particular investment (or several investments) for a few years after a funding round has been completed, would allow the researcher to make more accurate observations. This type of research setting would also enable to study how each resource potentially affected the internationalization process because the causality would be more apparent. This is something that this research failed to do due to the chosen research setting and limited resources. Additionally, more complex interpretations of the early internationalization process could be included into the study as well. For example, an evolutionary approach to internationalization, where the needs and resources of a startup fluctuate over time and how the VC responses to it.

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APPENDICES

Appendix 1 Interview Structure (in Finnish)

Haastattelurunko
Pro Gradu -tutkielma, Samu Silenius
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1. Portfolioyritysten kansainvälistyminen osana VC-sijoittajan strategiaa (5–10 min):

   Portfolioyritysten kansainvälistymisen läpikäyntiä sijoittajan näkökulmasta. Esim: Onko portfolioyritysten kansainvälinen kasvu virallinen osa teidän strategiaanne? Miten se näkyy teidän yleisessä toiminnassanne ja viestinnässänne?

2. Startup-casen läpikäynti (10–15min):

   Valitun case-yrityksen tietojen ja kansainvälistymisprosessin läpikäyntiä. Esimerkkikysymyksiä:

- **Perustiedot**: Mikä on yrityksen toimiala ja tärkein tuote?
- **Deal sourcing**: Mitä kautta startup tuli teidän tietoisuuteenne/mitä kautta he ottivat yhteyttä?
- **Sijoituspäätös**: Oliko palvelun/tuotteen kansainvälinen markkinapotentiaali osana teidän analyysianne ja valuaatiotanne? Entä oliko se osa startupin pitch deckiä?
- **Sijoitus**: missä muodossa sijoitus tehtiin ja mille rahoituskierrokselle se ajoitettiin?
- **Kansainvälistyminen**: Missä vaiheessa startup alkoi kansainvälistymään ja mitkä olivat kohdemaat? Osallistuitteko aktiivisesti kansainvälistymisstrategian kehittämiseen?
- **Kansainvälistymisen nykytilanne** (*vanhempien case-yritysten yhteydessä*)**:** Onko startup jatkanut kansainvälistä kasvuaan onnistuneesti?

3. VC-sijoittajan tarjoamat ei-rahalliset resurssit (45–60 min)

   Resurssijako noudattaa tutkimuksen teoreettista mallia, joka tunnistaa kuusi pääresurssia. Jokaisen resurssin alla on esimerkkejä resursseihin liittyvistä teemoista.

   Johtamisen resurssit:

- **VC-sijoittajan investointikokemus**
  - Kokemus VC-sijoittajana; VC-yrityksenne maine; Näkyminen päivittäisessä toiminnassa; VC-investointikokemuksen hyödyntäminen ko. portfolioyrityksessä
- **VC-sijoittajan yrittäjyyskokemus**
  - Yrittäjyyskokemus yrityksenne sisällä; Kansainvälinen yrittäjyyskokemus; Startup-yritysten perustajien yrittäjyyskokemuksen arvostus; Yrittäjyyskokemuksen valjastaminen portfolioyrityksen käyttöön
- **VC-sijoittajan toimialakohtainen tieto**
  - Toimialakohtainen tieto yrityksessänne; Monialainen tieto vs. toimialakohtainen; Toimialakohtaisen tiedon jakaminen portfolioyrityksille;

   Strategiset resurssit:

- **Sijoittajakontaktit**
  - Syndikaattitoiminta; Verkostoituneisuus; Maine omassa verkostossa; Portfolioyrityksen myöhempien rahoituskierrosten sijoittajien löytäminen
- **Toimialakontaktit**
  - Kotimaiset ja kansainväliset kontaktit; Entiset portfolioyritykset; Toimialakontaktien lähde; Maine toimialalla; Toimialakontaktien tarjoaminen portfolioyritykselle
- **Johtajakontaktit**
  - Johtoportaan rekrytoinnit; Johtajien/perustajien korvaaminen sijoituksen aikana; Maine johtajien rekrytoinnissa; Portfolioyrityksen auttaminen johtajien rekrytoinnissa

Appendix 2 Case Sampling Process Description (in Finnish)

Case-yritysten koostamisprosessi
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Vaihe 1: Myöhäisen vaiheen sekä ulkomaisten VC-sijoittajien karsiminen analysoitavan datan pienentämiseksi

- Datana käytetty Suomen pääomasijoittajat ry:n jäsenlistaa yhdistyksen pääomasijoittajista, joita oli yhteensä 71 kpl, ja johon lisäsin yhden yhdistykseen kuulumattoman VC-sijoittajan, jolla tiesin olevan muutama potentiaalinen case portfoliossaan. Näistä 72:sta VC-sijoittajasta karsin kaikki pois, ketkä eivät erikseen maininneet aikaisen vaiheen VC-sijoitusten kuuluvan heidän strategiaansa. Jäljelle jäi 38 VC-sijoittajaa.
- Näistä 38:sta VC-sijoittajasta kolme olivat ulkomaisia, jotka karsittiin pois tutkimuksen keskittyessä kotimaisiin sijoittajiin, ja kolme olivat niin uusia, että niillä oli vasta muutama sijoitus tehty v. 2019 tai 2020. Lisäksi valtio-omisteinen Tesi rajattiin pois tutkimuksen keskittyessä yksityiseen sektoriin. Kun nämä seitsemän karsittiin pois, jäljelle jäi 31 tarkasteltavaa portfoliota.

Nämä 31 portfoliota käsittivät 837 startupia, joiden määrää alettiin karsimaan seuraavissa vaiheissa.

Vaihe 2: Liian vanhojen sekä ulkomaalaisten startupien karsiminen

- Tutkimuksen tulosten luotettavuuden ja ajankohtaisuuden parantamiseksi liian vanhat startupit karsittiin pois. Perustamisaikaväliksi määritettiin 2010–2020, jotta myös finanssikriisin sekä käynnissä olevan COVID19-kriisin suurimmat taloudelliset vaikutukset eliminoitaisiin.
- Tutkimuksen keskittyessä kotimaisiin startupeihin, ulkomaiset startupit karsittiin pois. Ulkomaisuus määriteltiin startupin perustamismaan sekä pääkonttorin sijainnin perusteella. Perustajien kansallisuutta ei otettu huomioon, joten esim. Suomessa ulkomaalaisten toimesta perustetut startupit laskettiin suomalaisiksi ja ne kuuluivat potentiaalisiin case-yrityksiin.

Vaihe 3: Portfolioyritysten kansainvälistymisen analyysi[1] kv. liiketoiminnan ”early internationalization” -viitekehyksen asettamilla ehdoilla

i) Startup on kansainvälistynyt ensimmäisen kolmen ikävuotensa aikana ja se on saanut VC-sijoituksen ennen kansainvälistymistään.
ii) Startup on kansainvälistynyt kahteen tai useampaan maahan.
iii) Startup on kansainvälistynyt niin intensiivisesti, että se on saanut vähintään 25 % tuloistaan/myynnistään ulkomailta.

- Näihin ehtoihin liittyvää dataa kerättiin yhdistelemällä eri tietolähteitä, sillä mikään taho ei ylläpidä suomalaisten startupien kansainvälistymiseen liittyvää, vapaasti käytettävissä olevaa tietokantaa.
- VC-sijoitusten ajoitus kerättiin pitkälti crunchbase.com -sivustolta, josta saatu data varmistettiin vertaamalla sitä VC-sijoittajien, startupien tai kolmansien osapuolien julkaisemiin uutisiin.
- Kansainvälistymiseen liittyvää dataa analysoitiin vertaamalla eri medialähteitä keskenään. Dataa kerättiin niin startupien omilta sivuilta, luotettavilta medioilta (esim. Kauppalehti tai Talouselämä) kuin myös startupin kanssa toimivilta kolmansilta osapuolilta, kuten Business Finland tai erinäiset accelerator- ja growth track -ohjelmat.

Kun vaiheiden 2 ja 3 kaikki ehdot otettiin huomioon, näistä 837 startupista jäi jäljelle 52 potentiaalista case-yritystä, jotka olivat jakautuneet 13 portfolion kesken.

[1] *Vaiheen 3 analyysin perustuessa pitkälti eri tietolähteistä saatujen tietojen yhdistelemiseen, tarvitsen apuanne datan verifioimiseksi, jos päätätte osallistua tutkimukseeni.*

Appendix 3 Earlier Empirical Research on VCs' Effect on Early Internationalization

Author(s)	Objective	Methodology	Main findings
Gabrielsson, M – Sasi, V. – Darling, J. (2004)	To study how financing strategies and used intermediaries affect the internationalization of Finnish BGs and BIs.	Longitudinal, multiple case study that focused on 30 Finnish companies in a single industry.	BGs have better access to financing and non-financial resources right from the start and also during their lifespan. VC investments and value-added were a major factor, when BGs and BIs were compared.
Mäkelä, M. M. – Maula, M. V. J. (2005)	Study how cross-border VCs affect the internationalization of new ventures that have their primary markets in a foreign country.	Multiple case study of 9 companies through a grounded theory approach. Semi-structured interviews, observations and several secondary data sources to gather data. Timeline building and cross-case comparison analysis.	VCs that are operating in venture's target market can be valuable for the venture as they can legitimize it. Isomorphism caused by the VCs is seen in case companies and the VCs often apply pressure to their ventures to comply with their desires. This might create problems if the market where the investee is pressured into is not compatible with firm characteristics or attributes.
Fernhaber, S.A. – McDougall-Covin, P.P. (2009)	Study how VCs might influence new venture internationalization through their international knowledge and reputation.	Multivariate analysis of a sample of 93 high-technology VC-backed new ventures in US. Data collected from public sources; The Global New Issues Database, Venture Economics Database and Compustat.	VC's international knowledge had a significant correlation with internationalization, the same thing with reputation. If both of the variables are present, it causes even higher scales of internationalization.
Lutz, E. – George, G. (2012)	To study the impact venture capitalists have on the scale of internationalization through resource- and behavioral-based views.	In-depth case studies of 18 young companies in Europe. Qualitative and quantitative.	Constrained resource providing by the VC has a negative influence on internationalization scale.
Devigne, D. – Vanacker, T. – Manigart, S. – Paeleman, I. (2013)	How do cross-border and domestic VCs affect the international growth of their portfolio companies.	Multivariate regression of a sample consisting of 761 venture-backed high-tech companies from seven European countries. Longitudinal financial data of 7 years (starting from VC investment) gathered from VICO database.	During first years after VC investment, domestic VCs have bigger impact than cross-border VCs. Companies in early stages benefit from proximity and institutional knowledge. This changes in the later years as companies begin to internationalize more and the cross-border VCs possess better knowledge of external markets and can prove legitimacy. A mixed syndicate of VCs provides the best results in terms of growth and heterogenous resources.
Park, S. – LiPuma, J. A. – Prange, C. (2015)	To study how the VC's international knowledge and reputation influences the new venture internationalization.	Quantitative analysis (multivariate regression) of 93 high-technology VC-backed companies in USA.	VCs with good level of international knowledge and reputation had a positive correlation with higher levels of internationalization. Additionally, the correlation increased when both of these were evident in cases.
Park, S. – LiPuma, J. A. (2020)	How different types of venture capital (foreign and corporate VC) and their reputability affect venture internationalization intensity?	A multivariate regression of a sample of 646 US-based, VC-backed new ventures that had an IPO 1995-2010. Data gathered from VentureXpert and Global New Issues within Thomson Financial's SDC Platinum database.	Foreign VCs seem to have a more positive impact on the international intensity of a new venture than corporate VCs. Reputable VCs partially substitute the positive effect of CVC in internationalizing new ventures.
Woo, H. (2020)	How international VCs affect the chance to internationalize early and its intensity, and how this all affects firm's performance.	Multivariate regression and linear modelling of 551 VC-backed companies that IPO'd between 2000 and 2014.	Foreign VCs have a positive effect on early internationalization by helping the portfolio companies with significant strategic decisions and lending their networks. Additionally, early internationalization and foreign VCs together had a positive effect on the firm's performance near IPO process.