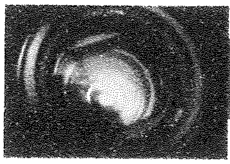
if others (who presumably did their homework before entering) find it appropriate to use sales agents, then this appears to be an appropriate strategy. Such **mimetic behaviour** is a common way for firms to reduce the uncertainty associated with entering unfamiliar countries and to speed up international growth.[49] However, it can also lead to everyone following the same fad until it eventually collapses: the fact that your rivals are rushing into China does not necessarily mean that now is the time for you to invest in China.

mimetic behaviour Imitating the behaviour of others as a means to reduce uncertainty.

Fourth, ambitious firms may speed up their international growth by acquiring specific resources locally. At a basic level, they may rent offices, buy real estate, source local raw materials and hire people with specialist technical expertise or local knowledge. Others raise capital abroad by attracting venture capitalists (see In Focus 11.3) or, at a more mature stage, listing on a stock market overseas (see Opening Case *Spotify*). More challenging is the acquisition of brand names, distribution networks and legitimacy in the local context. These sorts of resources are rarely available to buy other than by taking over an entire firm. Foreign entrants thus may build relationships with local firms or take over local firms to access to the knowledge embedded in teams, organizational structures and routines.[59]



IN FOCUS 11.3

Raising start-up capital abroad

Many ambitious entrepreneurs in continental Europe find that raising capital for their business idea is very difficult. Local capital markets in many European markets are dominated by bank loans, which are available primarily to mature (and hence less risky) businesses, while start-up capital in the form of business angels and venture capital is scarce. Many budding entrepreneurs thus dream of partnering with a Silicon Valley star investor.

Some entrepreneurs, especially in technology, software and e-commerce businesses, made their dream come true and succeeded in raising capital in the USA. For example, *Vinted Lithuania*, a Lithuanian start-up developing an online platform, raised €26.5 million from *Accel Partners* and *Insight Venture Partners*. Similarly, *Funambol*, a white-label software developer from Pavia, Italy, raised over €20 million in venture capital from US investors after moving its legal headquarters to San Francisco, USA. In Germany, 3D printing company *Voxljet* raised capital on the New York Stock Exchange because of the much higher valuation available in the USA (see Closing Case).

The UK has somewhat more favourable conditions for entrepreneurs wishing to raise risk capital, but even so some start-ups focus on Silicon Valley when it comes to raising capital. For example, Bath-based semi-conductor design company *PicoChip* moved its legal headquarters to the USA to attract US-based investors. Similarly, green energy start-up *Better Generation* raised substantial capital on the Hong Kong capital market.

What are the implications of having equity investors from abroad as key shareholders? First, these investors would be concerned about the financial transparency of the firm and the legal security of their claims. Thus, entrepreneurs creating a US-based holding company would find it easier to get the attention of US-based venture capital funds. Second, investors are interested in businesses with global potential, and hence business models and technologies that are valuable in many markets – Lithuania or even Italy are rather small markets with limited profit potential. Third, US-investors would be concerned about currency risks. Since they invest US dollars, they would be more interested in companies generating their revenues in US dollars or in a well-diversified portfolio of currencies rather than a (to them) 'foreign' currency like the euro.

Sources: (1) K.E. Meyer & H.T. Xia, 2009, unpublished interview notes, University of Bath, UK; (2) J. Sekliuckiene et al., 2017, Early internationalizing firms, *World Review of Entrepreneurship Management and Sustainable Development*, 13: 707–733.