UNIVERSITY OF GOTHENBURG
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Master Degree Project in International Business and Trade

Facilitating Early Stage Internationalization through Knowledge Sharing

Venture capital firm´s influence on new venture internationalization

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Abstract

When venture capital firms invest in new ventures the objective is to ensure high returns on the investment made by fuelling new ventures to grow and become considerable actors on the international market. The role of knowledge sharing has been highlighted as a strategically important way of developing new venture's capabilities and building foundations for internationalization. However, the area lacks research from a venture capital perspective and the non-financial value added in the post-investment process. This thesis aims to further investigate how the process of knowledge sharing can facilitate early stage internationalization in an investment relationship. Through a case study of Sweden's most active investor in early growth ventures and four of its new ventures the study found that the investment relationship facilitates early stage internationalization through formation of core business, establishment of first *nodes of foreign presence* and increasing the chances of network *insidership* for new ventures. Moreover, it was found that different dimensions of knowledge, tacit and explicit, are of importance depending on the maturity level of an investment relationship. It was also found that an investment relationship shortens new venture's process of reaching the next step of development through knowledge sharing and that the shared knowledge also accelerates the development process as the development steps can become longer. However, knowledge sharing decreases over time as new ventures' knowledge base grows and their reference point shifts.

Key-words: knowledge sharing, SECI, venture capital firm, new venture, early stage internationalization, knowledge creation, non-financial value added

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1. Introduction

The chapter starts with an introductory background to the research area which is followed by a problem discussion. From the problem discussion the purpose of the thesis is stated and the research question formulated. The chapter continues with the delimitations of the thesis and finishes with a research outline.

1.1. Background

All firms have one thing in common; all have once started as a new venture (Cumming, 2010). New ventures are firms in early stages of development that can be categorised into two types depending on their level of innovativeness. A small business venture *does not engage in any innovative or new marketing practices* while an entrepreneurial venture is *characterized by its innovative strategic practices* (Carland, Hoy, Boulton & Carland, 1984:358). Both types of new ventures have an important role in local economies although entrepreneurial ventures often have the ambition to also become international businesses (ibid.). Many of the challenges entrepreneurial new ventures are facing during their path toward becoming international business can be addressed by venture capital firm support in form of knowledge and financing (Gompers & Lerner, 1999; Kortum & Lerner, 2000; Cumming, 2010;). Entrepreneurship and innovation is encouraged in today's business society and venture capital has received support for their facilitating role in entrepreneurial new ventures (European commission, 1997, 1998, 2003; Learner, 2010; Learner & Tåg, 2013). The contemporary subject of entrepreneurial new ventures, hereafter referred to as new ventures, and the influence of venture capital firms will be the focus of this thesis.

Venture capital firms choose to invest in new ventures, even though risk levels are high, as they can earn high rates of return when a new venture exits their portfolio. Venture capital firms support the new ventures in their portfolio through financing and knowledge so the new ventures can increase their profit and meet the venture capital firms' high return goals (Cumming, 2010, Landström, 2007). Venture capitals strive for long-term profit in their new ventures can be seen as equivalent to growth. Growth can be facilitated through expanding operations abroad and is therefore seen as an important factor as to why firms internationalize (Johansson & Vahlne, 1977). Hence, in order for a new venture to reach their venture capital firms' profit goals there might be a need for internationalization as it creates new opportunities and increases the probability for growth (Sapienza, Autio, George & Zahra, 2006).

Knowledge and resources are mentioned as *the most important obstacles for internationalization* (Johanson & Widersheim-Paul, 1975:306), which coincides with new ventures limited access to financing and relevant knowledge as constraints for growth (Cumming, 2010). Moreover, financing and knowledge are tied together creating a catch 22 as some developmental issues can be addressed by extra financing while access to financing without managerial skills might result in improper utilization of provided capital causing development stagnation. Providing only knowledge without financing can on the other hand freeze own initiatives and create risk avoidance (ibid.). Consequently, a *combination* of both is needed for successful development.

Venture capital firms help their new ventures to grow by providing them with financing and knowledge. First, venture capital firms are important intermediaries in financial markets providing capital to firms. Venture capital firms has specialized expertise that allow them to make more informed decisions and invest in riskier new ventures where other investors or banks might judge the risk to high (Gompers and Lerner 1999; Gompers and Lerner 2001; Berglund, 2011). Second, venture capital financing differ from other forms of financial intermediaries in the sense that they play an active role in the management of new ventures receiving investment, thus providing needed knowledge (Fried & Hisrich, 1995; Cumming, 2010; Landström, 2007). The on-going post-investment role of a venture capital firm adds value to a new venture beyond financial means, as a venture capital investment manager's role is to enhance a new ventures value by intervention. Cooperative arrangements between investment managers and new ventures commonly involve sitting on a new ventures board of directors, monitoring operational performance, assisting in strategic issues and facilitating a network of support (MacMillan et al., 1989; Fried and Hisrich, 1995; Busenitz, Fiet, & Moesel, 2004; Landström, 2007).

Knowledge shared by a venture capital firm can in addition be related to increased speed of internationalization for a new venture as knowledge plays a central role in internationalization. The Uppsala model regards international knowledge as a key regulator of resource commitment in internationalization while new venture theory considers prior knowledge as key to international opportunity seeking (Autio, Sapienza & Almeida, 2000). International knowledge can be market knowledge based on experience of the market, customers and competitors or it could be institutional e.g. knowledge within governmental, legal, or moral frameworks (Eriksson, Johanson, Majkgard & Sharma, 1997). Nevertheless, the source of international knowledge does not have to originate in a new venture and be acquired over time, but can be sourced externally (Oviatt & McDougall, 1995; Bloodgood, Sapienza, & Almeida, 1996; Reuber & Fischer, 1997; Sharma & Blomstermo, 2003). The findings related to the source of international knowledge implies that venture capital firms' knowledge sharing can facilitate new ventures internationalization (Smolarski & Kut, 2011; Davila, Foster & Gupta, 2003).

1.2. Problem discussion

The role of knowledge has increasingly been highlighted as a strategically important resource. However, whether it is acquiring knowledge or accessing knowledge, formation of new relationships disrupts current knowledge sharing routines and a new process has to be established to enable knowledge sharing in a new relationship (Yoo, Lyytinen & Heo, 2007). Consequently, there exists a need to understand knowledge sharing processes in investment relationships in order to explain to what extent the relationship can facilitate internationalization of a new venture. The conjecture between venture capital firms knowledge sharing and internationalization is based on an assumption made in internationalization theories; that knowledge has a central role in firms' internationalization processes (Casillas, Moreno, Acdeo, Gallego & Ramos, 2009). The assumption correlates with venture capital firm's goals and work towards new venture growth through knowledge sharing. Considering venture capital firms active involvement in their new ventures and the investment managers' knowledge sharing propensity they should influence and facilitate strategic choices related to internationalization (Baum & Silverman, 2004; Fernhaber & McDougall-Covin, 2009; Sapienza, 1992). However, knowledge has distinguishing features that make development, sharing and integration of it difficult. Especially tacit based knowledge, which can be accumulated in the minds of individuals and developed though experience, or collectively through organizational cultures, structures and routines is hard to capture in explicit form. Hence, the ambiguous nature of knowledge together with its social complexity impedes a recipient's abilities to acquire and utilize knowledge (Grant, 1996; Kogut & Zander, 1995), which can make it difficult to share knowledge in an investment relationship and reach anticipated gains with the relationship.

Non-financial valued added in venture capital relationships is strongly connected to knowledge sharing and creation which is an underdeveloped field of research as the venture capital literature has to a large extent focused on financial value added (Landström, 2007). The field of venture capital is thus mostly understood from the financial value added it can bring, but not the non-financial advantages. Further research about non-financial value added by venture capital firms would give larger clarity to the field, enhance understanding of venture capital and potential gains from it (Busenitz et al., 2004). The limited scope of studies within non-financial value added focus on general benefits provided by an investment relationship (ex. Hellman & Puri 2002; Kortum & Lerner 2000), but has not addressed knowledge sharing processes within venture capital relationships and its relevance for knowledge development in new ventures (De Clercq & Manigart, 2007; Fernhaber & McDougall-Covin, 2009; Fernhaber, McDougall-Covin & Shepherd, 2009). Consequently, there is limited conceptual clarity on the roles of venture capital firms and new ventures, and their knowledge bases, as facilitators for new ventures internationalization (Fernhaber & McDougall-Covin 2009; George, Wiklund & Zahra, 2005; Park, Lipuma & Prange, 2015). In addition, less is known about actual interactions between venture capital firms and new ventures – which roles they assume vis-a`-vis new ventures, how interactions change over time and how these actions relate to the process for knowledge sharing tied to internationalization (Baum and Silverman 2004; De Clercq & Manigart, 2007). In line with this, De Clercq & Manigart (2007) point towards a need of further research on actual activities and procedures maintained between venture capital firms and new ventures, in order to understand the knowledge sharing process and the non-financial value added this brings to an investment relationship, such as new venture growth and internationalization. Therefore, further investigation in the field of knowledge sharing in an investment relationship and how it can facilitate new venture internationalization would help to fill the gap in literature.

1.3. Purpose and research question

With the above problem discussion revealed, knowledge sharing from the contemporary perspective of venture capital is underexplored and little is known about its effects on internationalization. In response to this, the purpose of this thesis is to explore the process of knowledge sharing in investment relationships and relate that to the development of a foundation for a new venture's early stage internationalization. Thus, the intention is to gain insights and to bring forth new conceptualizations into how knowledge is shared in these kinds of relationships and how it relates to a new ventures ability to internationalize. The thesis will be based on a case study of Almi Invest Västsverige AB, hereafter called Almi Invest, and the relationship with four of their new ventures. The following research questions has been formulated to cover the purpose of this study:

How is knowledge sharing between venture capital firms and their new ventures facilitating new ventures' early stages of internationalization?

1.4. Delimitations

During the research process, delimitations have been made. *First*, the focus of this thesis is on one Swedish venture capital firm and on four of its new ventures only, which makes the study company-specific. The venture capital firm is present all over Sweden, but the office investigated and the data gathered has been in and around the Gothenburg area, which also makes the study country-specific. *Second*, the research has been concentrated on almost only the very early phase of the new ventures, since that is the phase when the venture capital firm to the larger degree invests. *Third*, as a consequence of the second delimitation, this thesis has only looked at the early stages of internationalization or creating a foundation for internationalization in the new ventures the venture capital firm has invested in. The delimitation therefore makes the study not applicable to the whole internationalization process. *Fourth*, the Swedish venture capital firm does only invest in Swedish new ventures, which again makes the study country specific.

1.5. Research outline

The thesis is divided into seven chapters, including the introduction, and is structured in the following manner:

Phenomena of venture capital

The chapter outlines the objectives of venture capital and their value adding activities.

Theoretical framework

The chapter presents previous research on the role of knowledge in internationalization, the process of knowledge sharing and how to balance learning and to create ambidexterity. The chapter ends with a conceptual model based on the theoretical framework.

Methodology

The chapter explains the methodology when collecting the empirical data and the techniques used and applied to the analysis. Furthermore, it discusses the assurance of quality through the concepts of *credibility*, *transferability*, *dependability* and *conformability*.

Empirical findings

The chapter starts with an introduction to Almi Invest, its objectives and procedures. It discusses the development needs of the new venture, internationalization and knowledge sharing in an investment relationship. The chapter ends with Almi Invests internal processes for knowledge sharing.

Analysis

The chapter brings forth a discussion on how knowledge sharing is enabled through communities of practice. It is continued with how knowledge is shared through different modes, how the shared knowledge relates to facilitation of internationalization and ends with a revisit to the conceptual model.

Conclusion

The chapter states the most important findings and answers the research question. It also discusses implications for managers as well as suggests areas for future research.

2. Phenomena of venture capital

The chapter discusses how venture capital engages in non-financial value adding activities in their new ventures.

Venture capital firms and their investment managers are experienced intermediators and are therefore trusted with making investments in new ventures on behalf of the investors (Global Insight, 2004). Venture capital firm's objective is to fuel new ventures to grow and become considerable actors on the international market (Peirone, 2007), as well as ensure high returns on the investment made (Fried, Bruton & Hisrich, 1998). Even though firms that are recipients of venture capital on average grow quicker and do better than other comparable firms, there are still disagreements towards the role that venture capital firms should play in the post-investment phase and how that role can be translated into non-financial value added for the new venture (Baum & Silverman, 2004; De Clerq & Manigart, 2007). Venture capital firms tend to engage deeply and take on an active role in a new venture, which is to a large part due to the high risk-levels involved with financing and a strive to ensure high returns (Florin, Lubatkin & Schulze, 2003).

The venture capital firms' role has been viewed as either active "coaches" that guides, motivates and tries to create conditions that are the most suitable and favourable for the venture to succeed in, or as purely investors "scouts", where the entrepreneur works and develops rather independently (Hellman, 2000; Sapienza, Amason & Manigart, 1994). The two views are quite unalike as they imply different ways to add value. However, the "coaching" view is believed to suit better for early stage investments, where a larger degree of uncertainty is involved and the need of shaping business models, product categories and standards in order to meet future markets is greater (Berglund, 2007). Additionally, a "hands-on" approach, where the investment manager focus is on building strong teams as well as guiding, motivating and pushing the entrepreneur to develop their venture, has shown to have a positive influence on the post-investment relationship. The positive aspects highlighted regard network growth, developments in organizational learning and increased professionalism in the venture (Leece et al., 2012).

Additional information on the different forms of venture capital firms is found in Appendix 1 and how venture capital firms contribute financially is found in Appendix 2.

3. Theoretical framework

The chapter starts with a discussion on the role of knowledge in internationalization and is continued with the process of knowledge sharing. The chapter continues with a discussion of balancing learning and how ambidexterity creates a balance. The chapter finishes with the creation of a conceptual model of knowledge sharing in an investment relationship.

3.1. The role of knowledge in internationalization

Internationalization resonates with venture capital firm's goals since it creates new opportunities and increases the probability for growth, which in turn ensures the high returns that venture capital firms are striving for when exiting their new (Sapienza, Autio, George & Zahra, 2006). Nonetheless, for a firm to internationalize it must first identify such an opportunity. One of the key strategic issues for new venture internationalization is whether to initiate the internationalization process shortly after founding, or to stall the foreign market entry until the new venture has accumulated relevant knowledge (Autio, Sapienza & Almeida, 2000). Knowledge plays an important role when trying to explain international expansion choices and is a large influencer in the two widely acknowledged approaches in internationalization: the Uppsala model and the new venture internationalization theory (Casillas, Moreno, Acedo, Gallego & Ramos, 2009). The two theories highlight different kinds of relevant knowledge needed for internationalization. However, *the source* of international knowledge has largely been neglected in both theories (Park, LiPuma & Prange, 2015). Contrary to this, scholars find that the source of international knowledge does not have to originate in the new venture and be acquired over time, but can be sourced from external sources (Bloodgood, Sapienza, & Almeida, 1996; Oviatt & McDougall, 1995; Reuber & Fischer, 1997; Sharma & Blomstermo, 2003). It is interesting, as venture capital firms are an acknowledged source of financial value added while there is little knowledge about their value-adding international knowledge and subsequently influence on internationalization (Park, LiPuma & Prange, 2015).

3.1.1. Knowledge requirements for international growth

The Uppsala model regards knowledge about foreign operations and markets together with commitment decisions as key for internationalization (Johanson & Vahlne, 1977). Johanson & Widersheim-Paul describes the internationalization approach (1975:306): "*the basic assumption is that internationalization is the consequence of a series of incremental decisions and the most important obstacles are lack of knowledge and resources*". Johanson & Widersheim-Paul's view can be interpreted as knowledge valuable for internationalization is acquired through experience and the lack of it can be overcome by operations abroad, which creates the needed knowledge (Johanson & Vahlne, 1977). The process of acquiring knowledge is a repetitive process where increased knowledge of foreign markets and operations fosters a growing commitment to foreign operations, which in turn increases knowledge of foreign markets and so on. Knowledge therefore influences internationalization through two processes. First, selecting and entering a market is affected by available knowledge base as companies initiate their internationalization in markets they are knowledgeable in to reduce risk or uncertainty (Johanson & Vahlne, 1977). Second, the sequence of stages in which a company increases its commitment to its operations in a country is affected by accumulated knowledge of that market. International knowledge can be either market knowledge, based on experience of the market, customers and competitors or it can be institutional such as knowledge within governmental, legal, moral or institutional frameworks (Eriksson, Johanson, Majkgard & Sharma, 1997). Market knowledge was later elaborated upon to incorporate several kinds of experiences tied to foreign market entry, specific entry modes and formation of core business (Johanson & Vahlne, 2009).

When looking at venture capital firms' influence on internationalization, the presence of venture capital has a positive effect on new venture internationalization if the investment manager has international experience (Carpenter, Pollock & Leary, 2003). These findings are suggesting that the knowledge referred to by Johanson & Vahlne (1977; 2003; 2009) does not have to be built up independently by a new venture over time but could be shared by an investment manager who has experiential knowledge from internationalization. International new ventures do not follow the internationalization patterns suggested in the Uppsala model as they internationalize early in their life cycles without previous experience or time to build an international knowledge foundation (Oviatt & McDougall, 1995; Freeman & Cavusgil, 2007). International new ventures do not have a gradual commitment to expansion nor do they have resources built up over time. The step-by-step approach used in the Uppsala model is therefore questionable when it comes to new ventures. Even though early internationalizing new ventures still have a need for the international knowledge regulating the decisions in the step-by-step approach it might be acquired through other processes (McDougall, Shane & Oviatt 1994; Moen & Servais, 2002; Pla-Barber & Escriba-Esteve, 2006; Preece, Miles & Baetz, 1999). The theoretical discussion suggest that other processes for accumulating international knowledge, than the step-by-step approach, might be more suitable for new ventures.

3.1.2. Acquiring required international knowledge externally

As a means to capture rapidly internationalizing new ventures and how they use network relationships as expansion facilitators, an internationalization-network model was proposed (Johanson & Vahlne, 2003; 2009). In this revised Uppsala model, markets are seen as networks of relationships where firms are connected to each other in various patterns, as Johanson & Vahlne (2003:93) state: *"There is nothing outside the relationships. Internationalization is, in this network world, nothing but a general expansion of the business firm, which in no way is affected by country borders. All barriers are associated with relationship establishment and development."* A firm's network can be described as their business environment that consists of the companies that the firm is doing business with and the ones the firm tries to do business with – and the relationships between these. Market-specific business knowledge is constricted to network insiders and outsidership creates lack of this knowledge. Outsider's inaccessibility of information can make market research fail to see opportunities insiders can, *exploitation* of old knowledge therefore breeds *exploration* of new knowledge when it comes to market induced opportunities (Johanson & Vahlne, 2009). Hence, successful internationalization becomes dependent upon *insidership* in relevant networks and there is a liability of *outsidership* when excluded from the right networks. Successful relations is an important source for building trust, commitment and learning, since committed partners can build and strengthen their bodies of knowledge that makes it possible to discover new opportunities. Thus, internationalization is more about discovering or creating opportunities rather than the traditional view of overcoming uncertainties and barriers (Johanson & Vahlne, 2003).

Even though the revised model emphasizes the facilitating role of network *insidership* to gain business market knowledge required for internationalization and discovering opportunities within these networks, the model builds on responsiveness and incremental learning with pre-existing relationships as the foundation (Johanson & Vahlne, 2009). The foundation of incremental learning implies that the model assumes a firm has a lot of prior knowledge and network presence, which is an assumption not valid for new ventures firms as they are internationalizing soon after inception (Autio, Sapienza & Almeida, 2000). The revised model gives some indication to how networks are used by managers in rapid internationalized new ventures (Johanson & Vahlne, 2009), such as new ventures that have received financing from venture capital firms. Nevertheless, the model is not enough to serve as guideline for new ventures striving to overcome the liability of newness and gain *insidership* without prior experience (Etemad, 2004; Freeman, Hutchings, Lazaris & Zyngier, 2010).

3.1.3. Building external relations and internal capabilities for internationalization

Since new ventures lack most of the tangible resources possessed by large multinational corporations, they have to capitalize on other resources more tacit and fundamental in character, such as learning capability and knowledge (Kundu & Katz, 2003; Zahra, Matherane & Carleton, 2003). From a knowledge point of view in early stage internationalization, new ventures are influenced through three different levels of knowledge: *company*, *network* and *individual* (Casillas, Morenon Acedo, Gallego & Ramos, 2009).

Company - New ventures hold a 'learning advantage of newness' (Autio, Sapienza & Almeida, 2000). Established companies have routines learned in domestic markets that might need to be unlearned before initiating the learning process for internationalization. Contrary to this, new ventures do not have as rooted routines and can quicker start learning skills and knowledge needed for internationalization (Casillas, Moreno, Acedo, Gallego & Ramos, 2009), which implies that new ventures are receptive to venture capital firms knowledge sharing (Fernhaber, McDougal-Covin & Shepherd, 2009).

Network - Organizations learn from own experience and from the experience of others (Huber, 1991). A new ventures exchange partners can therefore represent a key source of internationalization knowledge, help identify new market opportunities, introduce a new venture to new networks and even substitute experiential learning (Fernhaber, McDougal-Covin & Shepherd, 2009; Oviatt & McDougal, 2005). New ventures can thus, due to the higher efficiency of inter-organizational learning, reach a higher level of internationalization through acquisition of skills and knowledge from exchange partners (Coviella & Munro, 1997; Fernhaber, McDougal-Covin & Shepherd, 2009). Participation in knowledge sharing networks, defined as *insidership*, is a way to attain required international knowledge from exchange partners (Bruneel, Yli-Renko & Clarysse, 2010). An exchange partner does not have to be located internationally for a new venture to draw upon their international experience, as an exchange partner in the home market can have relevant international experience (Gupta & Sapienza, 1992). However, as new ventures are young and might lack prior experience and network presence they must draw upon other sources to become *insiders*. Social networks are initiators to many types of networks and as such entrepreneurs and top management teams social capital; friends, contacts and colleagues, constitute important sources of access to networks. The higher social knowledge of individuals in a new venture, the easier access relevant relationships that can serve as a link to network membership (Burt, 2004; Freeman & Cavusgil, 2007). Personal relations are providing a way of overcoming liability of *outsidership* and serve as door openers to knowledge and opportunities critical to internationalization (Komulainen, Tuija & Jaana, 2006; Kuivalainen, Sundqvist, Saarenketo & McNaughton, 2012; Sharma and Blomstermo 2003). Consistent with this line of reasoning the investment manager becomes an important facilitator of *insidership*, as venture capital firms are demonstrated to exploit their geographically spread network to benefit their new ventures (De Prijcker, Manigart, Wright & De Maeseneire, 2009; Fried & Hisrich, 1995) and use their reputational resources to increase new venture acceptance and legitimacy (Mäkelä & Maula, 2005).

Individual - Even though new ventures are young they are characterized by their founder's history (Huber, 1991). A new venture inherits both the entrepreneurs and top management teams earlier experience, and as such the role of the individual becomes more important in new venture internationalization (McDougall, Oviatt & Schrader, 2003; Oviatt & McDougal, 1995; Sapienza, Autio, George & Zahra, 2006). Entrepreneurs and individuals in a top management team's congenial knowledge, built on previous international experience, accumulates into a new ventures knowledge base and can substitute the absence of firm level experiential learning at early stages (Bruneel, Yli-Renko & Clarysse, 2010). Thus, the international congenial knowledge base influences new ventures internationalization decisions by encouraging and helping to identify more international opportunities (Shepard & DeTienne, 2005; Wiklund & Shepherd, 2003) and in implementing and formulating an initial internationalization strategy (Bruneel, Yli-Renko & Clarysse, 2010). However, it is also found that congenial learning only compensated for experiential learning at early stages since the imprinting effect diminished as the firm gained first-hand international experience (Bruneel, Yli-Renko & Clarysse, 2010).

3.2. Knowledge sharing in a venture capital relation

A firm's knowledge is captured in its individuals (Grant, 1996; Kogut & Zander 1992), which in venture capital firms equals the dispersed knowledge of investment managers and entrepreneurs. Knowledge is also expressed and shared through cooperation between members in a social community such as network, group or organization. Social communities can exist at several levels in venture capital firms: between a new venture and a venture capital firm, between investment managers within a venture capital firm or between different new ventures (Kogut & Zander 1992). However, individual knowledge sharing is constrained by an individuals bounded rationality (Simon, 1955), which has led to the view that a firm's primary function is to coordinate and integrate individual knowledge (Grant, 1996; Kogut & Zander, 1992; Nonaka, 1994; Spender, 1996). Tied to this is the original idea as to why firms exist in the knowledge-based view: *"the central competitive dimension of what firms know how to do is to create and transfer knowledge efficiently within an organizational context"* (Kogut & Zander 1992:384). The knowledge based view resonates with the purpose of venture capital firms as they integrate new firms into their organizational context to help create new knowledge and shared their knowledge with them, with the goal to help the new venture grow and add financial value (De Prijcker, Manigart, Wright & De Maeseneire, 2009; Fernhaber & McDougal Covin, 2009; Sapienza, 1992). The knowledge-based view emphasizes that a firm exists to create and transfer knowledge *efficiently* (Kogut & Zander 1992) and the effectiveness is affected by a firms learning ability. Organizational learning is therefore frequently discussed as an important mode for knowledge sharing and internationalization. Organizational learning is defined as an organizations ability to detect and correct error (Argyris & Schön, 1978). Firms can through single-loop learning detect and correct error within existing policies, norms and objectives which leads to a gradual improvement of routines and practices (Argyris & Schön, 1978; Nelson & Winter, 1982). The second stage order, double-loop learning corrects and detects error in such a way that it modifies an organizations underlying policies, norms and objectives which can be seen as learning how to learn (Argyris & Schön, 1978).

Other views of organizational learning emphasize that organizations learn when their culture and systems retain and transfer knowledge learned at *individual level* (Nonaka, 1994; Nonaka & Takeuchi 1995; Yeung, Ulrich, Nason & Von Glinow, 1999). Organizational learning can therefore be seen as a process where individually held knowledge is internalized, amplified and externalized into an organizations knowledge base (Nonaka, 1994; Nonaka &

Takeuchi 1995). The process view of knowledge sharing is relevant to gain understanding of knowledge sharing relationships between venture capital firms and their new ventures as the relationship is defined as "hands-on" with considerable intervention from venture capital firms (Leece et al., 2012). An investment manager's role is described as an active "coach" that is motivating, guiding and working to create suitable conditions for the new venture to succeed (Hellman, 2000; Sapienza et al., 1994). Thus, it can be theorized that an investment manager coach works with new ventures through a process in which a coach amplifies and externalizes knowledge in order for it to become a part of the new ventures knowledge base.

3.2.1. A knowledge creation spiral to convert existing knowledge to new

The Organizational learning process can be explained through a knowledge creation spiral, illustrated in figure 1, which contains four modes of knowledge conversion collectively called the SECI model. The four modes, *socialization*, *externalization*, *combination* and *internalization*, are illustrated in figure 2 (Nonaka, 1994; Nonaka & Takeuchi, 1995). The SECI model in the knowledge creation spiral represents a social process in which individually held explicit and tacit knowledge is united through interaction and developed into organizational knowledge. Explicit knowledge can simply be written down or explained while tacit knowledge is hard to explain and personally developed through experience. Tacit knowledge can be explained as: *"you know more than you can tell"* (Polanyi, 1961:466). However, tacit and

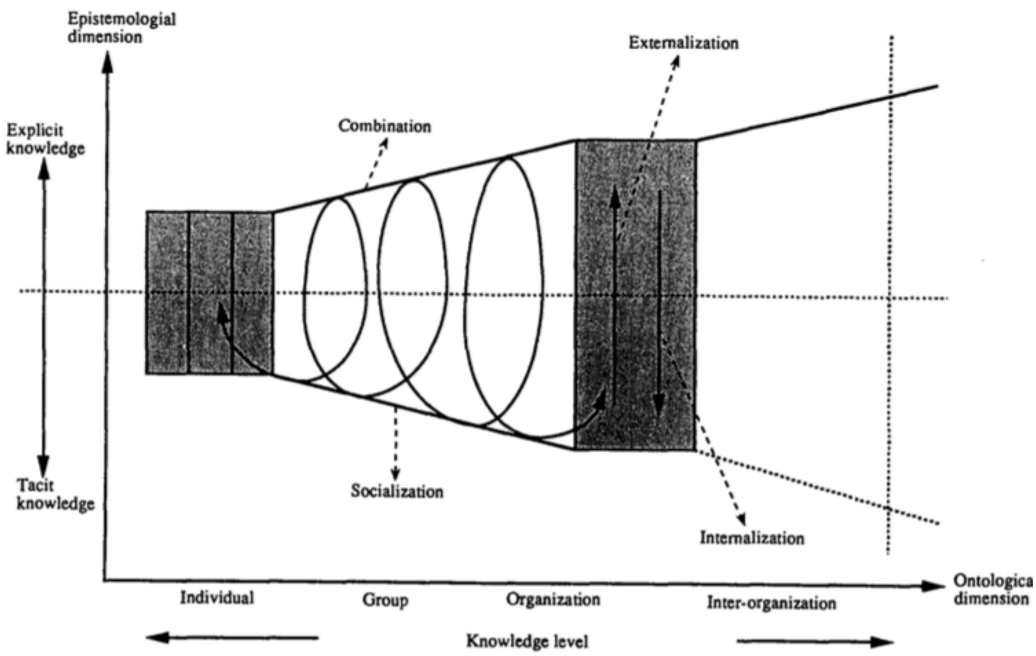


Figure 1. The knowledge creation spiral (Nonaka, 1994:20)

explicit knowledge is impossible to separate as all knowledge has both a tacit and explicit dimension (Brown & Duguid, 2001; Jonsson, 2012). The tacit and explicit dimensions are in the knowledge creation spiral described bound together on a continuum; tacit knowledge always contains a degree of explicitness and vice-versa (Nonaka, Toyama & Hirata, 2009).

The knowledge creation spiral start at an individual level, where tacit knowledge is shared between individuals through common experience creating new tacit knowledge. The tacit knowledge can later be externalized and in the process transformed into explicit knowledge, which can be shared with a group. The group can in turn enrich the knowledge with their viewpoints for it to become new explicit knowledge. Individuals then internalize the new richer knowledge and add it to their knowledge base that forms the basis for another cycle of knowledge conversion, again starting at individual level (Nonaka, Toyama & Hirata, 2009). Each SECI knowledge conversion mode separately enables individual knowledge creation while the four SECI modes together form a continuous cycle in which organizational knowledge creation occurs (Nonaka, 1994; Nonaka & Takeuchi 1995). Double loop learning (Argyris & Schön, 1978) is built into the SECI model and achieved if there is a continuous cycle between the four knowledge conversion modes (Nonaka, 1994).

3.2.2. Creating new knowledge through four interactive processes

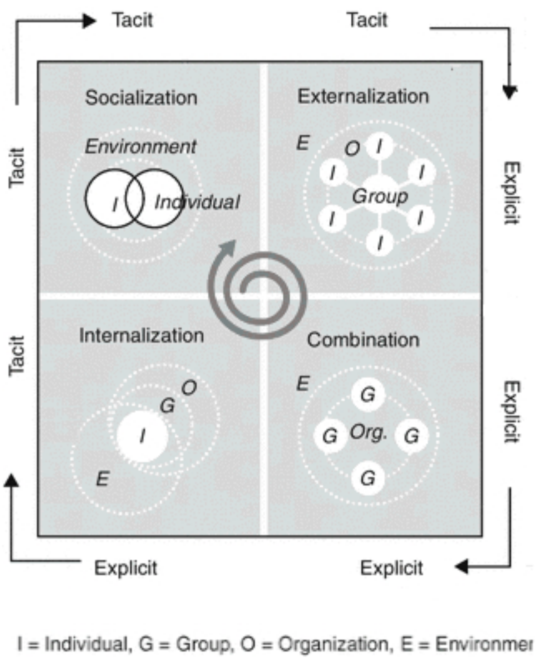


Figure 2. The SECI - Model. Adapted from Nonaka (1994:19)

The SECI- model is illustrated in figure 2 and the first two described SECI- modes, *socialization* and *combination*, is about sharing and creating knowledge in the same form. The two subsequent descriptions, *externalization* and *internalization,* build upon a dynamic interaction of explicit and tacit knowledge and the creation of the two types of knowledge simultaneously (Nonaka, 1994; Nonaka & Takeuchi, 1995). *Socialization* builds on interaction between individuals that creates new tacit knowledge. Tacit knowledge is difficult to express in writing and speech, shared direct experience is therefore essential in this mode as it enables people to share each other's thinking processes. Shared experience involves spending time together such as working close side by side or observing and learning (Nonaka, Toyama & Hirata, 2009). *Socialization* usually starts with the creation of a team or other fields of interaction that facilitates the members sharing of perspectives and experiences (Nonaka, 1994). Communities of practice are efficient fields of interaction for knowledge sharing as the development and exchange of information in these groups link the routine dimensions of everyday work to innovation and active learning (Brown & Duguid, 1991). Communities of practise constitute an important dimension to the *socialization* mode as they trigger knowledge creation by building trust between members which accelerates a shared experience perspective and through dialogue that help articulating shared experiences (Nonaka, 1994; Nonaka & Takeuchi, 1995). Communities of practice can be compared to an investment relationship as they establish several communities of interaction through the venture capital firms active role in the new venture (Baum & Silverman, 2004), where the high degree of activity has led to the suggestion that a venture capital firm is a part of a new venture's human resources (Florin, Lubatkin & Schulze, 2003).

Combination, ties together and reconfigures individually held explicit knowledge. *Combination* starts through social processes such as telephone conversations, emails or meetings. Through these forms it is possible to add, sort, recontextualize and recategorize already existing explicit knowledge that can lead to creation of new more complex explicit knowledge (Nonaka, 1994). The *combination* mode is triggered by coordination between members in a team or between team members and other parts of an organization. Another trigger is the documentation of already existing explicit knowledge, a process of trial and error that help to articulate explicit knowledge into concrete form which enables the *combination* of it with other sources (Nonaka, 1994).

The conversion of tacit into explicit knowledge, called *externalization*, is done so through images, language, models or other forms of expressing knowledge to a group of people. One advantage with *externalization* is that knowledge made explicit helps firms communicate acquired knowledge to larger groups than what was possible in tacit form. In addition, the process of *externalization* fosters new realizations that once again create new knowledge (Nonaka, 1994). Dialogue is mentioned as an effective method to articulate tacit knowledge as it creates a two-way exchange that can help to further refine and conceptualize tacit knowledge (Nonaka, Toyama & Hirata, 2009).

Internalization, which is the process of converting explicit knowledge into tacit is similar to learning. However, transforming explicit into tacit knowledge goes beyond reading explicit material, as the knowledge has to be reflected upon or put into practice in order to be connected to the knowledge already possessed and grasp the new knowledge's essential meaning. A venture capital organizations membership on a new ventures board of directors, which is a common form of participation in a new venture (Fried, Bruton, & Hisrich, 1998), implies that a venture capital firm *externalizes* their knowledge through board meetings and other form of meetings. *Internalization* can occur when a new venture uses written explicit knowledge from the venture capital firm to conduct business and thus learn from the practice.

3.2.3. Challenges in boundary-spanning knowledge creation

The SECI model can be applied over organizational boundaries as different organizations knowledge can interact in the knowledge creating process. Created knowledge can thus be transferred beyond organizational contexts (Inkpen, 1996; Nonaka & Takeuchi 1995; Nonaka, Toyama & Hirata, 2009). However, there exist some challenges that can be thought about when aligning the theory to venture capital firms. The SECI model emphasises inter-organizational and boundary-spanning communities of practise as important foundations for knowledge sharing processes. Common tacit assumptions underpinning individual knowledge increases the efficiency in these knowledge sharing processes as they make shared knowledge between the members easier to understand. Tacit assumptions members of a community of practice share are overlapping values, common knowledge and shared sense of identity (Bettiol & Sedita, 2011; Brown & Duguid, 2001; Hislop, 2013). Hence, this implies that there is a lower chance that members of a boundary spanning or cross community collaboration will have as high degree of common or shared knowledge, as a strong sense of shared identity and value systems. Weak social relations in cross community collaborations are less prone to cause effective knowledge sharing (Hislop, 2013). Weak sense of common identity can have several effects on a member relationship such as perceived differences of interest that can be a source of conflict. These kinds of perceptions play a crucial role by directing how, with whom and how people are willing to share knowledge. A venture capital firm and new venture can come from different backgrounds and lack connecting links in identity, which can be a source of conflict as they are perceiving differences in interest with the collaboration (Zacharakis, Erikson & George, 2010). Cross community knowledge sharing processes can also be hindered by community members' different knowledge bases, such as degree of tacitness or amount of common knowledge, which influence how straightforward a process is. However, venture capital firms are focusing on the growth of an entire new venture, meaning that they have a very broad applicability of their knowledge base to a new venture as a whole (Fernhaber & McDougall-Covin, 2009) which implies there should be some degree of common knowledge between a venture capital firm and new venture.

The way the process of knowledge sharing is conducted has a deep impact on the sharing's effectiveness, which resonates with a growing amount of scholars arguing that knowledge cannot be managed (e.g., Cross, Parker, Prusak, & Borgatti 2001; Darr & Kurtzberg 2000; Streatfield & Wilson 1999; von Krogh, Ichijo, & Nonaka 2000). Knowledge flows and knowledge sharing can on the other hand be supported by acting on organizational and contextual variables such as organizational culture and norms or organizational structure (Gupta & Govindarajan, 1991). It is therefore important to work on the knowledge process itself to get efficiency in the sharing.

3.3. The balance of learning through old or new knowledge, or both

The processes of *exploration* and *exploitation* are important fields from which learning is increased (March, 1991). *Exploration* is how new learning is assimilated and *exploitation* is emphasizing what has previously been learned. *Exploration* is connected to questioning old knowledge that is embedded in routines and systems while at the same time strive for increased innovation and learning. *Exploitation* on the other side is focused on the existing knowledge and how that knowledge can be extended, improved and refined (Holmqvist, 2009; March 1991). Organizations need to trust knowledge that is already existing in the organization on one hand, while on the other start or continue their *exploration* for new knowledge and learnings through innovation (Gupta et al., 2006). In this regard, new ventures that venture capital firms invest in are often fairly new and might therefore not have created and settled the routines and systems or organized the knowledge that is existing. The lack of routines and systems creates an extended need for structuring the firm in order to create solutions for problems that will occur in later stages of their development (Dittmer et al., 2014). Although, focus must be on adaptability and flexibility as the new knowledge explored by innovation or experimentation needs to be a solution to old problems as well as to new problems (Jonsson, 2012). For these old and new problems it is correspondingly important to rely on the existing learnings in the organization and exploit these for solutions (Crossan et al., 1999; March, 1991).

Implications that affects the trade-off between *exploration* and *exploitation* is extra visible in new ventures as they more than often lack the resources, capabilities or experience to manage the trade-off that arise, and thus is directly linked to the organization's survival (Kim & Huh, 2014). The trade-off is something that the organizations must learn to balance in order to manage the tensions that emerges as the business environment changes and the need to create and develop new structures, processes and strategies to fit that new environment is necessitated (Crossan et al., 1999; He & Wong, 2004).

Investment manager’s role as a "scout" or "coach" can facilitate the trade-off new ventures have to balance as the investment manager’s guide the new venture through its development. When the new venture grows, it will face different stages in its development that Greiner (1972) calls *Evolution* and *Revolution*. *Evolution* are periods of lengthy growth where no major turmoil arises in the organizational practices and *Revolution* is the stages in where turmoil does occur in the organizational practices (Greiner, 1972). When the firm advances through the different developmental phases in organizational life, each and every *evolutionary* period creates and shapes its own *revolution*. These *evolutionary* and *revolutionary* periods can be seen as different states of "trial and error" where the firm must find a suitable managerial solution that corresponds to the turmoil that occurs at the end of the *evolutionary* period. In the *revolutionary* phases, an active coaching of the venture capital firm can have positive influences that might shorten the different "trial and error" states that new ventures faces and thus help to manage the tensions that arise when new ventures business environment changes.

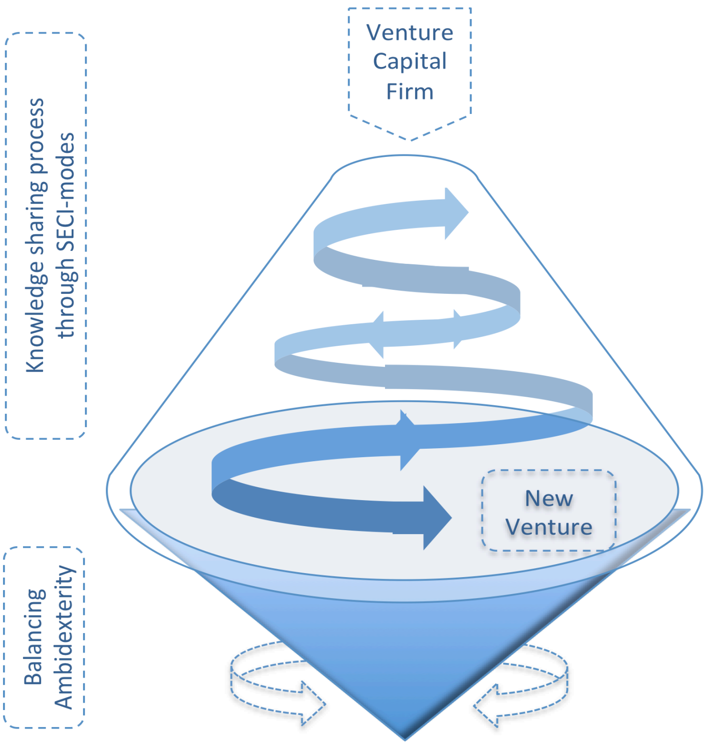
3.4. Finding balance in form of *ambidexterity*

To simultaneously balance the processes of *exploration* and *exploitation* is called *ambidexterity* and organizations most often become ambidextrous by one or both of the two main views: *structural* or *contextual* (Gupta et al., 2006; Jonsson, 2012). The first view is the structural, with an intention to create a structure that lets one part or division of the organization to emphasize or focus on innovative *exploration*, while another division or part of the organization focuses on *exploitation* (Tushman & O’Reilly, 1996). The structural view is defined to adapt the organization’s design in order for demands of the explorative and exploitative activities to be balanced (Gibson & Birkinshaw, 2004). By building a differentiated structure, it enables an ambidextrous organizations creation and it can continue with several competencies by not having to focus on one solely. Hence, the intention of creating semi-structures is to facilitate the organization in managing the competing demands (Raisch & Birkinshaw, 2008). From this structural view's perspective, the key to *ambidexterity* is the ability to explore and exploit simultaneously, which is where new ventures most often find themselves facing issues and where the experience and engagement of venture capitalist firms is necessary (Leece et al., 2012).

The contextual view is argued to be increasingly important to balance the tensions that arises in organizations and therefore rather enhances the cultural aspects and characteristics than the structural (Gibson & Birkinshaw, 2004). Thus, the contextual perspective builds on and around the importance to implement processes and systems that support and assist the individuals of the organization to divide attention between demands in conflict, rather than on the structures of the organization (Duncan, 1976; Gibson & Birkinshaw, 2004). The contextual perspective arise and build on the ability of the individuals to involve and engage in explorative and exploitative activities where context of the environment can be seen as the most fitting solution to become and achieve *ambidexterity,* and thus lead to a better balance of tensions in their daily work. The "coaching" role of investment manager professionals, which guides and leads new ventures, is argued to be linked to the contextual perspective of *ambidexterity* (Bryant, 2014, Hellman, 2000).

3.5. A conceptual model to understand knowledge sharing's facilitating role

Larger stocks of international knowledge make new ventures more receptive to international opportunities and lead new ventures to faster pursue higher levels of internationalization (Ardichvili, Cardozo, & Ray, 2003). International knowledge can thus be understood as a most precious resource for new ventures. The revised Uppsala model highlights what type of knowledge is needed to internationalize and how to access it through *insidership* in relevant networks. *Insidership* becomes a key source for external knowledge acquisition and opportunity identification when a firm's presence on the market is established. Building upon this, the international new venture perspective purpose abilities needed for and ways of getting *insidership*. The literature mentions congenial learning, social capital and external relations as factors facilitating *insidership* and international knowledge acquisition. These factors works as substitutes for new ventures absence of experiential international knowledge, as a new venture can also use their learning advantage of newness to acquire knowledge from other sources to compensate for limited first hand international experience (Bruneel, Yli-Renko & Clarysse, 2010; Coviello & Munro, 1995; Fernhaber, Mcdougall-Covin & Shepherd, 2009; Reuber & Fischer, 1997; Sharma & Blomstermo, 2003;). Following the theoretical discussion it is clear that venture capital firms have the potential to facilitate new ventures internationalization. Nonetheless there is a need to understand how a knowledge sharing relationship looks like to be able to understand how venture capital firms can realize the potential influence. In line with this reasoning, a conceptual model based on the theoretical framework is presented below. The conceptual model aims to assist the understanding of how an investment relationship can facilitate new ventures early stage internationalization through knowledge sharing.



(Compiled by authors based on theoretical framework)

Figure 3. Investment relationship

Nonaka (1994) and Nonaka & Takeuchi's (1995) knowledge creation spiral and SECI model is used as a foundation to explain venture capital firms and new ventures interactions in the conceptual model. The knowledge creation spiral and SECI model is applicable to different organizational context since different sources of knowledge can interact in the knowledge creation spiral, meaning that created knowledge can be transferred beyond organizational borders. However, the knowledge creation spiral has been extended in this conceptual model in order to fully explain the complexity of an investment relationship where both parties share their knowledge and develop. The knowledge creation spiral has in this conceptual model been interpreted as a knowledge sharing *and* creation spiral since created knowledge builds upon someone's shared knowledge. The reasoning is reflected in each interactive SECI mode that creates new types of knowledge build upon someone making their knowledge accessible for others to learn from. The knowledge sharing and creation spiral is located in the see-through cone in the conceptual model, where the cone shape illustrates how the amount of knowledge is growing through sharing and creation.

The knowledge sharing and creation spiral in the conceptual model is believed to occur between two organizational contexts: a venture capital firm and new venture. A venture capital firm is illustrated in the conceptual model on the top of the cone at the starting point of the spiral. A venture capital firm's knowledge is consistently made accessible and amplified towards a new venture in order for it to grow and reach their development goals. However, even if the knowledge sharing and creation spiral starts at a venture capital firm level the exchange is reciprocal as a venture capital firm learns during the process of sharing and interacting with a new venture. A new venture is illustrated in the conceptual model at the other end of the knowledge sharing and creation spiral at the base of the cone, as knowledge goes both ways between the organizations.

Nonaka (1994) and Nonaka & Takeuchi (1995) state that knowledge is shared through a dynamic interaction between four SECI conversion modes: *socialization, externalization, combination* and *internalization*. The first conversion mode in the conceptual model is *socialization,* which is sharing of tacit knowledge. *Socialization* mode starts when an investment relationship is created. The relationship is viewed upon as a community of practice where knowledge sharing is facilitated through interaction and shared experiences (Brown & Duguid, 1991; Nonaka, 1994). The second conversion mode in the conceptual model is *externalization* that includes conversion of tacit to explicit knowledge so that knowledge can be shared to larger groups of people than was possible in tacit form (Nonaka, 1994; Nonaka & Takeuchi, 1995). Dialogue is a common form of *externalization* as it creates a two-way exchange and is therefore occurring early in an investment relationship. The second and third knowledge conversion modes in the conceptual model are *combination* and *internalization.* Both involve already expressed explicit knowledge that is either recombined into new explicit knowledge or internalized into tacit knowledge. These two modes have been assumed to happen later on in an investment relationship, when the relationship has been established through *socialization* and *externalization* processes and explicit material specific to a new venture's situation can be shared. After first initiation, all SECI modes occur simultaneously throughout the knowledge sharing and creation spiral at all venture capital firm and new venture interactions. Knowledge in both tacit and explicit form can be shared through the four SECI knowledge conversion modes. Each mode individually enables *individual knowledge sharing* while the simultaneous use of the four SECI modes form a continuous cycle in which knowledge is phased down from individual to organizational level.

The focus of the conceptual model is on new venture early internationalization and how the knowledge sharing process can facilitate it, venture capital firms learning and knowledge creation is assumed to be an indirect effect during a knowledge sharing process. New ventures are as such the main focus of the conceptual model and are believed to receive most of the shared and created knowledge. *Ambidexterity* has therefore been included at a new venture level. It is important for a new venture to absorb new knowledge shared by a venture capital firm, while it is simultaneously important to use their current knowledge in their business operations in order to continue developing. There is a constant conflict in the demands that an organization faces (Gibson & Birkinshaw, 2004), and it is therefore important for a new venture to be able to both gain and utilize knowledge in an investment relationship for it to be prolific. The search for *Ambidexterity* is illustrated in the conceptual model as a seesaw under the new ventures base, where the new venture is balancing between *exploration* and *exploitation* in order to find the wanted balance in the form of *ambidexterity*.

4. Methodology

The chapter discusses the methodology used when collecting the empirical data and the techniques used and applied to the analysis. Furthermore, it discusses the assurance of quality through Credibility, Transferability, Dependability and Conformability in the findings.

4.1. Research approach

The study's focus is to look at how knowledge sharing between venture capital firms and their new ventures facilitate early stage internationalization. Research in the field is to date scarce and insufficient (Wijk et al., 2008; Fernhaber & McDougall-Covin 2009), which allows the area to be theorized. When a study seeks to theorize as well as to understand the beliefs and meaning of an underlying act or action in depth, a qualitative research method is suitable as the qualitative research method is theory-building and investigative, i.e. to focus on the questions of "why" and "how" (Bryman & Bell, 2015; Marschan-Piekkari & Welch, 2004). The qualitative research method allows for the capture of deep and rich details of the phenomena of venture capital as well as the knowledge sharing included within (cf. Marschan-Piekkari & Welch, 2004). Hence, this thesis aims to bring new findings and insights to the expanding discipline, which is why an exploratory approach of the study has been chosen, in which the phenomenon's multiple aspects can be uncovered. Furthermore, as the topic of this study is not only complex, but can also be regarded as sensitive, it is unlikely that any use of an alternative research method than the qualitative, for instance a social survey of a quantitative nature, would gain sufficient trust from the respondents in question in order for them to provide and share the necessary data to make reliable and correct suggestions and conclusions (Bryman & Bell, 2015).

4.1.1. Defining knowledge

In order to focus on and explain the sharing processes of knowledge, the term knowledge needs to be defined. Grant (1996) defines knowledge as "that which is known" and knowledge is from a classical view defined as "justified true belief", however does the latter definition raise other analytical questions, such as "What is true?" or "What is a belief?" (Nonaka, 1994; Schmitt, 1992). These terms are better left for others to answer, but the stance in this thesis is Grants "that which is known" and the classical view of "justified true belief". The term knowledge sharing is often discussed alongside knowledge transfer, but the stance in this thesis is that knowledge sharing is multi-lateral which implies that knowledge flows in both directions, the roles become two-folded where the individual is both a recipient and giver of knowledge. Knowledge transfer on the other hand is uni-lateral which implies that knowledge only flows in one direction, which is not relevant for this study. However, the focus is to study the *knowledge* shared, not *what* is shared. Nonaka (1994) argues that all shared knowledge leads to knowledge creation, which is also the stance that this thesis takes.

4.1.2. A single case study

When discussing which type of qualitative method to use, the decision was made on a case study as it allows the study to comprehensively investigate the phenomena, in this case the process of knowledge sharing in the investment relationship and how it facilitate early stage internationalization, in its real environment or context. This is of special importance when the contextual factors that might affect the phenomena in question are hard to distinguish (Yin, 2014). In order to thoroughly understand the research phenomena, case studies provide a grand opportunity, as it gives the possibility to ask questions again if needed and allows the respondents to clarify answers, all to assure that each theme is interpreted and understood to the fullest (Ghauri, 2004). One of the most essential criteria for qualitative research is that perspectives and ideas that emerges from the research are to be represented by the values given to actual real life events that are experienced by the individuals who live and work in them and not the meanings, preconceptions and values that the researcher stand for or believe in (Marschan-Piekkari & Welch, 2004). By extending, challenging or confirming an established theory, the single case study provides important contributions and allows for theory building (Ghauri, 2004).

4.1.3. The research process

The research process was initiated by realization of lack of studies on the subjects of knowledge sharing in the investment relationship, which lead on to formulate the research question. Since the question was to be related to "How?" a qualitative research method was decided upon. The formulated research question was set as the basis when creating a proposal for collaboration that was sent out to 33 venture capital firms. When confirmation was received from Almi Invest, to whom a time plan was sent to inform of the amount of time needed from them, the theoretical framework was started upon. A deep understanding of knowledge sharing and the phenomena of venture capital was first priority and was followed by the actual creation of the theoretical framework. When created, interview guides were written that were used during the interviews that followed. The interviews were recorded and later transcribed, which allowed for using software for coding and categorizing the collected information. Parallel to the coding of the collected data, the majority of the methodological chapter was written. The empirical chapter was created directly after the coding was finished and lead on to the development of analysis.

4.1.4. An abductive approach

The abductive research approach, which is switching between an inductive and a deductive approach, allows for new hypotheses or ideas to be developed. The abductive approach is the most suitable and fitting as it enables the modification of the theoretical framework after the empirical data and findings has been gathered. This thesis began with a deductive approach, where theory was seen as the first source of knowledge and lead to the creation of the theoretical chapter before data collection was initiated. The relationship between the empirical data and theory is also inductive, as the theory is developed through an outcome of submitting the empirical findings. The theoretical framework was later altered and developed when the empirical findings emerged, which combined constitutes an abductive approach. By being responsive during the process of research, the validity is of the thesis is enhanced and ensured (Bryman & Bell, 2015).

4.2. Research design

The research design outlines how the findings were collected and analysed in order to structure the thesis as well as to answer the research question. The study's design is also important to achieve and reach high levels of *Credibility*, *Transferability*, *Dependability* and *Conformability*, which are measures of quality and rigor of the study (Bryman & Bell, 2015).

4.2.1. Sampling and research unit

After sending out e-mails to 33 different venture capital firms, answers from about ten companies were received. Out of these ten companies about half declined but the remaining were interested and further contact via e-mail, telephone and meetings was initiated. Even though several showed interest, they did not match the criteria for different reasons, such as size or organizational structure or purpose. Hence, the sampling of companies was purposive as the companies were not found on a random basis (Merriam, 1998). The reasons why Almi Invest suited this study well was for several reasons, (1) the size, being the largest investor in small companies in Sweden, (2) the organizational structure by being partly state-owned, having clear internal reporting and briefing procedures for investment and (3) the amount of companies in their portfolio. Convenience sampling implies choosing cases that are representative for the phenomenon that is studied (Yin, 2014) and as Almi Invest suited the criteria meant they were representative for the study.

Almi Invest AB, a wholly owned affiliate of Almi Företagspartner AB, is the venture capital firm of the enterprise. The other 17 companies in the enterprise handles loans and counselling for small companies. There are eight regional venture capital firms in Almi Invests fund structure, out of these eight Almi Invest Västsverige AB is the unit that is given focus in this thesis. Almi Invest focuses on investing in the companies at an early stage and one of the conditions to get an investment is that there is potential for internationalization. After meeting with Almi Invest a time plan was submitted for the thesis including the criteria as well as suggestions for interviews. The time plan was brought up at one of their weekly meetings and Almi Invest agreed to collaborate with them.

4.3. Primary data collection through interviews

As the aim and purpose of this thesis is to understand the process of knowledge sharing between venture capital firms and the new venture, semi-structured interviews as a primary form of data collection was considered to be the most suitable method. With purposes of building theories, semi-structured interviews are especially good as they permit the researchers to have a direct focus on the study's topic as well as for personal views in the form of meanings, perceptions and attitudes of the respondents are allowed to surface and, hence, give valuable and insightful information (Cannice & Daniels, 2004; Yin, 2014). Since the main themes and questions were the same in the interviews for the specific role of the respondent, the method of semi-structured interview allowed for comparability as well as to give the opportunity to discover new subjects and themes that appeared important by the respondents (Bryman & Bell, 2015).

The data was gathered through 11 face-to-face interviews with the respondents that were based in Gothenburg or its surroundings. The list of respondents was composed of three investment managers, one Fund Manager, and three representatives for the new ventures in which they had invested. The criteria set out for the four representatives for the new ventures in which Almi Invest was that they should consist representatives from each phase: seed, expansion and near exit. The representatives were chosen by according to these criteria and consisted of two CEO’s, one Chairman of the Board and one entrepreneur. The investment managers were chosen by the contact person as he believed them to have the most experience and therefore provide the most insight in the processes and give more perspectives through their participation. The CEO of Almi Invest Western Sweden, called "fund manager", was requested to be interviewed as that would give the perspective of how the investment process is supposed to be handled, while the investment managers gave the perspective of how the process, in real life, is actually handled. The four respondents for the new ventures in which Almi Invest had invested were picked by the contact person according to the criteria set out. One interview was conducted with each respondent, except for the investment managers, whom had two interviews each. An overview of the interviews are shown in table 1 below:

Respondent Role	**Organization**	**Length**	**Date**
Investment Manager 1, Session 1	Almi Invest	48 Minutes	3 March
Investment Manager 1, Session 2	Almi Invest	50 Minutes	15 March
Investment Manager 2, Session 1	Almi Invest	63 Minutes	7 March
Investment Manager 2, Session 2	Almi Invest	40 Minutes	17 March
Investment Manager 3, Session 1	Almi Invest	80 Minutes	11 March
Investment Manager 3, Session 2	Almi Invest	45 Minutes	17 March
Fund Manager	Almi Invest	65 Minutes	9 March
Entrepreneur 1	New Venture 1	50 Minutes	21 March
Entrepreneur 2	New Venture 2	47 Minutes	22 March
Entrepreneur 3	New Venture 3	40 Minutes	22 March
Entrepreneur 4	New Venture 4	49 Minutes	6 April

Table 1: Interview respondents and length of interviews. Compiled by authors.

In order to answer the research question, the respondents were picked purposefully according to the criteria set out, with the help of the contact-person. Moreover were they picked non-randomly, which is usual for qualitative studies (Onwuegbuzie & Collins, 2007). Although some respondents had to cancel, more interview respondents were recommended and booked by respondents as they were believed to be important and give value to the study, a phenomena that is by Bryman & Bell (2015) called "snowball sampling".

In-between the interviews, the recorded material were transcribed, the findings were discussed, the questions overlooked and changed or new ones added if any common theme or perspective was noted. Before the interviews began, a brief presentation of the thesis subject and the purpose of the study was done. The interviews were conducted in screened areas, conference or meeting rooms in which they were rather undisturbed. As the interviewers and the respondent's language skills affects the interviews dynamics (Marschan-Piekkari & Reis, 2004), it was found to be the better alternative to conduct the interviews in Swedish, which was the mother tongue of all respondents, in order for them to speak easily and feel comfortable, even though many of the respondents had lived and worked in English-speaking countries form several years. Parts of the transcribed material, such as memorable quotes or other sentences that could be used for citation, were translated to English. Moreover, to the questions in the interview guide were not stuck to too rigorously, but the interviews stayed flexible to be able to elaborate and pick up interesting views and themes that the respondents brought up.

The amount of interviews was mainly determined by the time constrains of Almi Invest and the entrepreneurs, but also by data saturation. The data was collected to the point where it was noticed that the respondents were bringing up the same themes repeatedly, which is recommended in qualitative research as the validity is strengthened through this process, as the interviews have covered the areas of interest in the study (Andersen & Skaates, 2004). In accordance with Ghauri (2004), data analysis was done simultaneously to the data collection in order to strengthen the data collection in the following interviews as well as to allow theories to develop during the time. As of secondary data collection, Almi Invests webpage provided guides, material, forms and other written information that contained facts that could be subject of sharing knowledge which was also studied and analysed alongside the transcribed interviews.

4.4. Interview protocol and interview process

In order to ask better as well as more relevant questions, an in-depth study of the subject was done to extend the preliminary understanding and a theoretical framework was created. The interview guide was constructed based on the theoretical framework in order to ensure all topics and themes of interest were included. The interviews were conducted in accordance to the interview guide in order to make the interview transcripts comparable (Bryman & Bell, 2015; Cannice & Daniels, 2004).

The questions in the interviews were constituted in different manners depending on the role of the respondent. The three different templates for the interviews was to capture the dynamics and perspectives of the investment managers and entrepreneurs, as well as the Fund Manager. For further information on the themes covered in the interviews, see Appendix 3. The questions were posed in an open-ended manner which allows the respondents to elaborate on their answers in order to find the perspective that is closest to real life scenario as well as to provide information and insights that might not had been able to attain otherwise (Bryman & Bell, 2015; Yin, 2014).

4.5. Data analysis method

To code, sort and categorize the collected data, it was entered into NVivo, which is a tool for qualitative analysis. NVivo was chosen to aid with the structuring, categorizing and coding of the information gathered. When categorizing and coding the findings it enables and simplifies the interpretation and relations of the data towards the theoretical framework and, more importantly, the research question. The use of software tools and programs, makes the analysis of data become more methodical and systematic (Ghauri, 2004).

All interviews were studied, which allowed to explore the emerging trends and common themes. Categories were created that were based on the interview guide as well as the answers of the respondents. Thereafter, the data was coded by sorting it in the nodes which were created based on the structure set out in the interview guides, which divided the empirical data into a set of different main groups: (1) About Almi Invest, (2) External process, (3) investment manager & entrepreneur relationship, (4) Internal process, (5) International foundation and (6) Network. Since the data was sorted and analysed in order to find similarities to the theoretical framework, a deductive thematic approach was taken. Since features and themes that did not fit in the framework set out prior to data collection and analyses was also looked for, a degree of inductive thematic approach was taken (Bryman & Bell, 2015; Fereday & Muir-Cochrane, 2006). The creation of annotations in the theoretic framework in NVivo, gave the opportunity to link the transcribed interviews and the conceptual model in what Yin (2014) calls "pattern comparison", which is done at this process of the analysis in order to refine the conceptual model. These annotations allows for instant linking and comparison of the emerging themes towards the theoretical framework, the empirical findings and the conceptual model.

4.6. Quality assessment

In order for the study to add to existing research and literature, but also, more importantly, answer the research question the quality of the study needs to be discussed. To portray and to achieve higher levels of trustworthiness, certain measures needs to be discussed and taken into account. These measures are discussed below in terms of credibility, transferability, dependability and conformability:

Credibility, which can be explained by the question "To what degree are the findings believable?" has been ensured by an early understanding of Almi Invest through meetings and visits to Almi Invests' office in Gothenburg. Other means of ensuring and increasing credibility is triangulation, which was done in two ways (Lincoln & Guba, 1985). Firstly, the data was collected from several different respondents, which allowed for comparison of the information, hence possible bias of the respondents could be considered. Secondly, secondary data in the form of material, guides and other written material was used to triangulate the information gathered from the respondents.

Transferability, which can be explained by the question "Are the findings applicable to other contexts?" has through thick description of the research unit, Almi Invest, and intense theoretical foundation and elaboration made possible for analytical generalizability (Yin, 2014). The thesis concerns theory development, thus the focus and importance is to bring forward findings and conclusions that enhances the understanding of the framework of the process. The process, which concerns the external and internal processes of knowledge sharing between a venture capital firm and its new venture, is described in the conceptual model. The model was developed and created through analytical reasoning and could, through the analytical generalizability, be transferred to other studies within knowledge sharing within venture capital firms and their new ventures and perhaps other interfirm relationships with a predestined time plan.

Dependability, which can be explained by the question "To what degree are the findings likely to be applicable at other times?" has been ensured in this thesis by describing the research process and the line of analytical reasoning from the theoretical framework to the empirical data as well as the elaboration between the two. Hence, the study gains traceability of the emerging insights and the analytical, which enhances the level of dependability (Lincoln & Guba, 1985).

Conformability, which can be translated to "Has the researcher allowed for her or his own values to a high degree intrude?" has been minimized through two main measures. Firstly, via triangulation of the information gathered from the respondents and the secondary data, which decreased the chances of basing findings on the input of a few individuals. Secondly, the detailed description of choices and decisions taken throughout the process in conjunction with the constant search of theories to better develop and describe the process of knowledge sharing between venture capital firms and their new ventures. These two measures decrease the researcher's bias to a degree where it does not intrude on the study to a high degree (Lincoln & Guba, 1985).

The four delimitations of this thesis have been handled and considered in different ways, where the *first* (focus of this thesis is on one Swedish venture capital firm and on four of its new ventures only) and *third* (only looked at the early stages of internationalization) delimitation is part of the scope and has thus not been actively considered to a high degree, except reviewing academic articles for the theoretical framework. The *second* (research has been concentrated on almost only the very early phase of the new ventures) and *fourth* (the Swedish venture capital firm does only invest in Swedish new ventures) delimitation however are parts of the Almi Invests investment strategy which had to be accepted, however these were believed to have no implication of importance to the study.

5. Empirical Findings

The chapter presents the empirical findings and starts with an introduction to Almi Invest and its objectives. It continues with discussions on the development needs of the new venture, procedures between the new venture and Almi Invest, how the relationship influence internationalization and how knowledge is shared. The chapter ends with Almi Invests internal processes for knowledge sharing.

5.1. About Almi Invest

Almi Invest is Sweden's most active investor in early growth new ventures. Almi Invests portfolio consists of approximate 400 new ventures from different industries and the rate of investment is high, circa 70 new ventures are invested into annually. Almi Invest is financed to 50% of funds from the European Union, to 25% from regional owners and to 25% from Almi Företagspartner AB. Almi Invest is a fully owned affiliate to Almi Företagspartner AB, whom handles loans to small companies. Almi Invests objective is to, by close collaboration with regional actors, close the gap between supply and demand of the capital that exists regarding smaller venture capital investments and thereby promote entrepreneurship and growth of small and medium-sized new ventures in the region. In order to achieve the objective Almi Invest invests in small and medium-sized new ventures and becomes a minority owner in the medium term with the goal of reaching profitability and value-growth in the investments made. Almi Invest works towards value-growth by providing support in form of knowledgeable investment managers, capital and networks contacts, which create possibilities for the new ventures to grow and compete on a global market.

Almi Invest is one of few actors in Sweden that invest in the very early stages of the new venture and is one of the first actors the new venture meet, either through Almi Invests parent company Almi Företagspartner or through different events Almi Invest is participating in, such as start-up camps. Almi Invest therefore meet potential new ventures early and also becomes a target for investment requests. Since Almi Invest invests in new ventures that are very early in their life cycle they often accept a higher risk than what traditional private venture capital firms are willing to accept.

5.1.1. Objectives guiding the new venture investment process

The investment managers handle the investment process and later manage the relations with the new ventures. The investment managers have backgrounds from different industries and therefore often invest in new ventures from industries they are knowledgeable in, find interesting and believe can develop well. The background gives them an immediate interest and insight into the new venture they choose to invest in. However, Almi Invest has overarching criteria of what to look for when investing: scalable and innovative business ideas and new ventures that have the possibility to grow in value over the long term. The new ventures should possess the capability to compete regionally, nationally and internationally and there has to be a clear need for the product by customers, as stated on the homepage:

"Our passion is to find new Swedish ventures and teams that has the ability to take a position on the global market"

What has emerged as the most important part before the investment is the business plan the new ventures presents containing business idea, growth strategy and internationalization plan. The business plan is what the investment manager invests in and wants the new venture to follow during the development phase. If an investment decision is made, a first investment round is normally between 300 000 SEK and 2 million SEK. Further information about the investment criteria and process can be found in Appendix 4.

5.2. New venture development needs

The new ventures are categorized into seed and expansion phase depending on their level of development, illustrated in figure 4. Almi Invest calls the distinction between the phases a grey area but a rule of thumb is that companies in the expansion phase have entered the market, started selling their products and have a turnover of one to two million SEK. The last phase before Almi Invest sells their shares in a new venture is called the exit phase. Much time and effort is put into the development of the new ventures and Almi Invest says they are working after a 20/80 rule over a new ventures investment period. They spend twenty percent of their time on the investment and later exit phase while the main bulk of time, eighty percent, goes into the development phases i.e. seed and expansion.

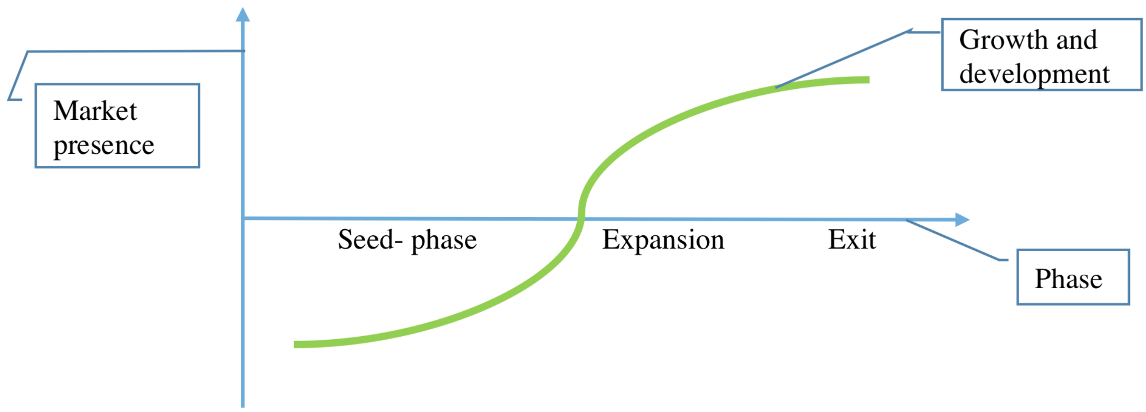


Figure 4 New venture development phases

Illustration compiled by authors, not statistically based.

The first phase, seed phase, is about forming the new ventures market offering. Companies in the seed phase are new ventures in very early stages that are working on a product prototype and have not yet entered the market. Access to capital is very limited in these early stages due to the high-risk propensity and Almi Invest is therefore often the first external investor. Thus, their role is important as it is hard to get access to funding and the investment often occurs before the company even had its first client. The goal with the investment is to create the right conditions for the new venture to start building their company: developing the product, finding the market offering and perfecting the business model.

The second phase, expansion phase, is about establishing the new ventures market presence. When the cornerstones of the company have fallen into place; market offering, product and business model, the company transits into the expansion phase. Many of the companies Almi Invest invest in during their seed phase remain in the portfolio during their expansion phase as well but their needs and aim changes. Irrespectively of industry, all new ventures in the expansion phase have a finished product and sales have started, now they need funding to scale up their business to grow even faster: support their organization with more employees, better sales force, find distributers and work more with marketing.

There are two main challenges the new venture need to overcome to start their expansion. First, their product offering has to reach the market, appeal to clients and create a need. The second problem often starts when the first one eases up. Increased sales puts pressure on a new venture to scale up operations, the new venture must go from being an entrepreneurial firm to a service or production driven one with fixed routines and processes. Some things are easier to scale up such as software, applications or it-solutions while others tied to production are harder. In production there are many factors tied to scalability: suppliers that can deliver the right volume on time, capacity in own assembly or production, quality assurance and educated staff. The challenge is to coordinate all of these factors in a structured way. If a new venture does not achieve scalability the new venture's development stops. These two problems, sales and scalability are something the new venture and the investment managers work consistently with during the expansion phase to build growth capacity.

The last phase, exit phase, is about enhancing the new venture attractiveness before a sale through neat packaging. The exit conditions and goals are regulated in the shareholder's agreement that is set up during investment phase. The exit can be done in several forms: sell shares to another venture capital firm, sell shares to an industrial actor or to make an initial public offering (IPO). The main focus for the investment managers during the exit phase is to prepare the new venture for due diligence by making sure product specifications, documentation, patents, formalities, accounting and as such are in place. Even though packaging a new venture neatly before a due diligence is complicated it is even harder to reach the decision that it is time to sell. There are many contradicting willpowers and it is hard to measure when the optimal amount of value is added. A result of this is that it is not often Almi Invest themselves reach the decision to sell, they instead sell when the opportunity appears.

5.3. Initial actions in the investment relationship – structure and formalities

After a new venture receives an investment Almi Invests focus is on helping the new venture to execute their investment plan. The entrepreneurs handle the day-to-day operations and runs the new venture while Almi Invests role, through the new ventures dedicated investment manager, is to keep them on track so that they are following the investment plan. Investment manager 1: *"Many times it's about focus. If you start moving in the wrong direction it doesn't need much before you aim at the wrong target".* Almi Invests first step is to give the new venture some initial structure in order to have somewhere to start executing the investment plan through. The degree of structure and formalities in place varies from seed to expansion phase but all nevertheless need help to *"Put things in order"* as Almi Invest calls it. The formalities and structure Almi Invest assist with involves establishment of employment contracts, shareholder register, shareholder agreements, finding an accountant to do the bookkeeping and lawyer to use when writing contracts. One intervention that Almi Invest makes in every new venture is to make sure the new venture has a well-functioning board of directors. Even though the needs and development goals of new ventures vary in seed and expansion phase Almi Invests investment managers' work with the questions in the same way: through the board of directors. Investment manager 3 describes: *"The structure of how you work with the new venture is the same, but what you have in your hands to work with is different".* Through the establishment of structure the new venture gets the right tools to start building their company.

5.3.1. The boardroom as a means to exert influence

The process of establishing a board of directors starts as soon as the investment is done, but it can be hard to appoint a completely external board of directors with professional members in the beginning. It often turns out to be a combination of investors, founders and some professional member who has been chosen due to relevant competence. Almi Invest helps by proposing and appointing potential professional board members and a chairman of the board with relevant background such as successful entrepreneurs or skilled consultants. The process of establishing a board of directors takes time and in some cases it can take up to six months to get a functioning board and start having meetings. Almi Invests investment managers like to be active members of the board during the first years to understand and get to know the company, and also to be able to influence and supply the company with their knowledge. Almi Invest is in many cases not the only external investor that is active in the board. However, their ambitions are aligned during the investment process as a shareholder agreement and ownership agenda is developed so that all owners agree on the same formulated goals, which are aligned with the investment plan.

The chairman is in charge of the board while the other members, such as Almi Invest, can help to steer and guide the work. The new venture has to act on what is decided upon in board meetings and it is therefore not possible for one owner to get their will through without consensus from the board. Almi Invests principles are in line with this as they do not believe in dictating to a new venture what to do but rather raise questions so they can reason together what to do. The level of influence is still considerable in a new venture as it is often the whole new venture, or the management team, that is active in the board. The whole new venture is therefore responsive to received information and recommendations. Almi Invest calls it working on a board of directors, not as traditionally sitting on a board, since their activity should result in action and progress.

5.4. Maintaining development focus through discussion

New ventures fast development is reflected in their board meetings that become very dynamic. The topics of the meeting vary depending on what has happened in the new venture and the potential way forward. Right after formation the board meets once a month, but when formalities have fallen into place four times a year is standard. Normal meetings starts with the usual agenda all board meetings have, with statement from the CEO and economic overview, but after that it comes to the decision points in focus. It can be very specific decisions that have to be made during the development but also other more strategic issues. The boardroom becomes a discussion forum for large influential questions. Investment manager 3: *"It is all about finding out- what this particular meeting is about, where the new venture is now, what and where their battle is, what the question at issue right here and now is."* Here the investment managers' long experience of new ventures becomes valuable. They can easily isolate the problem since they have been in many of the situations before and recognise the indicators. Building upon this, they also know the previously taken actions in response to the situations and the different outcomes from them. The previous knowledge gives them a toolbox they can use to bring up several examples of possible actions that can be discussed immediately. Investment manager 3: *"The experience that makes it possible to do something there and then is practically impossible to beat".* Problem identification helps new ventures to make progress in relevant fields and keep focus on their goal while the brought knowledge can reduce decision time and avoid much of the trial and error period that would have occurred otherwise. Entrepreneur 1 describes the discussions in the board: *"it's more about facilitating opportunities to do something and actually end up in the right direction /.../ it easily becomes too much surrounding a young venture so it's good to have a board where you can focus."*

5.4.1. Limiting intervention to maintain professional level of integration

There is a multitude of operational and strategic issues in both seed and expansion phase. Almi Invest generally only wants to work with strategic issues but they say they have to be pragmatic, even though they try to separate the mix of questions it does not always turn out like that. The questions range from daily operations, such as follow up on sales and marketing, or strategic direction, such as what market to enter, what pricing strategy to use, where the investment managers can through the work at the board help and give input. Entrepreneur 2 gives an example from their work with developing an app for mobile phones. Almi Invest does not look particular design drafts and suggest changes, the involvement is rather focused on the process of developing the app. The investment manager for example ask if the design drafts are done and follow up if they have done the consecutive steps of testing them on their target group. If not they are pushing the new venture to take the next operational step. Entrepreneur 2 says: *"it's on that level they are involved and that's also the level I think they should be involved at, otherwise it gets too much".* Both entrepreneurs and investment managers agree that the investment managers should not get involved at operational level since it is the entrepreneur who has operational responsibility and should run the new venture. Therefore it is important to strive for a balance between the board and the entrepreneur so that they get the chance to execute and lead their company while getting the right support to do so. Entrepreneur 1 comments on this balance *"It's better to have an operational part as well as a strategic one, where you discuss the broad outline".*

Even though there is a separation between operational and strategic involvement there is still a lot of contact in between board meetings. Questions that need board approval or discussion naturally ends up on board meetings while there are questions about daily operations in between meetings. These questions are practical ones of more simple character that can be solved there and then as well as regular check-ups to see what is happening. It is in these situations that the entrepreneur can get some printed material from their investment manager related to their issues. However, this is not something normally occurring since Almi Invest does not have a practice of writing down information or solutions to common problems and sharing in that way. They more believe in straight communication when the situation occurs and formulate a response then.

5.5. Influencing new venture growth -core business and *nodes of foreign presence*

Many of the new ventures are set for international markets instantly, some with none or very little market in Sweden, while others adapt a more traditional approach, to serve the Swedish market at first and gradually expand outward. Nevertheless, the potential to expand abroad has to be displayed prior to investment through the investment plan. The investment managers says it is seldom the investment plan is estimating internationalization sequences and timing correctly, but plans, ambitions and potential for internationalization have to be there. The entrepreneurs also perceive international potential as a crucial requirement for investment.

Entrepreneur 2 confers by saying: "*Almi would never have invested in our concept if it was not for our internationalisation plan*".

Post investment is internationalization always an objective supported by the actions preparing the new venture for it. Investment manager 2 explains: *"it's the focus from day one, how to get out on a larger market"* but also adds that the new ventures Almi Invest invests in are young and have to reach certain milestones before they can act upon the strive for a larger market. The interviewed new ventures have achieved various degrees of early stage internationalization but share some characteristics throughout the process. For example, entrepreneur 4 is the CEO at a new venture on the verge to internationalize. The new venture have received several requests from international customers and started exporting to some degree, but have through boardroom discussions decided not to expand operations abroad any further in the coming year before reaching certain goals. The board decided to focus on stability in the home organization at first due to constrained organizational capabilities. The goals included building a support organization at home, finalize the prototype, get all the needed certifications, build foreign customer interest, find suitable distributors and conduct a thorough market analysis to see where they have most potential. These patterns are displayed by the other new ventures as well. Entrepreneur 1's new venture were international from inception with only foreign customers but drew back their foreign presence to strengthen their core business and are now re-launching their product. The two remaining entrepreneurs 2 and 3 explain that they are working on finalizing their product and market offering while starting to establish foreign connections. Core business, validated product and market offering all appear to be important in early stages of internationalization.

Entrepreneur 1 summarizes Almi Invests approach towards internationalization well by saying: *"they do not pursue the new venture towards internationalization for the sake of it, it has to be a natural development"*. Almi Invest lets the entrepreneurs be the driving forces, responsible for the international expansion process while the investment manager has a supportive and advisory role. Much of the decisions concerning internationalization are discussed in the boardroom where Almi gets the opportunity to share their knowledge related to internationalization. The knowledge that Almi Invest brings to the discussion is mainly through the investment managers that have internationalization experience by themselves, some of them have run businesses that have expanded internationally and can thus be of great assistance to the entrepreneurs. The have also accumulated knowledge through their new ventures internationalization. The knowledge that is shared is both strategic, e.g. entry strategies into the new markets, or structural, e.g. customs regulations.

The investment managers describe the new ventures first steps of internationalization during the time in their portfolio as *nodes of foreign presence*. These nodes include selling products in foreign markets, establishing relations with reliable distributors and finding some dedicated customers. Investment manager 3 comments the *nodes*-view: *"it's not fully internationalized, but is maybe not meant to be so much more either. Establishing some good nodes of foreign presence is already much, as it means huge volumes suddenly"*. He adds to the discussion that the *nodes of foreign presence* provide a foundation to build upon when the new venture is ready to handle even larger volumes. An important addition related to new ventures exit from Almi Invest portfolio is that amount of *nodes of foreign presence* vary depending on type of new ventures. IT and app-companies are international almost instantly with many *nodes of foreign presence* at exit while the traditional industrial companies might have fewer *nodes* but have nevertheless something to build their foreign presence upon.

5.5.1. Network participation as facilitator for growth

When discussing new ventures internationalization abilities Almi Invests investment managers point out that it is not so much the entrepreneur's international knowledge but quality of relations that makes all the difference. Investment manager 1: *"If they have a good network that is not out-dated, internationalization accelerates quickly"*. Network is therefore seen as an important facilitator to internationalization.

Almi Invest has a large financial network of investors, business angels, banks and other financial institutions, which is seen as important for new venture growth as they can co-invest in the new venture or participate in an eventual listing of the company. Entrepreneur 3 puts it: *"the most valuable thing is to get access to the financial network and that there are investors that see 7-10 years ahead".* Almi Invest also have a large network related to support functions such as lawyers, auditors and tax specialists that is seen as valuable. However, the entrepreneurs' expresses needs for other networks than the ones related to financial and support functions as well. Entrepreneur 1 explains: *"Of course they had more contacts than we had before but then it comes to what the firm is about, which phase you are in and which type of contacts you need".* Almi Invest has a larger network in general but being a broad investor they, as an organisation, lack the depth of the network toward the different markets they invest in. The new ventures networks are normally smaller than Almi Invests, but much more specialized toward the focal market of their business.

The entrepreneurs perceived that their networks have grown after they received investment from Almi Invest, both on the customer side as well as the financial side. Additionally, many of the contacts that from the beginning were perceived as shallow by the entrepreneurs became stronger after they received investment. Participation in fairs, collaborations and daily business operations were mentioned as reasons to the growing and deepened networks. The entrepreneurs also mentioned that venture capital financing added legitimacy to their new venture and enlisted trust, which facilitated network participation. The entrepreneurs believed that added legitimacy creates what one entrepreneur 2 calls a *“Proof point”* as it send signals that the venture capital firm believes their new venture has high potential and they receive the right support to continue developing.

The international parts of the networks are mainly found on the entrepreneurs’ side and directly refer to the entrepreneurs’ personal network. The entrepreneurs believed that Almi Invest did not provide much international contacts. Entrepreneur 2 reflects on Almi Invests role in their international network: *“We were the ones who have stood for all the contacts when it came to that, but on the other hand we did not need them. We had created the relations ourselves and therefore had our own when it came to distribution and other agreements”*. The entrepreneurs on the other hand also believed they could gain much more from Almi Invest and their network if they pushed a little bit harder for it. Overall, it can be observed that the entrepreneurs own network has a larger international touch, while the financial that often is supported by Almi Invest is regional or domestic.

5.6. The investment relationship as a foundation for knowledge sharing

Almi Invests investment managers have often been entrepreneurs themselves or have long working experience from new ventures which gives them more understanding of the entrepreneur’s situation and what challenges they have. Investment manager 1 underpins this: *“I believe you have to know how it is to walk in the entrepreneurs shoes, so you don’t become too much of a bank. It's easy to sit on your side of the table if you don’t have this understanding - that the entrepreneurs often have gone all in”.* The common background also gives the new ventures the opportunity to relate back to the investment manager. The investment managers do not mention any other actions or routines when trying to build a relationship with the entrepreneurs beyond the understanding of their situation. The relationship is more described as something that comes naturally. At first the investment managers focus on signalling that they are there to help the new venture by using straight communication and being themselves. Investment manager 3 says: *"I let them understand - I am here for you. Venture capitalists often have a different perception, but I am there to help them."* Developing the relationship is done over time through meeting and working together, seeing that people deliver which starts to build mutual trust. The fund manager says: "*when we work in a board of directors, trust appears over time, when everyone delivers. If we agree on something, till the next meeting everyone trusts it will be done. It becomes a nice spinning wheel".*

The relationship stretches beyond regular ownership and the entrepreneurs often describe the relationship with Almi Invest as twofold. First, they are seen as shareholders with the associated influence, which they are executing from their position in the board of directors. Nevertheless, the active ownership is balanced as they let the entrepreneur run the business while they take on their second role described as an informal mentor or advisor. In this role they have continuous contact, beyond the formal board meetings, where they through an informal relationship support the entrepreneurs and act as a sounding board to exchange and test ideas. Entrepreneur 1: "*A broad supportive role, not at all big owners who want to run the whole thing, but balanced. I think it's very important role in a young venture: to let the team do what they should do".* However, when reflecting upon Almi Invests two roles in their new ventures, the active and supportive ones, the entrepreneurs emphasize that it is not Almi Invest as a whole they have their relationship to but to their investment manager. Thus, the actual exchange is between the entrepreneur and the investment manager, which comes to question if the contribution would have looked differently if a new venture had another investment manager with other experiences and knowledge than their dedicated one. Entrepreneur 1 says: *"It's hard to say if the contribution really comes from Almi Invest and their competence or from our investment manager /... / I believe they contribute with their own experience and background so the contribution would have been different with another investment manager even if Almi Invest is behind both".*

5.6.2. Decreasing involvement over time

All relationships develop over time and so do Almi Invests and their new ventures to. In the beginning, in both seed and expansion phase, the investment managers enter with more of a “hands-on” approach to get the new venture to start developing. After time, if the new venture is following the investment plan and the development continues more autonomously they can gradually start stepping back and scale down their influence. Entrepreneur 4 describes the process: “*Then it was another approach that probably was more needed at that time in the venture, it was more hands-on. Now they have a more passive role, but are available in the background as support if we need help”.* The approach is in line with the ambition to over time develop the new venture to the degree they can work independently. Investment manager 1 explains the process with a metaphor of teaching children how to ride a tricycle and later scaling it up to a car: “*It just keeps going faster and it's the same here; it all comes down to getting them to coat up themselves”.* The investment managers’ work gradually transits toward influencing the strategic issues from the boardroom, with some fallbacks when there is need for a more hands-on approach. Almi Invests flexible approach makes it possible for the investment managers to adapt their involvement during ups and downs, which can be compared to a calm before the storm. In long periods the investment managers does not hear much from the new ventures accept regular updates and board meetings, until something unusual happens that needs more intervention from their side, such as an international opportunity, introduction of a new product or drastic drop in sales. Investment manager 3: “*when it gets interesting for some reason: either it goes really bad and there's some crisis or it goes well and its time to sell, then something happens and we're more involved again".* The base for this approach is the reasoning to teach the entrepreneurs to run the new venture themselves and when it goes well let them do so, whilst if there occur any problems they are there to help. By working with this approach the investment managers are able to devote their time and knowledge to the new ventures in their portfolio who need it the most at the moment. There will always be fluctuations but the goal is pure strategic work through the board and it builds up towards that direction through the relationship as the new venture develops and their needs change.

5.7. Knowledge sharing in the investment relationship

Almi Invests work mainly results in knowledge sharing within two fields of knowledge in both seed and expansion phase. The first field of knowledge is business knowledge: how to build and run a company, which includes how to establish routines, document and monitor performance, write business-plans, issue new shares and other questions related to investment and finance. The second field of knowledge can be summarized as business acumen and includes strategic direction, identification of opportunities and business decisions. The more business knowledge falls into place and daily operations are executed the more business acumen is taught and understood during the process. Entrepreneur 1 reflects on the business acumen shared: *"You learn indirectly from their other portfolio companies' experience, how they did and what you can learn from case to case /… / our investment manager has been active in many new ventures and has seen many journeys he can contribute from."*

The knowledge sharing relationship changes as business knowledge falls into place and the new venture builds their initial structure. Business knowledge is after that successively scaled down and only shared when the new ventures expresses needs for it as the investment managers take on a more passive role executing their influence through the board of directors. It is in the boardroom and at the communication in between meetings that business acumen is shared, when discussing problems and using the investment managers as a sounding board for ideas and getting feedback and input. Over time as the new venture learns to handle their daily business operations, tied to business knowledge, the investment manager steps back and only sits on the board. During board meetings the shared knowledge is mostly business acumen and is therefore the main form of shared knowledge over time. In addition, business acumen requires more interaction built up over time to be shared and therefore has a larger effect on the new venture longer in on the relationship.

5.7.1. Knowledge sharing related to internationalization

When the new venture strives to deepen their *nodes of foreign presence* and focus on their internationalization the knowledge sharing process and investment approach has reached a point where Almi Invests has taken on a supporting role through the board of directors where the entrepreneurs runs the new venture independently. The knowledge sharing process related to internationalization can therefore be seen as a part of the business acumen knowledge: how to see a good opportunity, when to act and how to act. Investment manager 2 on knowledge sharing when it comes to internationalization: *"We share the experience we have, the pitfalls we know of and the errors we have made previously".* The entrepreneurs are the driving forces towards internationalization and run the process while the investment managers have more passive roles in the board where they share their previous knowledge and support the entrepreneurs through the journey. Investment manager 1 describes the process: *"It is the entrepreneur who pushes it, not us /…/ but we support the entrepreneur. Think about this, how does your plan look like?"*

From the entrepreneurs' side, they seem content with the supportive role Almi Invest plays in their internationalization; entrepreneur 4 comments: *"We have enough visionary power ourselves".* They are also satisfied with the knowledge Almi Invest provides them with during the early stages, however they question the relevance of Almi Invests knowledge over time. Entrepreneur 3, active in two of Almi Invests new ventures in the life-science industry, comments: *"They know the parts about how to run a business and how to get value to grow but then the pharmaceutical industry is a bit special and they do not have that knowledge".* New ventures are very dynamic and when their development starts they might need more specialized knowledge beyond the business knowledge and business acumen they can obtain from Almi Invest. Different entrepreneurs approach this lack of specific knowledge in different ways, entrepreneur 2 for example says that as of now their investment manager is spot-on but it is not definitive he will be it all the way. Entrepreneur 1 agrees with this reasoning saying that they would have wanted someone more niched to their needs but it was not something they expected from a first investor. Entrepreneur 3 is a step further in the reasoning, explaining how they have already established relations with a more niched venture capital firms specified in their industry with expertise, international network and economic ability to push the new venture further in the future. In line with this reasoning Almi Invests fund manager says it is misleading to measure the new ventures value right after their exit from Almi Invests portfolio, to an industrial buyer or to another venture capital firm or as an IPO, since the new venture is still in a phase of build-up. The fund Manager says: *"We have made sure they have initial capital. The day we leave and someone else takes over might be when the actual growth journey starts, but we have nevertheless enabled them to get there*".

5.8. Internal processes for knowledge sharing in the venture capital firm

Even though investment managers work independently towards their new ventures they also have internal process where they discuss potential investments, new ventures progress and possible actions related to problems. The weekly Friday meeting when all the regions investment managers and the fund manager meet to discuss current events in their portfolio is the main forum for knowledge sharing. Here the investment managers ask for others opinion and thoughts in different matters concerning the new ventures and ask if any other has experienced anything similar before and have recommendations to give. Sudden changes in the new ventures environment, positive or negative, are often brought up by the investment managers at the Friday meeting. Positive events can be if an investment manager has found a board member or investor that can contribute and negative events can be if a new venture does not follow the investment plan. However, there is a tendency to bring up the negative events, while the positive events does not receive the same attention. If a negative trend is emerging, it is analysed to identify the possible causes and to find ways to stop them from re-occurring. Investment Manager 3 puts it: *"We have not succeeded in, or not tried that hard actually, in finding what the core is that make things turn out really well. We have however been really good at identifying the issue when it goes bad".*

Individual meetings, or with two to four participants, are usual when there are issues, concerns or events that might not be needed to be brought up with everybody at the Friday meeting. The individual meetings are more informal, whereas the Friday meeting is seen as formal and a protocol is kept. If an investment manager has questions on a specific matter or subject, he turns to the Investment or fund manager that possesses that knowledge.

5.8.1. Retaining knowledge on organizational level

Discussions has taken place at a few occasions to gather information from the different investment managers in order to compile some sort of database that could support, e.g. if an investment manager would leave the firm. However, the discussions have not lead to any further actions and none are planned at the moment. There is some written material to assist, such as guides for setting up board meetings and what to check for during a due diligence, but nothing on the perspective from one investment manager to another. Investment manager 1 says: *"We have lists and guides and so on for several things, but it's like when you drive a car, after a while you stop looking at the road signs, since you know them by heart".*

When a new venture exit the portfolio, a summary is sometimes written that includes major events that have happened during the time of ownership, including what has been perceived as good and what has been viewed a negative. Through the summaries some criteria for investment have been identified and are looked for carefully prior to an investment, where as many as possible should be fulfilled. Nevertheless, the individual investment manager's contribution is not highlighted in the summary. The investment manager therefore does not get the opportunity to reflect upon their involvement and contributions.

A result of the weak internal processes for knowledge retention is that the investment managers use their existing knowledge and experience to support the new ventures, but the inflow of new knowledge for personal development is weak. The new ventures have very little contact with other individuals than their dedicated investment manager, which make them only receive the investment manager's knowledge, which often is repeated several times to new ventures. Investment Manager 3 puts it: *"The questions they ask me, have I answered a hundred times, and I give the same answer each time. I don't develop through that, but for them it is probably really valuable. But if I had evolved, I could have evolved that answer with more knowledge"*.

6. Analysis

The analysis chapter begins with a discussion on how knowledge sharing is enabled through communities of practice. It is continued with how knowledge is shared through the different modes, how the shared knowledge relates to facilitation of internationalization and ends with a revisit to the conceptual model.

6.1 Enabling knowledge sharing through efficient communities of practice

Almi Invest is very clear about their intentions early in the relationship through both dialogue, where they emphasise that they are there to help the new venture and in written format, in form of shareholder agreement and ownership agenda. Both dialogue and written agendas help to align Almi Invests and the entrepreneurs' goals and ambitions within the relationship, which create *overlapping values*. Additionally, Almi Invests investment managers have either been entrepreneurs themselves or worked with new ventures for their whole careers, meaning they have been in the same situation as the entrepreneurs in the new ventures they manage and know their way of thinking. The investment managers and entrepreneur's common backgrounds provide connecting links in identity and a social foundation that enables a *shared sense of identity*. Moreover, shared sense of identity helps to build trust as the entrepreneurs feel understood by the investment manager and that they are on the same level of reasoning. Hence, the inhibiting factor perceived difference of interest is avoided (Hislop, 2013). The relationships are also strengthened by the investment managers' previous background in specific industries in which they now choose to invest in, since it aligns some of the entrepreneurs and investment managers' knowledge into a foundation of *common knowledge*. *Common knowledge* helps to understand and explain new knowledge.

Common tacit assumptions underpinning individual knowledge has been named the key to successful knowledge sharing within a community of practice, where the tacit assumptions are *overlapping values*, *shared sense of identity and common knowledge* (Bettiol & Sedita, 2011; Brown & Duguid, 2001; Hislop, 2013). Consequently, the investment managers and entrepreneurs share the same tacit assumptions underpinning their knowledge. These tacit assumptions make knowledge sharing process more straightforward and knowledge easier to understand and absorb in communities of practice. The tacit assumptions also constitute an important dimension of the conceptual model (ibid.) that is based on the assumption that the investment relationship is a community of practice where all knowledge exchange happens.

6.2 Sharing knowledge on all levels of the knowledge continuum

After establishing a relationship the actual knowledge sharing begins. New ventures in seed and expansion phase are newly formed businesses that need support to establish themselves on the market. Almi Invests knowledge sharing is therefore mainly related to business and can be categorised into two fields of knowledge. The first field is business knowledge, which relates to how to build and run a company on an operative level. Business knowledge includes how to set a company structure, establish routines, document and monitor performance, scale up production, follow up on sales, issue new shares and other questions regarding daily business operations. The second field of knowledge can be summarized as business acumen and includes all types of questions related to strategic direction; analysing businesses, identifying opportunities, thinking processes prior to decision making, taking strategic action on opportunities and making strategic plans for the future. Business knowledge relates to practical things that are needed in daily operations while business acumen relates to the strategic decisions of how to take the new venture to the next level of development. The two fields of knowledge are therefore connected, the more business knowledge is learned and executed through daily operations, the more decisions based on business acumen has to be made.

The two fields of knowledge can also be differentiated by their position in the continuum of tacit and explicit knowledge (Brown & Duguid, 2001; Jonsson, 2012; Nonaka, Toyama & Hirata, 2009). Business acumen is on the tacit end of the continuum as it evolves over time mainly through own experience and interaction with people possessing the knowledge. Additionally, business acumen can be explained by *"you know more than you can tell"* (Polanyi, 1961:466) as it is hard to express in words and relates to a feeling based on practice and experience. Business knowledge on the other hand concerns practical and formal things that can easier be expressed and taught through either direct communication or writing, which places business knowledge on the explicit end of the knowledge continuum. Nevertheless, even though business knowledge is on the explicit end of the continuum it has different dimensions of tacitness to it depending on what type of business knowledge is at hand. Business knowledge can have little to none tacitness to it when approaching practical questions like where to find an office space, how to allocate staff or find appropriate inventory levels.

These are simpler tasks that can be taught from a manual. However, there is often more to the decision than the straightforward explicit dimension. For example, when searching for an office space, there are other dimensions than where to find it that has to be considered. Aspects such as location, important proximities to transportation and competitors and reputational signals has to be considered as well. Business knowledge dimensions can therefore have a tacit dimension in their explicitness and be harder to express and teach.

6.3 Exerting knowledge sharing through four interactive processes

Almi Invests' business knowledge and business acumen is shared through the four interactive SECI-modes. The conceptual model assumes that the knowledge sharing process in an investment relationship starts in accordance with the SECI model, with the first knowledge sharing mode *socialization* followed by *externalization, combination* and *internalization*, in given order. Contrary to this, it has been found that knowledge sharing in the investment relationship starts with two simultaneous processes: *combination* and *socialization*. *Externalization* starts when *combination* has set an initial structure to externalize through, while *internalization* starts as soon as knowledge has been made available in explicit form to *internalize*. Consequently, as all knowledge sharing modes are not initiated simultaneously their impact is disparately developed over time and varies in importance during the development of the new venture.

6.3.1 Using *combination* and *externalization* to express explicit knowledge

The first initiated knowledge sharing processes in the investment relationship are *socialization* and *combination*. However, *socialization* is initiated in the beginning of the relationship but does not result in actual knowledge sharing until further into the relationship. *Socialization* will therefore be explained in more detail in the next paragraph. *Combination* on the other hand is the main mode in the beginning and consists of the sharing and creation of new explicit knowledge by expressing and recombining existing explicit knowledge such as formalities and structure (Nonaka, 1994). Explicit knowledge is especially important in the beginning of the investment relationship as organizational structure and formalities need to come into place. Hence, the highly explicit business knowledge of how to build and run a company is essential. Business knowledge is shared and implemented through the establishment of routines, structure, formalities and business-plans. The investment manager share knowledge about practical things that can be implemented at once through direct communication with the entrepreneur. Questions are answered as well as hands-on instructions are given to the entrepreneurs through email and phone calls. Almi Invest also assist with the few organizational parts that are already formulated in explicit format, such as structures for accounting, reporting, boardroom guides and/or how to set up certain agreements. Almi Invest is not using all forms of *combination* to the fullest as they do not have the practice to document explicit knowledge, other than the already existing guides. Documenting makes it easier to recombine different types of explicit knowledge, but Almi Invest nevertheless prefers direct communication. Even though this mode builds on the expression and reformulation of explicit knowledge, tacit knowledge plays an important part. The investment managers' tacit knowledge helps them to see what is needed in the new venture and decide what should be prioritized in the early stages of investment. Hence, tacit knowledge helps to identify needs that guides the investment managers' decision of what explicit knowledge should be used to fill the identified needs.

Almi Invest knowledge sharing related to formalities and structure in their new ventures is in line with the structural approach of *ambidexterity*, as it helps the new venture to work in an organized way onwards. Almi Invests involvement creates a balance in operations, which has a positive effect on new ventures future development. When the structures are set, the need for explicit knowledge diminishes as attention shifts toward other focus areas, such as strategy creation or development, which is mainly done through board meetings and discussions. However, the need for explicit knowledge does not diminish fully, as the process of *combination* is used to certain degrees when changes are needed in organizational structures, e.g. at negative changes in the market, when a large sale opportunity has come through or when there is a need to scale up operations to meet demand.

Externalization is initiated when a board of directors is established, or altered, in the new venture through the structure and formalities added by *combination* mode. The empirical findings suggest it can take up to six months for *combination* to establish a functioning board. However, after establishment the boardroom becomes a forum to make tacit knowledge explicit for the investment managers and entrepreneurs as important questions are discussed and reflected upon. Dialogue and discussion has been defined as a two way exchange that makes it easier to articulate tacit knowledge (Nonaka & Takeuchi, 1995). However, tacit and explicit knowledge exist on a continuum where explicit knowledge always contains a degree of tacitness and vice-versa (Nonaka, Toyama & Hirata, 2009), which is reflected in the type of knowledge expressed during board meetings as they vary in degree of tacitness depending on type of question discussed. Early in Almi Invest and their new ventures relationship the questions discussed are more of an operative character tied to business knowledge. The questions concern routine tasks such as determining appropriate level of inventory, planning production, distributor choices and allocation of operative staff. The expressed business knowledge in *externalization* builds on previous experience that is needed to make a decision and can easier be expressed through discussion in the boardroom. The business knowledge is therefore explicit knowledge with a considerable degree of tacitness. Consequently, the business knowledge in *externalization* stands in contrast to the business knowledge shared in *combination* that is almost purely explicit and can be shared through communication or simply be written down.

The discussed questions in the boardroom changes character when the initial business knowledge falls into place and the focus shifts from operative questions toward strategic ones, i.e. business acumen. Business acumen involves how to make relevant decisions, how to analyse and understand specific situations and how to keep strategic direction. Business acumen is therefore almost purely tacit as it has been accumulated over time through experience and background and resides in the individual investment managers and entrepreneurs, which makes it harder to express and teach. Discussion and dialogue therefore is essential to express this kind of knowledge. Consequently is it possible to assume that business knowledge drives business acumen, since the more business knowledge possessed and executed the more business acumen is addressed, taught and understood during the process in the boardroom.

6.3.2. Tacit knowledge creation through *socialization* and *internalization*

Socialization is initiated from the beginning of Almi Invest and their new ventures relation and is an ongoing process throughout the relationship. The investment relationship is regarded as a community of practice in the conceptual model and *socialization* between the investment manager and entrepreneurs starts immediately when the community is established. A community of practice helps to speed up *socialization* as it helps build a relationship and knowledge is shared through direct experience and articulation of the thinking processes related to the shared experiences (Nonaka & Takeuchi, 1995). Nevertheless, sharing experiences between investment manager and entrepreneur in the community of practice requires trust, relationship building and continuous interaction. Even though the investment managers and entrepreneurs relationship is enhanced by equal tacit assumptions the process of *socialization* is time consuming. The investment manager and entrepreneur have to spend considerable time together at board meetings and through communication between meetings in order to form shared experiences. Hence, the actual tacit knowledge sharing starts later in the investment relationship when the investment manager and entrepreneur has built a strong relationship and accumulated shared experience.

Socialization shares tacit knowledge related to business acumen through all forms of experiences and interactions, which means that *socialization* can be used simultaneously as other SECI modes where the investment manager and entrepreneur interact. One example of how *socialization* interacts with other knowledge sharing modes are discussions. During discussions *externalization* and *socialization* shares knowledge simultaneously as they end up in explicit realizations, in form of solutions to addressed problems, but also an understanding of how an investment manager's string of thoughts went when approaching the problem, i.e. tacit understanding. Entrepreneur 4 described their decision to not expand operations abroad during their first year according to this principle, as they discussed the international expansion opportunity that had appeared in relation to their level of development and the possibility to capitalize on the opportunity. The result of the discussion was to focus on domestic operations and an understanding of organizational requirements needed to take into account before internationalizing. Hence, discussions can result in both *externalization* where tacit knowledge is made explicit, such as defining operational steps before internationalizing, and *socialization* where tacit knowledge is shared in tacit form, such as how to evaluate internal abilities before initiating internationalizing and the understanding of what type of knowledge is needed to reach the next step of development. Additionally, the sharing of business acumen in both *externalization* and *socialization* is in line with the contextual approach of *ambidexterity* as the recurrent contact balances the tensions that arises in the organization. The contextual approach builds on assisting and supporting the individuals in the organization to implement systems and processes (Gibson & Birkinshaw, 2004), which Almi Invest does by sharing their business acumen through discussions, board meetings, emails and phone calls.

Internalization is initiated as soon as investment managers expresses explicit knowledge that is possible to internalize by the new venture. *Combination* and *externalization* result in explicit knowledge. For example, communication and meetings between investment manager and entrepreneur, or within the board of directors, result in externalized actions that are put into practice by the entrepreneur with the ambition to be completed prior to the next meeting. By implementing the agreed upon solutions to discussed problems the entrepreneur is putting the new knowledge into practice and reflect upon its effect, which connects the new shared knowledge to the entrepreneurs existing knowledge (Nonaka, Toyama & Hirata, 2009). However, the entrepreneurs *internalize* little from written explicit knowledge from e.g. material in manuals, as Almi Invest seldom writes down or documents explicit knowledge but rather prefer orally expressed explicit knowledge. Even though *internalization* goes beyond reading apprehended material, as explicit knowledge has to be put into practice, written material eases the internalizing process.

In sum, the four knowledge sharing processes importance varies over time as illustrated in figure 5. *Combination* is essential to express business knowledge in the beginning of the relationship when structure and formalities are implemented, and later utilized at structural changes. *Externalization* is initially important for operational questions, related to business knowledge, that shift towards strategic ones, related to business acumen, over time. *Socialization* takes time to build up but yield returns afterward through all shared experiences in form of business acumen. *Internalization* is used as soon as knowledge is expressed explicitly by putting the explicit knowledge into action. The breakpoint in figure 5 between *socialization, internalization* and *externalization* is when the main form of shared knowledge shifts towards business acumen, through boardroom discussions that end up in both explicit realizations and tacit understandings. The explicit realizations are later *internalized* by putting them into practice.

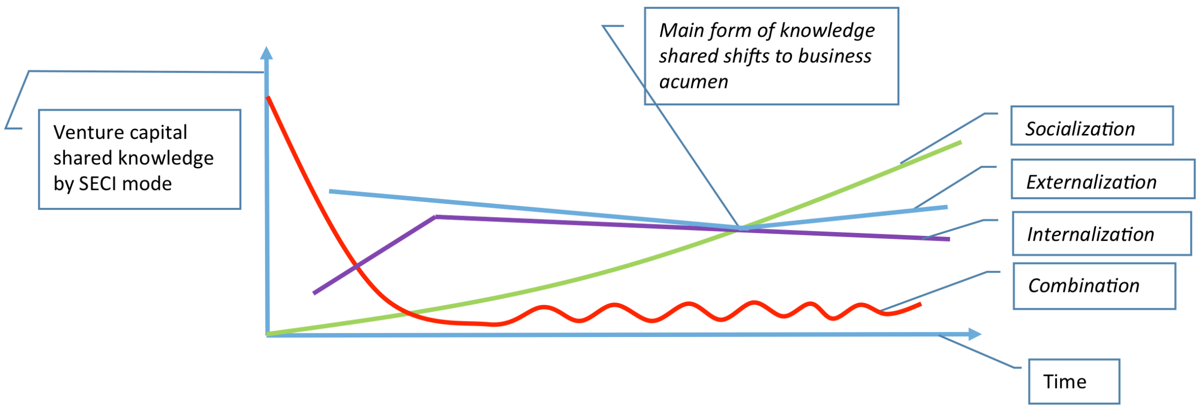


Figure 5. Shared knowledge by SECI-mode.

Illustration compiled by authors, not statistically based.

6.4. An investment relationship as facilitator for internationalization

Almi Invests' new ventures are newly formed companies without firm level international knowledge and operative experience. The new ventures accumulated international knowledge base is instead built upon the entrepreneurs in the new venture's and the board of directors' previous international experience. Almi Invests investment manager's knowledge is also added to the new ventures international knowledge base, as they play active parts in the board of directors and share their knowledge through discussions and communication in between meetings.

The previous experience of all active individuals in a new venture, that becomes the new ventures international knowledge base, is called congenial knowledge. The congenial knowledge base is an important foundation for new ventures establishment of *first nodes of foreign presence* as it can compensate for absence of firm level experiential learning in early stages (Bruneel, Yli-Renko & Clarysse, 2010). The knowledge is first collectively used to support and help in establishing the new ventures core business that is needed prior to internationalization. After core business is established the new ventures international congenial knowledge base is expressed in boardroom discussions, where international opportunities can be discovered or encouraged to act upon (Shepard & DeTienne, 2005, Wiklund & Shepherd, 2003). Almi Invests investment managers share knowledge related to establishment of agreements with foreign agents and distributors, or by increasing foreign exposure through promoting industry fairs and events abroad. The new venture establish their first *nodes of foreign presence* through these initial knowledge sharing processes related to internationalization.

6.4.1. Replacing congenial knowledge with firm level experiential knowledge

Almi Invest is active in sharing knowledge related to establishing new ventures *first nodes of foreign presence*, however their involvement beyond initial internationalization is limited. After initial internationalization, the entrepreneurs push internationalization while investment managers support the processes, asks relevant questions and participate in discussions. Investment managers diminishing role in new ventures internationalization can be explained by the nature of congenial learning, as it can only compensate for experiential international knowledge in early stages. When a new venture accumulates own international knowledge congenial knowledge's imprinting effect diminishes. A decreased imprinting effect is thus equal to new ventures decreased responsiveness to external knowledge as they accumulate own first hand international experience (Bruneel, Yli-Renko & Clarysse, 2010) and can be compared to a new ventures shifting reference point.

The new ventures the first actual steps towards internationalization comes far in the investment relationship, even though internationalization is included in the investment plan. The investment plan includes the strategy towards internationalization when the new venture has established core business and abilities to internationalize. Almi Invest has therefore been active in sharing knowledge related to core business such as how to build and run a company, how to formulate a product offering and how to reach customers with the offering prior to the early stages of internationalization. When core business has fallen into place is Almi Invest active in helping new ventures establish their first *nodes of foreign presence*. However, beyond these *first nodes of foreign presence,* deeper internationalization is often late in the investment relationship. By then, the new venture has a considerable level of development and has started replacing the congenial knowledge shared by the investment managers with own experiential knowledge. The own experiential knowledge has caused a shifting reference point in the new venture of how they view the venture capital firm's knowledge. The experiential knowledge, and thus change reference point, is accumulated in all fields of operations and can for example be expressed by an entrepreneurs will to choose distributors, suppliers or marketing themselves based on their network. Another effect is that the new ventures feel have enough visionary power themselves and do not need as much input from Almi Invest as before. Thus, the investment manager's knowledge is to a lesser degree needed as experiential learning dominates congenial learning over time.

The first *nodes of foreign presence* differs depending on the new ventures industry, mobile apps and software are introduced to an international market sooner than products tied to manufacturing. Nevertheless, internationalization and the need for industry specific international knowledge often accelerates not long before the new venture exits from Almi Invests portfolio. The need for more industry specific international knowledge is illustrated in the new ventures desire for a more niched venture capital firm within their industry as a "second" venture capital investor after Almi Invest. The exit from Almi Invests' portfolio is to either a more niched venture capital firm, an industrial owner or as an IPO. The exit gives the new venture new exchange partners with specific knowledge in their industry, knowledge that has not been acquired experientially by the new venture so far and is new according to their reference point. The new venture can therefore add the exchange partners' congenial knowledge to their knowledge base and learn from it in order to proceed in their internationalization.

Almi Invests first important and later reduced influence over internationalization indicates that Almi Invest play a very important role in the beginning of the new ventures development, helping them form their core business, developing business acumen and establishing their *first nodes of foreign presence*. The international knowledge shared by Almi Invest can thus be related to what Johanson & Vahlne (2009) called market knowledge. Market knowledge includes experiences related to core business, foreign entry mode and mode specific knowledge, which are important fields of knowledge in early stage internationalization. The new ventures own accumulated international knowledge in combination with their new exchange partner's knowledge within the new ventures specific industry and foreign markets are later important for the consecutive steps of internationalization.

6.4.2. Facilitating internationalization through legitimacy

Almi Invests ability to facilitate early stage internationalization stretches beyond knowledge sharing as they can additionally facilitate *insidership* into relevant networks. A relevant network is a new ventures business environment that consist of firms the new venture is doing business with and firms the new venture is trying to do business with (Johanson & Vahlne, 2009). Almi Invest does not provide access to relevant business networks per se as they are industry independent and thus not connected to their new ventures business environment. Instead of business networks, Almi Invest contributes with their financial network and the investment manager's personal networks. Even though these networks are not directly connected to a new ventures primary business network they enable the new ventures operations through e.g. financing that makes it possible for the new venture to deepen their own business network. The effect of Almi Invests financial network implies that relevant business networks are dependent on other networks related to necessary support functions such as financing, insurance and accounting.

Insidership into relevant business networks are enabled by successful relations since they are important sources for building trust and commitment (Johanson & Vahlne, 2009). Almi Invest facilitates relationship building by giving access to financial networks connected to relevant business networks and by adding legitimacy to their new ventures, that otherwise might have hardship gaining network presence due to limited prior experience. Almi invests' entrepreneurs expresses that an investment sends important signals beyond that they have received financial backing since it becomes a "proof point": that someone believes in their new venture, that it has high potential and receives the right support to continue developing. Entrepreneurs can thus increase their chance of acceptance into relevant networks by using the reputational resources provided by an investment to deepen and build new personal relations. Daily operations are mentioned by the entrepreneurs as an important source to build shallow business relations in the new ventures specific industry and these shallow relations are thus given the possibility to grow into networks connections through the entrepreneur's own social capital in *combination* with the provided legitimacy. Personal relations and legitimacy are in this way providing a way of overcoming the liability of *outsidership* for new ventures and give them access to market specific knowledge constricted to network *insiders*. *Insidership* increases the chances of successful internationalization as a new ventures' strengthened body of market specific knowledge makes it possible to discover and create new opportunities (Johanson & Vahlne, 2009).

6.5. Aligning knowledge sharing process with investment approach

Almi Invests approach to internationalization and knowledge sharing over time coincides with their general investment approach, which is summarized with a metaphor in the empirical findings of teaching a child how to ride a tricycle and later scaling it up to a car. The investment manager is very active in the beginning when business knowledge falls into place and the new venture learns how to run their business. Over time, as the new ventures needs for intervention decreases, the investment manager steps back through a gradual process and only shares business acumen through their position in the board. Nevertheless, the investment manager is still invested in the new venture and active if problems arises where their business knowledge and business acumen is needed. The approach can be seen as mediating the new ventures development phases of *evolution* and *revolution* (Greiner, 1972). *Evolutionary* periods are when the new venture is growing with no larger turmoil in organizational practices and the investment manager focus on sharing their business acumen related to strategic decisions and development through *externalization* and *socialization* in the boardroom. *Revolutionary* periods occur at the end of every *evolutionary* period where the new development level creates turmoil in the new ventures organizational practices, since the new practices have to be adapted to their new level of development.

In the case of *revolution* the investment manager involves both their business knowledge and business acumen through *socialization*, *externalization* and *combination* to help in the situation. Investment manager 3 compared these phases to a calm before the storm, saying that in long periods it is very “quiet” as everything is progressing according to plan until “something interesting happens” such as an international opportunity, introduction of a new product or drastic drop in sales and he can start being more active again. These periods when “something interesting happens” can be compared to states of “trial and error” where new ventures must find a suitable managerial solution to the turmoil (Greiner, 1972). The investment managers knowledge sharing can thus work as a mediator decreasing the trial and error periods during *revolution* in the end of each *evolutionary* period and the new venture can move faster on to the next period of *evolution*. The investment manager can thus, when it is “quiet” again step back in intervention, only share general business acumen and let the new venture run their business operations until next period of “something interesting” i.e "trial and error" occurs.

The foundation as to why *evolutionary* and *revolutionary* stages occur can be related to *exploration* and *exploitation* as the entrepreneur needs to undertake measures, in the form of changes in routines and capabilities, in order to handle the arisen *revolutionary* situation. To handle the situation independently can be both exhaustive and capital intensive. However, if the new venture is involved in a venture capital relationship, the investment managers can share business knowledge and business acumen through the processes of *externalization*, *socialization and combination* during times when extra support or assistance is needed. The shared knowledge decreases the amount of explorative measures that the entrepreneur needs to undertake, when for example a crisis hits or when a large sale opportunity arises, in order to solve the problem or utilize the possibility to the fullest. The entrepreneur can instead exploit the tacit knowledge of the investment manager in the focal question. Beyond solving the new ventures problem in the focal question at hand, the *exploitation* of the investment managers’ knowledge also builds the new venture knowledge base as they learn from the response to the *revolutionary* problem. Consequently, when a similar *revolutionary* problem occurs the new venture can with larger ease solve the situation as they have added the required knowledge to their knowledge base from the previous time. The result of the increased knowledge base is therefore that what was initially viewed as a *revolutionary* problem becomes a part of future *evolutionary* phases, as the new venture knows how to handle them without the need to implement *revolutionary* measures. The new ventures speed of development is therefore accelerated as the *evolutionary* stages can become longer before a *revolutionary* response is needed.

6.5.1. Decreased involvement over time in line with investment approach

Almi Invests knowledge is an important mediator in the *evolutionary* and *revolutionary* periods of a new ventures development, but nevertheless becomes less relevant over time as the new venture develops. The reason for the reduced relevance of the investment managers' knowledge is the new ventures growing knowledge base, as they internalize and absorb the investment manager's knowledge which makes them less dependent of the actual investment manager. The interdependencies of the different knowledge bases are illustrated in figure 6. Almi Invest is industry and branch independent and their knowledge is as such more general business knowledge. When core business and business acumen is obtained by the new venture they need more specialized knowledge related to their industry in order to move to the next level of development. Hence, as Almi Invests business knowledge and business acumen is shared, utilized and internalized the new ventures knowledge requirements develop beyond what Almi Invest can provide.

The development of the new ventures knowledge requirements and decreased dependence on Almi Invest knowledge can be explained by the new ventures shifting reference point over time. At the beginning of the relationship the new venture find the majority of Almi Invest knowledge relevant and learn from the investment manager by absorbing knowledge. However, as the new ventures develops, their reference point shifts and the new venture starts to view Almi Invests' knowledge differently as the new venture have accumulate more knowledge themselves. The reference point is illustrated in figure 6 by the crossing lines "venture capital firm involvement level and knowledge of relevance" and "new venture knowledge". At the breakpoint, the new ventures knowledge is equal to the venture capital firms' knowledge of relevance. After that the new venture's knowledge base, represented by a steep growth curve, exceeds the venture capital firms' knowledge of relevance. The new ventures reference point therefore comes to a level where they start questioning the venture capital firms' knowledge of relevance and the investment manager's ability to assist in their development.

Internationalization, illustrated by the orange vertical line in figure 6, is an example of a developmental step occurring after the new venture knowledge base exceeds the venture capital firms' knowledge of relevance. The venture capital firm's ability to assist in internationalization beyond *nodes of foreign presence* could therefore be questioned by the new venture due to their shifted reference point. The reduced belief was displayed in the empirics when the new ventures did not ask their investment managers for recommendations of foreign distributors or agents, as they trusted their own network and direct personal contacts more. In the situations when the new ventures start questioning the relevance of the venture capital firms knowledge they start reaching out to other sources of relevant knowledge. The empirical findings showed that more niched venture capital firms investing only in the new ventures industry can be sources of relevant knowledge and networks. Nevertheless, the decreased dependency on Almi Invest resonates with their investment approach as it indicates that they have managed to scale up the new ventures tricycle into a car, thus helped to bring them to the market and run the new venture independently.

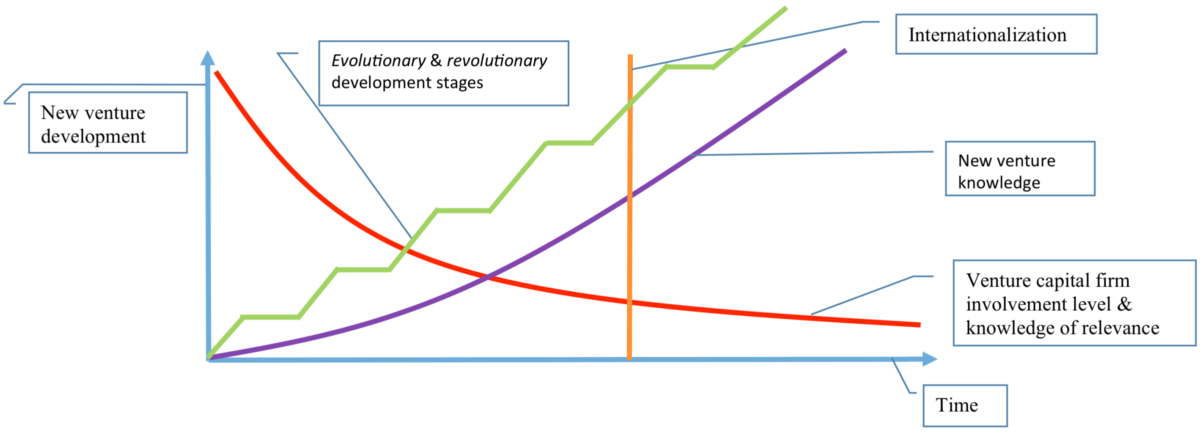


Figure 6. Venture capital firm knowledge of relevance

Illustration compiled by authors, not statistically based.

6.6. Retaining shared knowledge within the individual organizations

The new ventures Almi Invest chooses to invest in initially has a hard time to get a fully professional board of directors. The board therefore consists of a mix of founders, entrepreneurs, investment managers and recruited external chair members, which corresponds to most of the individuals active in the new venture. Considering the new ventures size, it can be assumed that each individual gets considerable influence. The role of the individual in a new venture is thus enhanced as the new venture inherits each individual's knowledge and abilities (McDougall, Oviatt & Schrader, 2003; Oviatt & McDougall, 1995; Sapienza et al., 2006). However, in order for both the new venture and venture capital firm to develop the separate organizations has to learn from the individual's knowledge. Organizational learning is achieved when individuals' knowledge is internalized, amplified and later externalized into an organization's knowledge base (Nonaka, 1994; Nonaka & Takeuchi 1995). The analysis displays that new ventures uses all four knowledge sharing and creation SECI modes in the investment relationship in order to absorb the newly created and shared knowledge. The new ventures is therefore achieving organizational learning as each individual SECI mode separately enables individual knowledge creation while the four modes together form a cycle where organizational knowledge creation is achieved (Nonaka, 1994).

Almi Invest on the other hand only shares knowledge internally using *socialization*, *externalization* and *combination* through their daily conversations and Friday meetings. However, as they do not have the practice to write down explicit material, *combination* cannot be used to its fullest to recontextualize and build upon existing explicit knowledge. In addition, Almi Invests investment managers do not *internalize* new knowledge they learn from specific situations related to the new ventures development, as the knowledge can only be put into practice and be reflected upon when a similar situation appears in another new venture they manage. Almi Invest therefore lacks a continuous cycle between their four SECI modes and consequently does not achieve organizational learning. The absence of an organizational learning has consequences for Almi Invests knowledge sharing process towards their new ventures as the investment managers individual knowledge is not reflected in the organization's knowledge base, while the entrepreneur's only point of contact with Almi Invest is through their individual investment managers. Based on this, it can be assumed that the entrepreneur only receives the investment managers' individual knowledge. Almi Invests investment managers have very different knowledge bases due to their specific backgrounds, learnings from their previous careers and from their new ventures. All investment managers have some form of international experience they could share with their new ventures. Nevertheless, the investment manager with least international experience was to a lower degree participating in his new venture's internationalization, which fall in line with the finding that investment manager's extent of influence on their new ventures internationalization correlates with their international experience (Fernhaber, McDougal-Covin & Shepherd, 2009).

6.7 Conceptual model revisited

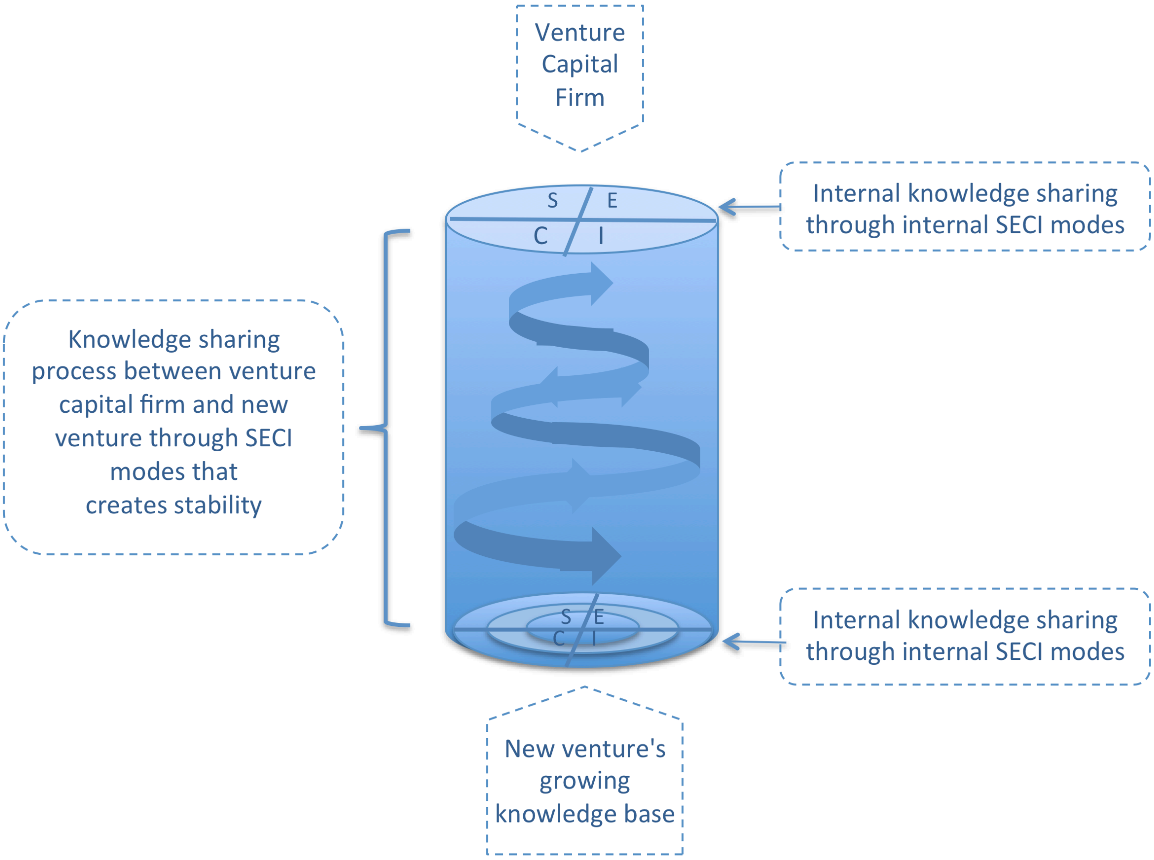


Figure 7. Conceptual model revisited.

Complied by authors based on theoretical framework and research findings.

The conceptual model presented in the theoretical framework (p. 20) function well to explain the knowledge sharing process between venture capital firms and new ventures. However, after applying the conceptual model during the analysis, findings emerged suggesting that the model needs revision in some fields. At first, the revised conceptual model, illustrated in figure 7, has changed shape from the initial cone to a cylinder. The top circle in the cylinder represents the venture capital firm's knowledge base while the bottom circle containing two smaller circles represent the new venture's growing knowledge base. The smaller circles symbolize the new ventures initial knowledge base that expands during the process of knowledge sharing with the potential to become equally large as the venture capital firms. The view also explains the changed shape of the model as the two firm's knowledge bases has the potential to become equally large in the cylinder, while the initial cone suggested the new ventures knowledge base would expand well beyond the venture capital firms' knowledge base though the investment relationship.

Second, the process of knowledge sharing is still represented by a spiral between the venture capital firms and the new ventures knowledge bases within the cylinder. Even though both organizations receive knowledge from the investment relationship, the spiral widens towards the new venture knowledge base, as it is the new venture that receives the larger part of the shared knowledge. The revision of the model is found in the SECI order that the actual knowledge sharing starts. The initial model assumed that knowledge sharing in an investment relationship started in accordance with Nonaka (1994) and Nonaka & Takeuchi (1995), with *socialization* followed by *externalization, combination* and *internalization*, in respective order. Contrary to this, the findings show that knowledge starts with two simultaneous processes: *socialization* and *combination*. The *socialization* process starts during the establishment of a relationship as it initiates social interaction between a venture capital firm and new venture. Nevertheless, *socialization* does not yield any tacit knowledge sharing immediately as shared experience has to be created. *Combination* on the other hand is a very straightforward form of sharing explicit knowledge irrespectively of how much shared experience a venture capital firm and a new venture has accumulated. Therefore, it can be theorized that *combination* is used from the beginning based on the easiness of sharing and expressing explicit knowledge into new explicit knowledge. The two other knowledge sharing processes, *internalization* and *externalization*, are initiated by *combination*. *Internalization* starts as soon as *combination* has expressed some explicit knowledge possible to internalize and *externalization* starts when *combination* has resulted in a board of directors in which knowledge can be externalized. After all four modes are initiated, simultaneous knowledge sharing processes occur based on all levels of interaction between a venture capital firm and the new venture. The arrows going in both directions in the spiral represent the different SECI modes knowledge sharing flows simultaneously.

A third finding that calls for changes in the conceptual model are the previously assumed new ventures balancing between *exploration* and *exploitation* of knowledge, which was illustrated by a seesaw at the base of the new venture. Contrary to this, the analysis show that *ambidexterity* is built into the knowledge sharing process, as the relationship with a dedicated investment manager helps a new venture to balance *exploration* and *exploitation*. Investment manager's knowledge sharing decreases the amount of explorative measures a new venture has to undertake during *revolutionary* periods and leaves room for exploiting the investment manager's knowledge so that the new venture can learn from the situation at hand. The revised model therefore does not have a seesaw on new venture level as stability is built into the knowledge sharing process, illustrated by the walls of the cylinder.

Lastly, the conceptual model is said to function well to explain knowledge sharing between different organizational contexts. The initial conceptual model explains the knowledge sharing process in an investment relationship but it does not take into account the internal processes of the individual organizations. The conceptual model therefore does not capture internal knowledge sharing in the individual organizations, which was found to be of importance in order to achieve organizational learning. Internal knowledge sharing occurred through Friday meetings and informal communication between co-workers that helped to add the new knowledge at individual level to the organizations knowledge base. The revisited conceptual model has therefore been extended with internal knowledge sharing processes at both venture capital firm and new venture level, illustrated by internal SECI modes in the circles representing their respective knowledge bases.

7. Conclusion

The concluding chapter states the most important findings and answers the research question. It also discusses implications for managers as well as suggests areas for future research.

This study focuses on non-financial value added by venture capital financing. More specifically, this thesis examines the process of how knowledge sharing in an investment relationship can facilitate internationalization. Prior research has primarily focused on financial valued added by venture capital financing (Landström, 2007) while the limited scope of studies investigating non-financial value added has focused on general benefits provided by the relationship (eg. Hellman & Puri, 2002; Kortum & Lerner, 2000). The non-financial value added knowledge sharing processes within investment relationships and how this relates to early stage new venture internationalization has as such not been addressed. Consequently, there is limited conceptual clarity on venture capital firms and new ventures knowledge bases roles as facilitators for new ventures internationalization (Fernhaber & McDougall-Covin 2009; George, Wiklund & Zahra, 2005; Park, Lipuma & Prange, 2015). This study therefore contributes to a contemporary discipline of growing importance as entrepreneurship is promoted to an increasing extent and alongside it venture capital financing.

7.1. Findings & theoretical contributions

First, the knowledge sharing and creation model adds conceptual clarity to the field of non-financial value added in venture capital by creating an understanding of the knowledge sharing processes in an investment relationship, a field with little prior research (Busenitz et. al., 2004). The research found, through the conceptual model, that the knowledge sharing process in an investment relationship utilizes different SECI modes over time. The findings are summarized in figure 5 and displays the interactions of different SECI modes and their level of importance throughout the relationship. The findings contribute to the understanding of how the SECI model can be applied between different organizational contexts and how different dimensions of the knowledge continuum interact over time. The different SECI modes shares knowledge from a knowledge continuum with either tacit or explicit dimensions, which suggest that different dimensions are of importance depending on the maturity level of an investment relationship. The dimensions of the knowledge continuum relate to two types of knowledge, namely business knowledge and business acumen. Business knowledge in explicit form is easier to express and teach and is therefore mostly used in the beginning of the relationship where practical business duties such as initial structure, formalities and business processes have to be established. Over time, as the relationship evolves, the needs of the new venture moves beyond structural implementation and the shared business knowledge increases in degree of tacitness. The second type of shared knowledge, business acumen, is the almost pure tacit dimension and only results in knowledge sharing over time through shared experience and rooted relationship. Shared business acumen includes knowledge related to strategic decisions and thinking processes. Nevertheless, business acumen would not be possible to share without the foundation of business knowledge, since the more business knowledge possessed and executed, the more business acumen is addressed. Therefore it can be concluded that business knowledge drives business acumen and both types of knowledge are facilitators for new venture growth.

Second, the findings display that venture capital firms through their investment managers has an important influence on new ventures early stage development, when core business is established and the first *nodes of foreign presence* are initiated. Venture capital firm's knowledge sharing provides an opportunity for the new venture to create stability during their development. The assistance towards stability is done through the investment manager who mediate in periods of *revolution* resulting from long periods of *evolution*, which calls for a managerial response to adapt to the new level of development. By sharing knowledge, an investment manager can decrease the amount of *explorative* measures a new venture has to undertake to find a solution to the *evolutionary* caused problem. The new venture can instead *exploit* the investment manager's knowledge to reach the next level of development and simultaneously learn from the implemented response to the situation. By learning from the *revolutionary* responses the new venture can with greater ease solve a similar problem in the future without *revolutionary* measures. The increased knowledge base therefore transforms initial *revolutionary* problems into neutral parts of future *evolutionary* phases. The new ventures speed of development is therefore accelerated as the *evolutionary* stages can become longer before a *revolutionary* response is needed. The study therefore contributes to the expressed need for further understanding of venture capital firms non-financial value added, and the gains from it (Busenitz et al., 2004), the actual interactions in an investment relationship and what role the venture capital firm assume vis 'a vis their new ventures (Baum and Silverman 2004).

However, the study also found that the relevance of the venture capital firms' knowledge decreases over time. The venture capital firms' knowledge is of high relevance in the beginning, but during the new ventures development their reference point shifts as they accumulate more knowledge themselves. The findings of venture capital firms shifting knowledge of relevance in relation to new venture knowledge base is illustrated in figure 6. This study therefore contributes to the understanding how the interactions in a investment relationship varies over time, which has been expressed as a field more research is needed within (De Clercq & Manigart, 2007). The new ventures reference point eventually comes to a level where they start questioning the relevance of the venture capital firms' knowledge and the investment manager's ability to assist in their development. At that level in the investment relationship, the new venture is becoming independent and has accumulated an own organizational knowledge base. Consequently, the investment manager's knowledge is less needed for the new venture after establishing core business and first *nodes of foreign presence*. The new venture is therefore perceived to further pursue internationalization on their own initiative. From these findings it can be concluded that an investment relationship shortens the new venture's process of reaching the next step of development through knowledge sharing. The shared knowledge also accelerates the development process as the development steps can become longer, even though the venture capital firm knowledge of relevance decreased over time.

Third, even though the venture capital firm is not as active in the internationalization stage as they are in the initial phases they still contribute by enabling new ventures network *insidership*. Venture capital firm's gives access to their financial networks and financing in turn accelerates the new venture daily business operations, which is an important source for building business networks. In addition, venture capital financing adds legitimacy to the new venture which enable the new venture to deepen shallow business networks and to build new personal relations that can grow into network connections. From these findings it can be concluded that venture capital firms network contributions and legitimacy in combination with the new ventures social capital enables *insidership* into relevant networks, which increases the chances of successful internationalization.

Lastly, the study adds conceptual clarity to the role an investment relationship assume in facilitating new venture internationalization, which has been expressed lacking knowledge about (Fernhaber & McDougall-Covin 2009; George, Wiklund & Zahra, 2005; Park, Lipuma

& Prange, 2015). This, since the study helps to understand an investment relationships influence on internationalization, and it can be concluded that venture capital firms facilitates new venture internationalization even though they are not active in the internationalization stages per se. Venture capital firms contribution lies in believing in an internationally scalable idea, provide support during the core business creation, facilitate and accelerate development steps, establishing first *nodes of foreign presence* and increase the chances of network *insidership*. New ventures largest value growth and internationalization might be after a venture capital firm exits the new venture. The investment relationship has nevertheless facilitated the new ventures internationalization by assisting in building up a core business from an idea stage and helped establish the first *nodes of foreign presence* and connections, thereby creating a foundation for the new venture to further pursue internationalization from.

7.2. Managerial implications

The managerial implications are seen from three perspectives, (1) investment relationship (2) venture capital firm and (3) new venture, all in connection to effectiveness and efficiency in the knowledge sharing process, which facilitates internationalization.

First, the implications for the investment relationship is that higher effectiveness in the knowledge sharing process can be achieved the stronger the relationship is. Hence, a higher level of trust in the relation increases the amount of knowledge shared. Higher efficiency in the knowledge sharing process can therefore be achieved if there is a higher degree of shared experience.

Second, implications from a venture capital firm perspective is that the more relevant the knowledge base is for the new ventures development, the higher level of effectiveness of the knowledge shared. Hence, efficiency in the process of knowledge sharing increases if the investment managers' knowledge base is of relevance. Internal knowledge sharing within the venture capital firm ensures exchange between investment managers' learnings and therefore increases the knowledge base of relevance.

Lastly, implications for the new venture is that in order to increase effectiveness, the knowledge available in the investment relationship has to be utilized fully, while it is still relevant and adds value. To increase efficiency in operations the new venture therefore needs to express demands for relevant knowledge.

7.3 Future research

Seeing that the research area is relatively unexplored, the study has helped to fill some gaps in the field, however the area needs more exploration. A broad recommendation is therefore to conduct more studies on venture capital firm's non-financial value added and how it relates to new ventures development and internationalization. However, this thesis has more specific focused on the knowledge sharing process of one venture capital firm, which is state-owned. Hence, comparative studies in privately owned venture capital firms and their processes would be of great interest in order to find more patterns. Moreover, the studied venture capital firm only invested in Swedish new ventures. Therefore, it would be of interest to study venture capital firms investing in both national and foreign new ventures in order to compare their processes, as well as investigate possible synergy effects between new ventures of different foreign background. Additionally, a knowledge sharing and creation conceptual model is created in this study and this context, hence, studies that validate the model in other contexts with a predestined time plan, e.g. joint ventures and strategic alliances, would be of great interest.

Another study of interest is connected the investment relationship's effect on *evolutionary and revolutionary* phases in a new ventures development. The reasons to why *evolutionary and revolutionary stages* start and end were elaborated upon by Greiner (1972). This study added a dimension of how *exploration* and *exploitation* of knowledge mediates between the revolutionary and evolutionary phases. The findings indicated that *exploration* and *exploitation* of knowledge in the investment relationship makes the *revolutionary* stages become part of future *evolutionary* stages. Since development is not disturbed by previous revolutionary problems, the *evolutionary* stages become longer and development accelerates. What would be of interest is to study the interdependencies between *exploration* and *exploitation* towards *evolution* and *revolution* further in order to gain a deeper understanding of how these elements affect each other.

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9. Appendix

Appendix 1. Different forms of venture capital firms

Institutional venture capital, serve as an intermediary between financial institutions e.g. pension funds, large companies, wealthy families etc. and the entrepreneurial SME, where the purpose is to raise finance for the former to invest in the latter. Institutional venture capital firms are mainly comprised of professionals, often with entrepreneurial background, that actively work with raising finance for investment, but also with entrepreneurial SMEs to help maximize their growth to in the future become the significant actor on the industry's international market (Berglund, 2011; Landström, 2007). The structure of the institutional venture capital firm can differ in organizational form, depending on ownership, but normally takes the form as an (1) Independent limited partnership, where capital is raised from partners such as institutional investors e.g. pension funds, banks and insurance companies, (2) Captive venture capital firm, are mainly funded through a parent organization and its internal resources, often by financial institutions like banks and insurance companies. If the resources and capital comes from a large non-financial corporation, it is instead called 'Corporate venture capital' (described below), (3) Governmental venture capital, which is controlled and financed by governmental institutions (Landström, 2007; Mason and Harrison, 1999). Limited partnerships has since the 1980s become the dominant form of organization in venture capital. In the limited partnership, and to different degrees in captive and governmental venture capital firms, is the venture capitalist the general partner and controlling the funds on a day-to-day basis while the investors are limited partners and not involved in managing the fund daily (Landström, 2007; Wright and Robbie, 1998).

Corporate venture capital, as described earlier, are when the resources and capital comes from a large non-financial corporation. The main difference towards institutional venture capital is therefore the fund sponsor, which stands as the only investor (Maula, Autio and Murray, 2005). However, there are also strategic motives for the corporate venture capital firm, the venture has, except for equity-linked incentives for the corporation, also a product or service that is advantageous for the corporation. There is also a probability that the venture becomes incorporated and integrated within the parent firm (Maula et al, 2005; McNally, 1994).

The *Informal venture capital* market, or ‘Business Angels’ as they are also called, are private individuals that invest in high-risk young ventures, in which they do not have any family connections (Lerner, 2000:515). These individuals perform similar activities and functions as those of venture capitalists, but invest own private capital, rather than capital of institutions or other individuals (Landström, 2007). To some degree are also family and friends that invest in ventures in which they do have family connections included in the market of informal venture capital. However, as these investments are based on other criteria and considerations than external investors, several researchers argue for them to not be included in the definition (Mason and Harrison, 2000).

The institutional venture capital firms alongside with the corporate venture capital firms also usually have larger investment capacities than those of the informal ‘business angels’. They also put greater emphasis on due diligence prior to an investment decision, which the informal investor might not have the time/resources or capabilities to do (Landström, 2007).

Appendix 2. Venture capital firms financial value added

Venture capital’s role within financing innovation can be recognized as one way to save new ventures from the financial constraints the venture often face (Landström, 2007; Peirone, 2007). Investments into ventures are made from either wealthy individuals, institutions or firms and are not registered on the stock market. By comparing the different organizational forms it can be understood that the overall motive for investment is equity growth. However, the corporate venture capital firms put larger weight on strategic motives and considerations (McNally, 1994). A venture capital firm is often a minority shareholder in its new venture and their rate of return is mainly generated on the capital gained when the venture exits the portfolio, rather than income derived from dividends during the time as a shareholder. Hence, the investment is temporary, often between three to ten years, as the capital needs to be returned and later invested in another project (Cuming, 2010; Landström, 2007).

Appendix 3. Themes covered in interviews

The questions in the interviews were constituted in different manners depending on the role of the respondent. The themes covered for the Investment Managers was: 1) Background questions that covered experience prior to starting at the company, years in the company, and how they see their professional role 2) Questions about the role as an Investment Manager, how many companies they are responsible for and which phase they are currently in, which phase the respondent normally enters a company, 3) External process questions, what the initial work-process is like in the different phases, whom the respondent normally has contact with in the venture and how they work on building relations with that contact, 4) Professional reflection questions, how the work differs among the different phases, if different kinds of knowledge is shared with different methods, 5) Internal process questions, how often do they meet internally at Almi Invest and what do they normally bring up then, organizational culture and personal evaluation, 6) Internationalization questions, how Almi Invest see internationalization, the Investment Managers internationalization experience and network.

The themes covered for the Fund Manager was: 1) Background questions that covered experience prior to starting at the company, years in the company, and how they see their professional role, 2) External process questions on an organizational level, what the initial work-process should be in the different phases, if there are any best-practices and how they should work on building relations with the ventures, 3) Internal process questions on an organizational level, how often do they meet internally at Almi Invest and what do they normally bring up then, organizational culture and personal evaluations.

The themes covered with the entrepreneurs was:1) Background questions that covered experience prior to starting at the company, years in the company, and what their team looks like, 2) Relational questions, how their relation with Almi invest is, how often they meet with them, 3) Process questions, if they have any more investors, where they see themselves today, what their journey has been and how Almi Invest has been involved in that, 4) Network questions, what it looks like today, how it was prior to investment from Almi Invest and how it changed after investment, 5) Internationalization questions, how their international presence is today and how the process to get there has been as well as what Almi Invests involvement level in the process has been.

Appendix 4. Investment criteria and process

Almi Invest have some general criteria that the new ventures needs to meet prior to an investment decision: 1) Credible/trustworthy entrepreneur/team, 2) Innovative business idea, 3) apparent customer need, 4) growth potential with a clear target for value growth, 5) defined need for capital and the potential to attract other owners, and 6) national and international market potential. Prior to an investment decision, there is always a first assessment focusing on the entrepreneur or the entrepreneurial team's capabilities to achieve growth in the new venture. The assessment includes the milestones the entrepreneur have reached so far and the possibilities to scale up the business, both nationally and internationally. The whole investment process can be explained in six steps:

1, *Inflow of business ideas*: Almi Invest has networks both regionally and nationally through which they every day get a couple of investment request from entrepreneurs from across Sweden. Almi Invest also collaborate with various entrepreneurial networks, incubators and other investors with whom they look for companies of interest to invest in. However, for the main part of the investments done, Almi Invest have been contacted by the entrepreneur.

2, *Analysis of the company in question*: Prior to an investment decision is a first assessment done where it is decided if the company is of interest for investment and if it is in the right phase. Some of the requests are deemed as especially interesting by the Investment Managers and become subject for a deeper analysis on several aspects such as business idea, entrepreneurial team, customer needs, growth strategy, financial plan, need for capital, market potential and finally possibilities for exit. Most of the requests are sorted out during this phase, but the ones that show potential are to be considered for investment.

3, *Investment decision*: at the first stage the company is brought up at the regional weekly meeting where the other Investment Managers are allowed to comment. If they back the analysis done by the Investment Manager responsible, it is brought up to the national Investment Committee which is the second and final stage. The national Investment Committee meets around every six weeks and decides if an investment is done or not. If a positive decision is taken toward an investment, the next step is to do a Due Diligence and here the investment process can be cancelled, if proper reasons for it surfaces.

4, *Agreements*: prior to an investment one investment agreement and one shareholder agreement are written. In the agreements it is written the terms that the investors and other owners agree upon. In some case a ‘Term Sheet’ is written, which states the major conditions in an investment, before the Due Diligence is carried out.

5, *Development of the venture*: Almi Invest enters the venture as an active owner, through representation in the board and/or as an advisor, with the intention to grant the largest possible value growth in the venture.

6, *Exit*: the goal of Almi Invest is to, after being part of developing the venture, sell their shares with return. How to reach a successful is addressed in the shareholder agreement or through an emerging agenda, e.g. if they have been contacted by a potential buyer. Exit can be carried out by either selling the shares to another venture capital firm or to an industrial actor or through a stock market introduction.