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Empowering SMEs' global ambitions with equity fundraising

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"All failure is failure to adapt, all success is successful adaptation"

Max McKeown

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Abstract

This paper aims to find a positive correlation between equity partnerships and small and medium-sized enterprises (hereafter also “SMEs”) internationalisation. The objective is then to analyse the critical success factors for SMEs’ geographical diversification and then to show how equity fundraising can speed up the aforementioned strategy. Among the various equity partnerships, we will focus on crowdfunding, private equity and especially venture capital. Risk management, knowledge sharing, network, government support and reputation will be the considered the main determinants for the success abroad and it will be shown how they can be acquired through the equity deals proactive partnerships.

As there is not a best practice for SMEs internationalisation, the dissertation will analyse such financing (and not only) vehicles able to provide both competitive advantages and a more immediate expansion process, by assembling a wide set of resources.

The findings confirm the research question, especially from a strategy duration and immediateness points of view, even though such partnerships are still very hard to be finalised, with due diligence processes that can be winding and demanding.

Therefore, from the one hand the analysis is conducted with interpretivism through an inductive/ground up approach that aims to explore the correlation of equity deals and SMEs internationalisation; here there aren’t literature evidences yet. From the other hand, the study will be done in a deductive way with the objective to confirm the existent literature, especially with regard to the premises.

The research is conducted mostly through experimental papers that state the interdependence between equity fundraising and SMEs, but there are also ethnographic literature consultations in a natural and uncontrolled environment, in a longitudinal time horizon with data/empirical evidences collected over multiple years.

Introduction

In 2020, the European Commission emphasised that: "SMEs are the backbone of Europe's economy. They are the companies that create jobs, innovate, and drive growth." They are responsible for more than half of Europe's gross domestic product, employ more than 100 million people, and play an essential part in the process of value creation across the board. Small and medium-sized enterprises (SMEs) bring innovative solutions to problems such as climate change, resource efficiency, and social cohesion, and they help spread this innovation throughout Europe's regions.

As a result of the significance of small and medium-sized enterprises (SMEs), governments pay close attention to increasing the international activities of their respective SMEs – that is, to encourage the geographical expansion of these activities beyond the borders of the national country – in order to encourage economic growth and to obtain additional benefits such as a reduction in unemployment.

The small and medium-sized enterprise (SME) should consider internationalisation a form of geographic diversification as well as a strategic behaviour. These businesses are making a crucial and strategic decision in order to boost their level of competition and ensure that they will continue to exist (Colapinto et al., 2015; Coviello & Martin, 1999)[1]. The discussion on small and medium-sized enterprises (SMEs) and internationalisation has been going on for more than 40 years, and ever since then, it has received an increasing amount of attention (Dabic et al., 2020)[2]. Small and medium-sized enterprises (SMEs) typically have insufficient financial bases, a domestic focus, and restricted geographic scopes; therefore, expanding internationally represents an important and critical decision for these enterprises (Lu & Beamish, 2006)[3]. To be more specific, internationalisation is a factor that can assist entrepreneurial initiatives in maturing and improving their overall performance (Sapienza et al., 2006)[4]. According to the research, there are a number of factors that influence

[1] Colapinto, C., Gavinelli, L., Zenga, M., Di Gregorio, A. (2015). Different approaches to the pursuit of internationalization by Italian SMEs. Journal of Research in Marketing and Entrepreneurship 17(2):229-248.
Coviello, E., Martin, M. (1999). Internationalization of Service SMEs: An Integrated Perspective from the Engineering Consulting Sector. Journal of International Marketing 7(4):42-66.
[2] Dabic, M., Maley, J., Dana, L. P., Novak, I. (2020). Pathways of SME Internationalization: a bibliometric and systematic review. Small Business Economics 55(5).
[3] Lu, J.W. and Beamish, P.W. (2006). SME Internationalization and Performance: Growth vs. Profitability. Journal of International Entrepreneurship, 4, 27-48.
[4] Sapienza, H. J., Autio, E., George, G., & Zahra, S. A. (2006). A capabilities perspective on the effects of early internationalization on firm survival and growth. Academy of management review, 31(4), 914-933.

internationalisation, including those that are associated with the activities of international partners and the customer following or niche markets (e.g., Bell, 1995)[5]. According to the findings of a bibliometric and systematic review carried out by Dabic et al. (2020)[6], out of the vast number of different motivational factors that explain the internationalisation of SMEs, the requirement that business owners have a "global mindset" is the one that is considered to be the most important. On the other hand, there are a variety of obstacles that small and medium-sized enterprises (SMEs) must overcome in order to internationalise their businesses, most notably those of a religious and ethnic nature. In the same vein, previous research has uncovered a number of other important factors, including intellectual property rights, telecommunications and digital infrastructures, political risks, competition policy, and legislative and regulatory frameworks (Singh et al., 2010)[7].

When it comes to exporting, SMEs are faced with a number of significant challenges and constraints, such as limited financial resources and incomplete information and contacts regarding foreign markets (Paul et al., 2017; Ruey-Jer & Daekwan, 2020)[8]. The literature on international entrepreneurship that pertains to small and medium-sized enterprises (SMEs) internationalisation has looked into a variety of different topics, including the timing, the approach, the intensity, and the sustainability of internationalisation; the influence of the domestic environment on internationalisation; the effect of internationalisation on performance; and the use of external resources to internationalise (Wright et al., 2007)[9].

In reference to the previous point, venture capitalists (VCs) are a classification of consolidated financial intermediaries that invest in privately held businesses that are typically of a low size and in their early stages of development (e.g., Smolarski & Kut, 2011)[10]. When viewed from this angle, the traditional resource stocks held by VCs play an important role, and not just in terms of equity-based capital. This is due to the fact that institutional investors are able to

[5] Bell, J. (1995). The Internationalisation of Small Computer Software Firms: A Further Challenge to “Stage” Theories. European Journal of Marketing 29(8): 60–75.
[6] Dabic, M., Maley, J., Dana, L. P., Novak, I. (2020). Pathways of SME Internationalization: a bibliometric and systematic review. Small Business Economics 55(5).
[7] Singh, G., Pathak, R. D., Naz, R., (2010). Issues faced by SMEs in the internationalization process: Results from Fiji and Samoa. International Journal of Emerging Markets 5(2):153-182.
[8] Paul, J., Parthasarathy, S., Gupta, P. (2017). Exporting challenges of SMEs: A review and future research agenda. Journal of World Business, Elsevier, vol. 52(3), pages 327-342.
Ruey-Jer, B. J., Daekwan, K. (2020). Internet and SMEs' internationalization: The role of platform and website. Journal of International Management, Volume 26, Issue 1, March 2020, 100690.
[9] Wright, M., Westhead, P., Deniz, U. (2007). Internationalization of Small and Medium-sized Enterprises (SMEs) and International Entrepreneurship: A Critique and Policy Implications. Regional Studies, Volume 41, 2007-7.
[10] Smolarski, J., Kut, C. (2011). The impact of venture capital financing method on SME performance and internationalization. International Entrepreneurship and Management Journal 7(1):39-55.

provide the knowledge that is required to make internationalisation possible. For instance, the knowledge that is held by foreign venture capitalists makes it easier for the companies that they have financed to expand into their respective home countries.

To internationalise their businesses, small and medium-sized enterprises (SMEs) typically face a number of challenges, the most common of which is the absence of financial support, partners, and legislative or regulatory prescriptions. To be more specific, European SMEs are also confronted with these challenges (European Commission, 2019). In this regard, a growing body of research suggests that small and medium-sized enterprises (SMEs), which over the course of the past ten years have witnessed a remarkable development, are of crucial significance for the expansion of the European macroeconomy (for example, Hervás-Oliver et al., 2021; Mateev et al., 2013)[11].

The root of these problems is frequently traced back to a fragmentation of culture, which makes it challenging to provide small and medium-sized enterprises (SMEs) with consistent support that is designed to assist them in overcoming the primary obstacles they face, such as a deficiency in knowledge, capabilities, networks/relationships, specialised personnel, and most importantly, adequate resources (Singh et al., 2010)[12]. Notably, the vast majority of SMEs are still reliant on conventional forms of financing, which discourage internationalisation and do not offer any advantages in addition to financial support (e.g., banks and government support initiatives).

In addition, when compared with large companies, small and medium-sized enterprises (SMEs) are distinguished by the presence of non-negligible resource constraints (Chen et al., 2019)[13] and, frequently, by a lack of experience (Lu & Beamish, 2001)[14] and knowledge on key aspects (such as market strategies), which is a significant challenge for them in this area (Schweizer, 2012)[15].

[11] Hervás-Oliver, J., Parrilli, M. D., Rodríguez-Pose, A., Sempere-Ripoll, F. (2021). The drivers of SME innovation in the regions of the EU. Research Policy, Volume 50, Issue 9, November 2021, 104316.
Mateev, M., Poutziouris, P. Z., Ivanov, K. (2013). On the determinants of SME capital structure in Central and Eastern Europe: A dynamic panel analysis. Research in International Business and Finance 27(1):28–51.
[12] Singh, G., Pathak, R. D., Naz, R., (2010). Issues faced by SMEs in the internationalization process: Results from Fiji and Samoa. International Journal of Emerging Markets 5(2):153-182.
[13] Li, J., Chen, L., Yi, J., Mao, J., & Liao, J. (2019). Ecosystem-specific advantages in international digital commerce. Journal of International Business Studies, 50, 1448-1463.
[14] Lu, J., Beamish, P. W. (2001). The Internationalization and Performance of SMES. Strategic Management Journal 22(6-7):565 – 586.
[15] Schweizer, R. (2012). The internationalization process of SMEs: A muddling-through process. Journal of Business Research, Volume 65, Issue 6, June 2012, Pages 745-751.

These restrictions are made even more severe when one considers the unpredictability and complication that are hallmarks of the ever-changing global environment (Hagen et al., 2019)[16]. This complex and rapidly shifting environment necessitates that businesses be open (Di Pietro et al., 2018)[17] and transformative, as well as proactively adopt new technological solutions, such as digital platforms, in order to combine their traditional competencies with digital knowledge, as well as to create and maintain key advantages. SMEs, which are increasingly internationalising their activities, are now considered active players in the processes related to this trend (Ruzzier et al., 2006; Schweizer, 2012)[18].

In light of this, SMEs should be flexible and see entering into new partnerships and deals as a chance to boost their competitiveness and facilitate their internationalisation. (e.g., Chen et al., 2019; Dabic et al., 2020; Zeng et al., 2019)[19]. Because of their recent improvements and cost reductions, digital technologies enable faster internationalisation.

It would then become easier for small and medium-sized enterprises (SMEs) to connect with a variety of stakeholders (Fischer & Reuber, 2011)[20], increase the effectiveness of the exchange of information (Mathews & Healy, 2008)[21], and, according to Pergelova et al., (2019)[22], have the potential to provide "access to international market knowledge and facilitating interactions with customers and partners," which reveals their function of democratising entrepreneurship. Such a strong democratising function also plays a crucial role in reducing conventional market entry barriers, allowing a wider range of people to participate in cross-border trade and form business partnerships.

The study goes through the different types of equity fundraising solutions to determine which one is the most efficient in order to pursue an international strategy. If the company is in the early stages of development and has a high potential for growth, equity fundraising might be

[16] Denicolai, S., Hagen, B., Zucchella, A., & Dudinskaya, E. C. (2019). When less family is more: Trademark acquisition, family ownership, and internationalization. International Business Review, 28(2), 238-251.
[17] Di Pietro, F., Prencipe, A., Majchrzak, A. (2018). Crowd Equity Investors: An Underutilized Asset for Open Innovation in Startups. California Management Review. Sage Journals, Volume 60, Issue 2.
[18] Ruzzier, M., Hisrich, R. D., & Antoncic, B. (2006). SME internationalization research: past, present, and future. Journal of small business and enterprise development, 13(4), 476-497.
[19] Dabic, M., Maley, J., Dana, L. P., Novak, I. (2020). Pathways of SME Internationalization: a bibliometric and systematic review. Small Business Economics 55(5).
Li, J., Chen, L., Yi, J., Mao, J., & Liao, J. (2019). Ecosystem-specific advantages in international digital commerce. Journal of International Business Studies, 50, 1448-1463.
[20] Reuber, A. R., & Fischer, E. (2011). International entrepreneurship in internet-enabled markets. Journal of Business Venturing, 26(6), 660-679.
[21] Mathews, S., & Healy, M. (2008). 'From garage to global': the internet and international market growth, an SME perspective. International Journal of Internet Marketing and Advertising, 4(2-3), 179-196.
[22] Pergelova, A., Manolova, T., Simeonova-Ganeva, R., & Yordanova, D. (2019). Democratizing entrepreneurship? Digital technologies and the internationalization of female-led SMEs. Journal of Small Business Management, 57(1), 14-39

the best option as it can provide the necessary capital to scale the business and reach a global market.

If the company is established but needs capital to finance a specific project or expand into new markets, debt fundraising may be a better option as it does not dilute the ownership of the company.

However, this research aims to show that despite their lack of international experiences, when making equity deals and partnerships with PE funds, VCs or through crowdfunding, SMEs are able to bypass the classic and incremental processes of internationalization and to catalyse their journey to reach global or international exposure.

After a first inspection of the critical factors in relation to the internationalisation process, it will be discussed how equity deals positively influence the path to reach foreign markets. It is worth to mention that these kinds of strategic decision often include the goal to have a relatively rapid expansion – the expertise, the network and the financial boost that PE can also shift the entrepreneur goals even higher than the initial expectations.

Private equity firms can successfully influence internationalization by providing capital and strategic support to companies looking to expand and gain a competitive advantage into new markets. The firms can use their expertise and resources to help the companies identify and enter new markets, as well as to navigate the regulatory and cultural challenges that come with international expansion. Additionally, private equity firms may use their networks and relationships to help the companies establish partnerships and joint ventures in new markets.

However, there can also be some potential drawbacks by making such deals. The loss of control is certainly the main critical issue since by bringing on private equity investors, entrepreneurs may lose some level of control over their company.

Private equity firms may have a say in important business decisions and may push for changes that the entrepreneur may not agree with. Another "negative" aspect is that PE firms often have a short-term focus and may pressure entrepreneurs to make decisions that will generate quick returns rather than long-term growth. Nonetheless, they mostly tend to create value for the company and build a strong network that can bring closer to the financed companies many cathartic stakeholders - the entrepreneur here needs to have the willingness and perseverance to keep such relationships.

In the last part, before the final discussion, the paper dives into SIMEST, an institutional vehicle that provides equity (but also debt) solutions to Italian SMEs, with a peculiar "ownership" that is able to support the Italian SMEs during their international strategies - not only financially.

1. Key factors for internationalisation of SMEs

1.1 Risk Factors in SMEs Internationalisation

In an era characterised by a globalising market, increasing competition, accelerating change, and the occurrence of numerous risks, businesses that wish to remain competitive must be able to respond nimbly and flexibly to changes, as well as identify and manage risks. Companies seek to reduce their vulnerability to events like a drop in domestic sales by expanding into international markets and engaging in international trade. Participation in the internationalisation process can expose businesses to a number of distinct risks, so it is important to weigh the potential benefits against the potential drawbacks before deciding whether or not to get involved.

It would be beneficial for businesses to identify the internationalization-related failure factors. Small and medium and medium enterprises (hereafter also "SMEs") could be encouraged to enter foreign markets by identifying the obstacles to internationalisation, the primary risk factors associated with it, and designing their possible prevention or elimination. By establishing an equity partnership, SMEs can not only mitigate the risk to go abroad from a capital commitment perspective, but they can also benefit from the managerial and strategic support of these partners.

Despite the fact that risk management in the internationalisation process has been the subject of only a small number of studies, it is a frequently discussed topic internationally. In practise, risk management is a broad discipline that requires specialised knowledge. Nevertheless, especially small and medium-sized businesses are frequently unable to identify the potential risks of the internationalisation process and are consequently unable to manage the risks. This is due to the fact that SMEs typically lack managers with a comprehensive understanding of risk management, and these managers also frequently lack experience with foreign markets. Unfortunately, according to various surveys of SMEs, one of the most common causes of failure in the internationalisation process of SMEs is the failure to accurately predict the risks associated with entering foreign markets. This part of the research's primary objective is to identify the risks associated with the internationalisation of small and medium-sized enterprises.

Therefore, after an introduction of the various variables that might influence positively or negatively the geographical growth process of SMEs, we will explain in the second part of the research how equity deals (mainly with PE and VC) can reduce the risks and enhance the possibility of success abroad.

Companies' efforts to expand into foreign markets reflect the intensifying competition brought about by globalization's expansion. Foreign competition has increased, making it more difficult for small and medium-sized enterprises (SMEs) to remain competitive on the domestic market and also succeed on the international market. The ability of SMEs to participate in internationalisation is a frequently discussed topic, and the specifics of the internationalisation of SMEs are frequently analysed not only in the literature but also in practise, as SMEs occupy a different position in the internationalisation process than large corporations. In general, the advantage of small and medium-sized enterprises (SMEs) is their responsiveness and adaptability to market changes, while their disadvantages include lack of capital and difficult access to external resources.

For example, such characteristics are very visible in Italy and France as their socio-economic structure is mainly made of SMEs, which makes these countries more resistant to stock markets crisis for instance, but less prone to R&D and innovation investments, as these entities do not have the necessary capital. Nonetheless, if we zoom the focus into industries where the market concentration is higher on average, such as pharmaceutical companies, the differences with other countries become more labile.

As with all business operations, the internationalisation process is fraught with danger. If a company decides to participate in the internationalisation process, it must be aware that the entry into a foreign market could entail a number of specific risks associated with the foreign market's geographic location, its different economic environment, and its different legal framework. Individual risks must be considered in context, as they can interact. Every important decision regarding the internationalisation process should incorporate a comprehensive assessment of the associated risks. Risks will also vary depending on the mode of international market entry. The risk associated with indirect exports differs from that associated with direct investments in foreign markets. It is also wort to mention that it is known that the key risk factors influencing the internationalisation process of SMEs can have a positive impact on small and medium-sized enterprises' plans for international activities. This part related to the risk factors is partially benchmarked to an international survey conducted by the OECD in 2009 among SMEs.

The 2009 survey conducted by the OECD among global SME's reveals that the majority of SME's view the external barriers to internationalisation as being less significant than the internal barriers. External barriers to internationalization, such as political and economic conditions in a foreign country, are often perceived as less significant than internal barriers, such as a company's lack of resources or inadequate management processes. This is because external barriers are largely outside a company's control, while internal barriers can be addressed and overcome through strategic planning and resource allocation. Additionally, external barriers may be offset by the potential rewards of international expansion, such as access to new markets and increased profits, while internal barriers may be seen as obstacles to achieving those benefits.

The internal barrier that can be particularly challenging for internationalisation can be the lack of working capital to finance exports, the identification of foreign business opportunities, the limited amount of information to discover or analyse markets, the inability to establish contacts with potential foreign customers, the difficulty in obtaining reliable foreign representation, the lack of managerial time to deal with internationalisation, and the lack of staff. SMEs frequently lack sufficient experience with the internationalisation process.

Therefore, they frequently face the challenge of identifying the most significant risk factors in this process. The idea behind this is that being aware of the risk factors makes it feasible for SMEs to be offered advice on how to minimise or do away with the dangers that may be associated with their activities in international markets.

PE can not only provide such advice, but they can also bring substantial financial support.

There are several ways to talk about the dangers that come with the internationalisation process. According to Stremtan et al. (2009)[23], the risks associated with the internationalisation process can be separated into two categories: the risks that are produced by underestimating the expenses, and the risks that arise from operating in an international environment that is beyond one's ability to control. Another group of scholars, Rodriguez, Barcos, and lvarez (2010)[24], have produced a separate classification of dangers that arise from the globalisation of businesses. They categorised risks into a total of nine categories, which were as follows: risks associated with business strategy; risks associated with management and corporate culture;

[23] Stremtan, F., Mihalache, S. S., & Pioras, V. (2009). On the internationalization of the firms-from theory to practice. Annales Universitatis Apulensis: Series Oeconomica, 11(2), 1025.

[24] Rodriguez, V., Barcos, L., Alvarez, M. J. (2010). Managing risk and knowledge in the internationalisation process. Intangible Capital, 2010 – 6(2):202-235.

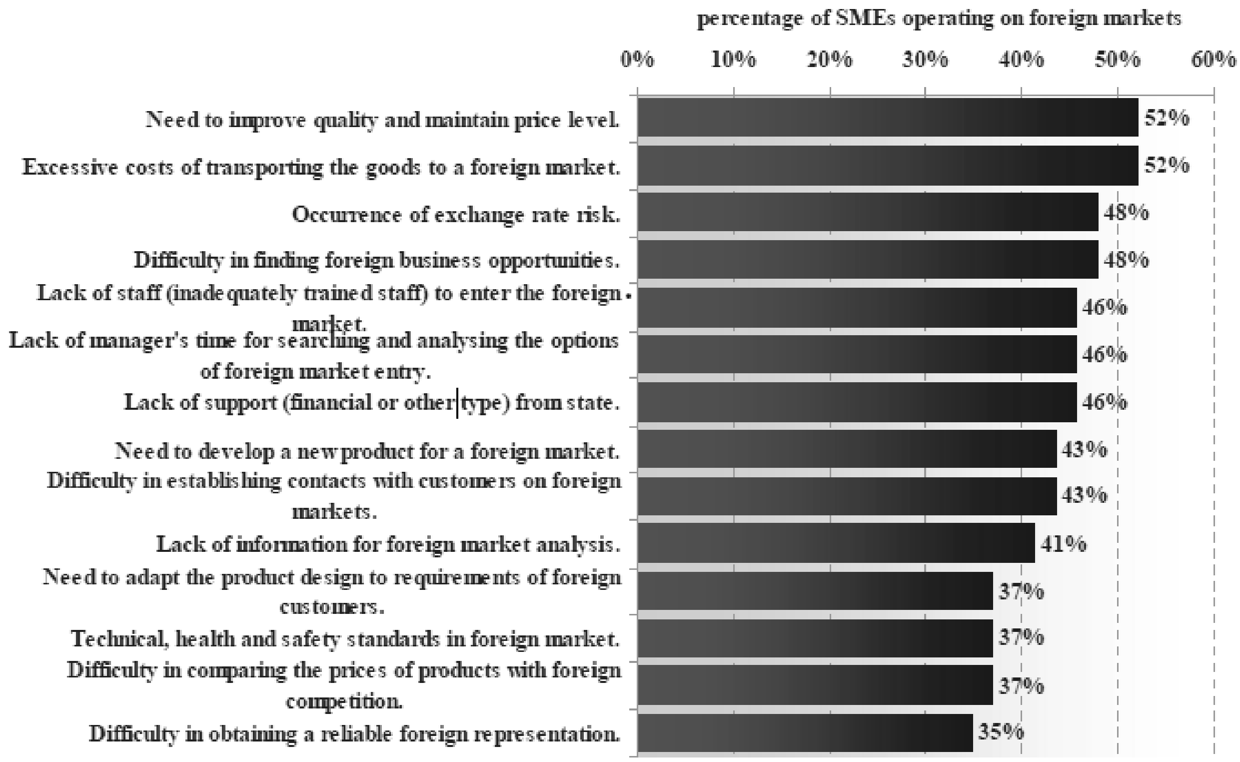
risks associated with logistical infrastructure; risks associated with project management; risks associated with the socio-economic and political situation of the country; risks associated with the legal aspects of the country; risks associated with market culture; and risks associated with culture.

Risk management, especially if backed up by a PE, can enable organisations to identify the potential hazards of an internationalisation project, determine priorities, and propose strategies to reduce these risks. However, this is possible only if the companies engage in risk management. Risk management is a process that begins with the identification and classification of risks, continues with risk analysis, and then takes into account the approach to risk management.

The approach to risk management is a position that has direct influence on the stage of the process that is ultimately responsible for the risk. The problem of risk management has emerged as a major topic of conversation in the study of internationalisation throughout the course of the past several years.

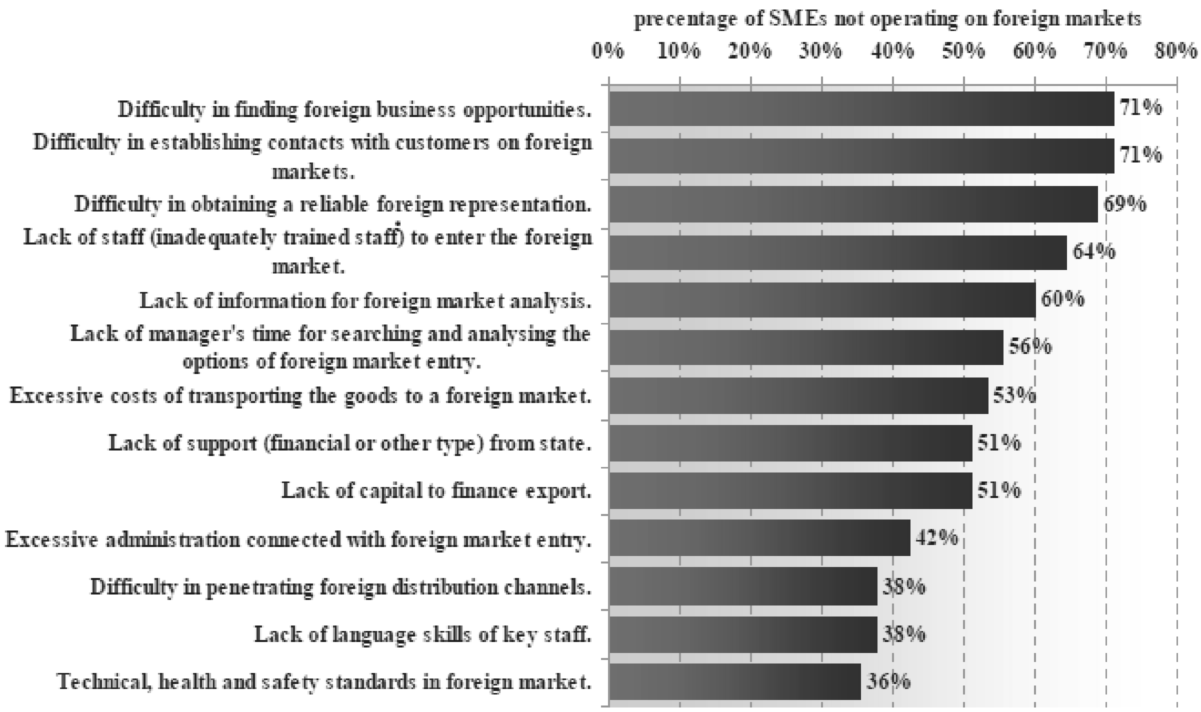
Even though risk management in relation to the internationalisation of companies is a topic that receives a lot of attention, there are very few studies that concentrate on the risks involved in this process, and there are even fewer studies that deal with the risks that are associated with the internationalisation of SMEs and with the best option/partnership to valuate it.

The purpose of the risk factors during the SMEs internationalisation is not only to identify the most important risk themselves, but also to determine the most significant obstacles that influence SMEs' decisions regarding whether or not to enter foreign markets. These roadblocks were discovered independently for small and medium-sized businesses (SMEs) that already operate on overseas markets and SMEs that do not yet operate abroad.



1: *Key barriers of the internationalization process for SMEs operating on foreign markets*

Figure 1 illustrates the substantial challenges that smaller businesses face when attempting to enter overseas markets, and Figure 2 provides a summary of these significant obstacles to the geographical expansion of SMEs not operating abroad.



2: *Key barriers of the internationalization process for SMEs not operating on foreign markets*

Source: Engine, A. (2013, December 24). *Risk factors in the internationalization process of SMEs*

	key barrier
1	difficulty in finding foreign business opportunities
2	difficulty in establishing contacts with customers on foreign market
3	lack of staff (inadequately trained staff) to enter the foreign market
4	excessive costs of transporting the goods to a foreign market
5	difficulty in obtaining a reliable foreign representation
6	lack of information for foreign market analysis
7	lack of manager's time for searching and analysing the options for foreign market entry
8	lack of support (financial or otherwise) from state
9	need to improve product quality while maintaining the current price level
10	occurrence of exchange rate risk
11	lack of capital to finance exports
12	technical, health and safety standards in foreign market
13	need to develop new products for the foreign market
14	difficulty in comparing the prices of products with foreign competition

Source: Engine, A. (2013, December 24). *Risk factors in the internationalization process of SMEs*

Following an overall analysis of main barriers above, the majority of the significant challenges that must be overcome in order to internationalise a business can be categorised as internal limits relating to the company's resources and the individuals' own capabilities. Although some external hurdles resulting from the commercial climate of local and overseas markets are listed among the primary barriers, the number of these barriers is much lower than the number of the others.

The process of internationalisation of small and medium-sized businesses requires not only the identification of obstacles, but also the determination of the primary risk factors involved in the process. The risk variables for instance can be classified into two distinct groups: those that small and medium-sized enterprises (SMEs) considered to be substantial, and those that SMEs considered to be of less significance. Additionally, it becomes feasible to evaluate which risk factors are essential (important) for SMEs to consider when entering and operating in international markets.

The primary objective of such risk analysis is to identify the primary risk variables that are associated with the process of internationalisation of SMEs. These factors have the potential to have a substantial impact on the firms' capacity to compete in their respective markets. One of the goals should be to determine which obstacles are the most significant to small and medium-sized businesses trying to break into global markets.

We can identify the followings as important risks: the risk of concluding an incorrect purchase contract; the risk of a foreign customer withdrawing from the contract; the risk of prolonged default or insolvency on the part of a foreign customer; and the risk of incurring losses due to fluctuations in the value of the foreign currency. Among the crucial risk factors were instead the risks associated with the creation of substitutes for the company's product, changes in the general business environment on foreign markets, changes in legislative regulations on foreign markets, the risk of foreign customers declining to purchase the company's goods, and the risk of changes in relative prices between the conclusion of a purchase contract and its fulfilment.

This multi-source analysis matches with the top 10 obstacles that prevent the internationalisation process of SMEs all over the world, which were identified in research conducted by the OECD in 2009. In general, for most small and medium-sized businesses around the world is the lack of available money to fund exports the biggest obstacle. Another significant obstacle can also be the difficulty in locating prospects for doing business in other countries and in making initial contact with potential consumers in those countries. In addition, the exorbitant expenses of shipping goods to international markets provide a barrier that is faced by assessed SMEs to a greater extent than by SMEs everywhere else in the world.

However, in connection with this interview conducted, even if the geographical location and the fund size can have a negative impact, we can still state that Private Equity funds can help companies enhance risk management in several ways. Through their expertise, PE funds often have a team of experienced professionals who have extensive knowledge of risk management strategies and can provide guidance and support to portfolio companies. As previously mentioned, financial resources that PE funds provide allow to access to additional financial resources that can be used to improve a company's risk management processes, such as investing in technology or hiring additional staff.

Best Practices can also be helpful, as PE funds often have a portfolio of companies and can share best practices and lessons learned to help portfolio companies mitigate risk. Another crucial aspect of equity-based deals is that these companies often have a broad network of industry contacts and can introduce portfolio companies to potential partners, suppliers, and customers who can help mitigate risk. These benefits will be explained in detail throughout the next paragraphs.

The governance plays also very important role – we will take a more detailed look to the aforementioned in the third part of chapter one. With this regard, PE funds may also provide risk management oversight to ensure that portfolio companies are adhering to best practices and managing risk effectively. It is clearly not possible to go through all these variables only with the internal resources.

By leveraging the resources and expertise of PE funds, companies can enhance their risk management processes and reduce the likelihood of financial losses, legal issues, and other risks associated with business operations.

1.2 Network, knowledge sharing and SMEs internationalisation: a positive correlation

Following our discussion on the impact of risk management, we will now shift our focus on another pivotal aspect that plays a crucial role in the in the internationalization of SMEs: The network. A solid network structure can change the rapidity of expansion, together with a knowledge sharing approach, that is also essential in PE deals. This part aims to link the knowledge management and the international relationships. The aforementioned variables will be also analysed from an organizational perspective, as it is necessary for the firm to have an open and lean approach to rapidly succeed abroad, where flexibility is vital (even for companies with a standardized product, as they will still need to interact with a huge variety of market players that will have different set ups from the home state).

Companies that are looking for opportunities to expand their businesses into international markets have found that globalisation of the economy, the development of digital technologies, and the proliferation of social media have become crucial strategies in their toolkit. Because they enable instant communication, a reduction in costs associated with physical distance, and the acquisition of a huge amount of information about international customers, the Internet and other new digital tools have dramatically altered the business environment. This makes it possible for managers to have a better understanding of foreign consumers and markets, and it also makes it possible for businesses to generate operational efficiencies in the areas of transactions and communications.

Existing research has also made note of the essential part that knowledge plays in facilitating the internationalisation process for businesses (Del Giudice and Della Peruta, 2016)[25].

[25] Peruta, M. R. D., Holden, N. J., & Del Giudice, M. (2016). Cross-cultural challenges for innovation management. Creativity, Innovation, and Entrepreneurship Across Cultures: Theory and Practices, 95-107.

Knowledge has been suggested as an asset that can enhance the capacities of firms to operate in international markets. Furthermore, it is presumed to play a crucial role in the world that we live in today due to the significant contribution it makes to the creation and maintenance of competitive advantages in international markets. In the following chapter, we will link the importance of network and knowledge in the process of geographical expansion to the pivotal role that private equity funds play in this regard, not only from a financial but also from a reputational point of view.

As was mentioned earlier, companies that want to begin operating in international markets are going to have to deal with a lot of uncertainty and risk. In order for businesses to be successful in overcoming these criticalities, they need to generate and control a variety of resources and capabilities. In point of fact, businesses cultivate their capabilities and establish routines in order to successfully manage operations in their domestic market, but these are frequently inadequate when applied to the management of operations in international markets.

Knowledge is one of the most essential components of internationalisation, and experts believe that in order for businesses to be successful in international markets, they must first acquire specific local market knowledge. It turns out that a lack of knowledge about foreign markets is a significant barrier to the development of international operations. Knowledge has been identified as a crucial component for the internationalisation of small and medium enterprises (SMEs). This is the case to the extent that the internationalisation process theory considers the generation and acquisition of knowledge to be essential for having an effect on the internationalisation of small businesses.

At the same time, recent studies have placed a strong emphasis on the significance of network relationships in the expansion of SMEs on a global scale. When a company is a part of a network, it is able to maintain constant interaction with its partners, learn which markets would be the most profitable to serve, and find the most efficient and cutting-edge approaches to breaking into international markets. However, entering new markets creates uncertainty and exposes companies to a number of risks; as a result, companies need to establish a set of resources and capabilities to address these criticalities. Small and medium-sized enterprises (SMEs) typically have limited resources and capabilities (Kahiya and Dean, 2016)[26]. Networks

[26] Kahiya, E. T., & Dean, D. L. (2016). Export stages and export barriers: Revisiting traditional export development. Thunderbird International Business Review, 58(1), 75-89.

offer the opportunity to establish relationships and access complementary knowledge that are pertinent for SMEs to enter new markets and maintain global competition.

Knowledge of marketing also represents a means to learn about foreign markets and interact with foreign customers, and it could significantly contribute to the problem-solving process. However, marketing knowledge gained from the domestic market is not always applicable in foreign markets. This aspect presents a particularly difficult challenge, particularly for SMEs that must frequently deal with a lack of resources and capability. Firms need to identify solutions, such as collaboration and networks, to acquire knowledge about foreign customers, overcome criticalities related to being a newcomer entering international markets, and succeed in international markets in order to develop strategically valuable resources and capabilities and obtain the marketing knowledge. Additionally, firms need to obtain the marketing knowledge in order to develop strategically valuable resources and capabilities.

Starting up in a new market is a daunting challenge that necessitates expertise in finding the right internationalisation strategy, picking the right country, and resolving a number of potential criticalities that may arise. These skills are necessary for a successful outcome of this endeavour. Therefore, this study contributes in the first place by looking into what influences small and medium-sized enterprises (SMEs) are ready to operate on the international scene, which could help businesses advance their internationalisation process. This is an advantage that may arise as a result of this study.

Literature that is currently available has also emphasised how important knowledge of internationalisation is for a successful and sustainable internationalisation process for SMEs (Fletcher and Harris, 2012)[27]. However, we should define the kind of knowledge that contributes most effectively to the development of the competencies that are necessary to overcome the traditional lack of knowledge that businesses have to deal with when they are planning to enter a new market abroad.

We investigate three distinct types of "knowledge," namely customer-specific, market-specific, and economic-setting knowledge sharing, and evaluate the impact that each has on the degree to which small and medium-sized enterprises (SMEs) are prepared to engage in international business. This is because readiness to operate in other countries could be derived from the

[27] Fletcher, M., & Harris, S. (2012). Knowledge acquisition for the internationalization of the smaller firm: Content and sources. International Business Review, 21(4), 631-647.

combination of different types of knowledge. In the following chapter, we are going to define and illustrate the support that equity deals bring from this point of view.

Our premise is that SMEs could benefit from private equity by sharing information about international markets and enhancing their strategic marketing capacities. This stems from the fact that small and medium-sized enterprises (SMEs) have long relied on their social network to compensate for their limitations, lower transaction costs, and generate and disseminate expertise. From this vantage point, networks might be viewed as the ideal environment for the development of informal relationships and collaborations, which in turn facilitate the transfer of knowledge from one company to another.

On the basis of the premises presented above, we are going to examine the part that networks play in the process of developing and sharing knowledge that may be of assistance to SMEs that are just starting to operate in international markets. Recent findings suggest that existing network relationships may be able to assist SMEs in locating opportunities in other countries (Coviello, 2006; Ellis, 2000)[28]. Previous research suggests, however, that additional efforts are required to better understand whether and how networks affect the ability of SMEs to identify business opportunities on foreign markets (Dimitratos et al., 2014)[29].

From this vantage point, we investigate whether and how these networks obtain access to knowledge that is useful to seize opportunities overseas and, as a result, improve their preparedness for internationalisation. We investigate in greater detail the potential contribution that networks may provide in terms of the sharing of knowledge regarding foreign customers, the peculiarities of foreign markets, and the macroenvironmental institutions of the country that is hosting the event.

Also, as previously discussed and due to the complication that companies, particularly SMEs, have to face when they decide to cross their national borders, we have previously investigated the role that SMEs' risk management perception plays in hindering their readiness for internationalisation. This was done because firms, particularly SMEs, have to face this complication when they decide to cross their national borders. Even if the process of internationalisation of the company has been studied extensively, the behaviour of companies,

[28] Coviello, N. E. (2006). The network dynamics of international new ventures. Journal of international Business studies, 37, 713-731.
Ellis, P. (2000). Social ties and foreign market entry. Journal of international business studies, 31, 443-469.
[29] Dimitratos, P., Amorós, J. E., Etchebarne, M. S., & Felzensztein, C. (2014). Micro-multinational or not? International entrepreneurship, networking and learning effects. Journal of business research, 67(5), 908-915.

particularly small and medium-sized enterprises (SMEs), prior to internationalisation still requires some effort in order to better understand their process of internationalisation.

Small and medium-sized enterprises typically lack substantial financial and human resources, as well as the ability to rapidly develop new knowledge. As a result, SMEs typically lack the primary resources that larger firms typically use to achieve success in international markets (as an internal barrier showed earlier). The process of internationalisation has been characterised as one that is predicated on the acquisition of new knowledge and information. In turn, the processes of generating new knowledge and acquiring new knowledge are necessary drivers in successful internationalisation. This is especially true in resource-constrained SMEs, which traditionally have to deal with a lack of knowledge in order to enter foreign markets. Since entering new markets is a form of innovation, internationalisation has also been described as a knowledge-based process (Bilkey and Tesar, 1977)[30].

Internationalization is the process of expanding a company's operations into new markets outside of its home country. Knowledge is essential for small and medium-sized businesses (SMEs), which must not only face environmental uncertainties but also determine how to enter foreign markets. From this vantage point, knowledge is seen as a tool for mitigating risk, and the accumulation of knowledge has been singled out as an essential component of internationalisation for small and medium-sized enterprises (SMEs). Knowledge-based approaches hold that a company's trajectory is set by the rate at which its internal knowledge is created and updated. The approach also confirms that a company's competitive advantages stem from the knowledge it already has and can continue to acquire and develop.

Knowledge-based theory provides a helpful lens through which small and medium-sized enterprises (SMEs) that are interested in operating overseas can investigate the contributions networks offer to their members. This is because SMEs frequently need to retrieve knowledge on how to conduct business in a foreign market.

Several of the more traditional theories of internationalisation describe internationalisation as a process that occurs gradually over time. The Uppsala model (Johanson and Vahlne, 1977)[31] is one of the most well-known theories in the field of research pertaining to the internationalisation of businesses. This model proposes that beginning operations in a foreign

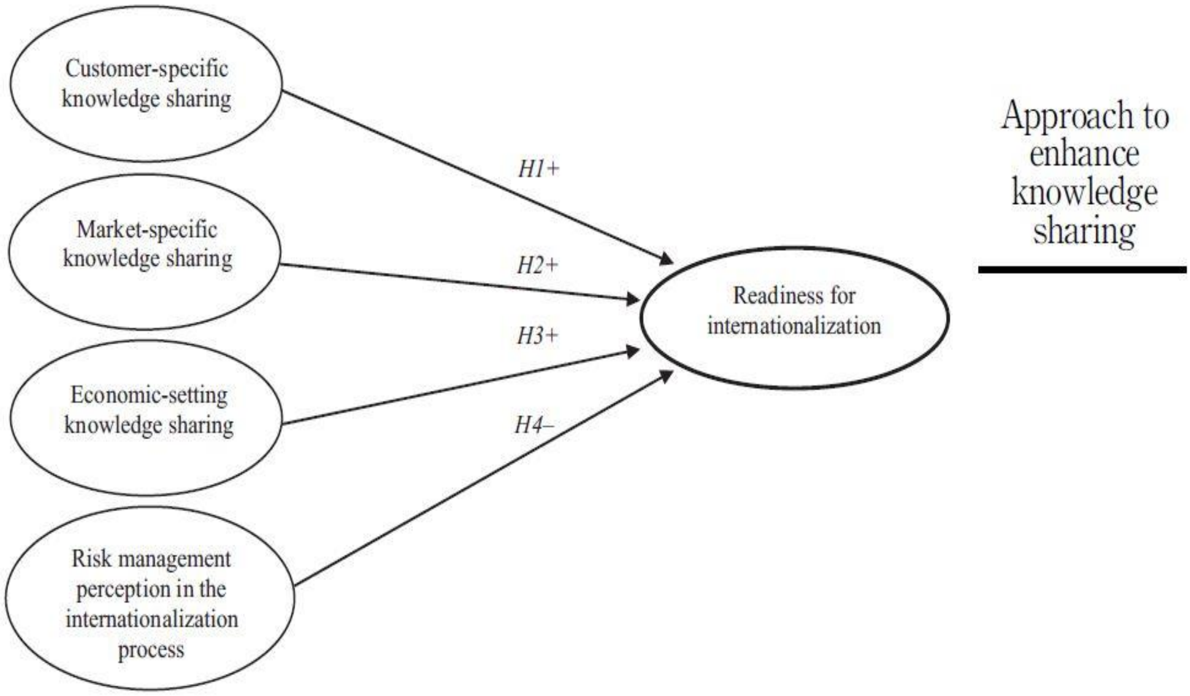
[30] Bilkey, W. J., & Tesar, G. (1977). The export behavior of smaller-sized Wisconsin manufacturing firms. Journal of international business studies, 8, 93-98.
[31] Johanson, J., & Vahlne, J. E. (2017). The internationalization process of the firm—a model of knowledge development and increasing foreign market commitments. In International business (pp. 145-154).

country is an iterative process. The fact that internationalisation is an incremental process implies not only that it is the process of adapting firms' operations to international environments, but also that, because international opportunities are difficult to navigate, businesses need to gradually acquire knowledge and information in order to be ready to fully capitalise on opportunities in international markets. According to this point of view, the more a company knows about the environment of a foreign country, the more prepared it is to operate in that market; as a result, experiential knowledge plays a crucial role in this context (and PE funds very often have that requisite).

Utilizing a variety of different sources of knowledge, such as market information, customer information, and business intelligence, is required of companies before they can be considered ready to conduct business in other countries. In spite of this, businesses rarely have direct access to all of this information, and small and medium-sized enterprises in particular have a tendency to rely on external sources such as partners, suppliers, consumers, and competitors in order to overcome the challenges posed by their limited resources and acquire information that is useful for successfully accessing foreign markets. PE can provide all of them just by making a deal.

To continue in this vein, it seems particularly interesting to investigate the role networks play in supporting localised knowledge clusters where the information and knowledge that is traditionally obtained by accessing and operating on international markets could be obtained by establishing relationships with peers.

Even without establishing direct linkages with foreign stakeholders, businesses may be able to profit from other SMEs if they collaborate with other members of a network and gain their support. SMEs work together in a network to find solutions to problems, share information in order to learn, adapt, and function more effectively, and ultimately get themselves prepared to conduct business in other countries. As a result, it seems interesting to adopt this perspective in order to investigate the role networks operate in supporting firms to enhance their readiness for internationalisation in a more in-depth manner.



Source: Lefebvre K., Fait M, Chierici R., Magni D. – International Marketing review, Emerald,2021[32]

As the risk management influence in the internationalisation process has been discussed in the previous section, we will now analyse the knowledge related factors that can have an impact on the geographical expansion process of the SMEs.

Processes of internationalisation are intrinsically linked to the internationalisation of the business network to which the company belongs. Internationalization is now a well-established phenomenon for businesses, which increasingly look to expand their operations overseas in order to improve their competitiveness and maintain their viability in a market that has become increasingly global.

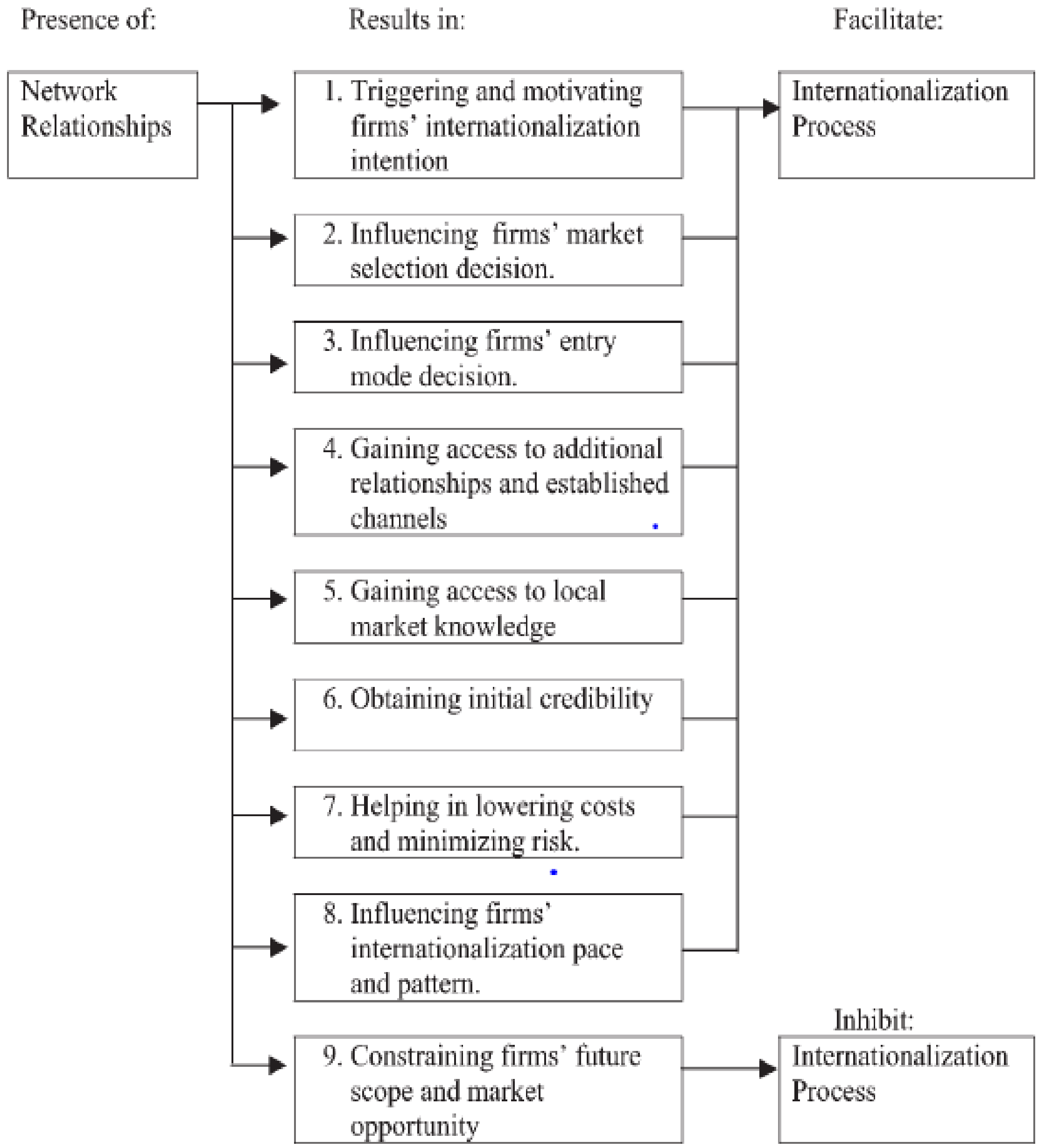
Today, the evolution of market barriers, the convergence of demand, and the development of technologies and communications have led to profound transformations in the business, observing more dynamism throughout the environment (Dimitratos et al., 2003; Berthon et al., 2012; Boso et al., 2013; Vrontis et al., 2017)[33]. These factors have led to profound

[32] Magni, D., Chierici, R., Fait, M., & Lefebvre, K. (2022). A network model approach to enhance knowledge sharing for internationalization readiness of SMEs. International Marketing Review, 39(3), 626-652.
[33] Vrontis, D., & Christofi, M. (2021). R&D internationalization and innovation: A systematic review, integrative framework and future research directions. Journal of Business Research, 128, 812-823.
Berthon, P. R., Pitt, L. F., Plangger, K., & Shapiro, D. (2012). Marketing meets Web 2.0, social media, and creative consumers: Implications for international marketing strategy. Business horizons, 55(3), 261-271.
Boso, N., Story, V. M., & Cadogan, J. W. (2013). Entrepreneurial orientation, market orientation, network ties, and performance: Study of entrepreneurial firms in a developing economy. Journal of business Venturing, 28(6), 708-727.
Vrontis, D., Thrassou, A., Santoro, G., & Papa, A. (2017). Ambidexterity, external knowledge and performance in knowledge-intensive firms. The Journal of Technology Transfer, 42, 374-388.

transformations in the business that have successively led to important transformations in the environment.

The first thing that needs to be done is to acknowledge the significance of international markets as a potential source of increased profits or expansion of the business. In addition, marketing strategies are inextricably linked to the actions of consumers and the goals of marketing campaigns. As a result, different markets may contain customers who share the same traits and therefore call for marketing approaches that are analogous to those used in other markets, and vice versa. Where there is differentiation in needs, marketing strategies need to be adapted regardless of geographical boundaries, the preferences of customers, and specific cultural norms and values (local responsiveness). By taking this approach, networking help to spur knowledge on general internationalisation issues as well as market-specific knowledge, as also shown in the image below.

Figure 1. Drivers of Family Conglomerates



Source: Imm Ng S., Zain M., Wiley InterScience, International Business Review, 2006[34]

This also holds true for knowledge that is specific to individual customers, which can be obtained through capital social, also known as the resources that are accumulated throughout an organization's network. When viewed through the prism of international relationship marketing, there are a number of consumer-specific characteristics that need to be researched in greater detail in order to effectively plan internationalisation processes. According to Hånell

[34] Zain, M., & Ng, S. I. (2006). The impacts of network relationships on SMEs' internationalization process. Thunderbird international business review, 48(2), 183-205.

et al. (2020)[35], an individual's prior experiential knowledge of customer features and characteristics influences SMEs' commitments and internationalisation behaviour.

The knowledge of the target market's preferences is, as a result, an essential component in the process of formulating an internationalisation strategy. However, on the other side we can emphasise how difficult it is to find consumers' baseline information. As a result of this, the significance of the network is worth to mention for the purpose of sharing information that is consumer-specific. In point of fact, the network makes it possible for businesses, especially smaller ones, to capitalise on the shared knowledge they have with other companies that are a part of the network, thereby utilising the knowledge economies to stimulate the processes of internationalisation. In addition, the levels of readiness for internationalisation that are present in SMEs are strongly linked to knowledge, particularly experiential knowledge, which is regarded as the primary catalyst for a firm's internationalisation.

Following this perspective, experiential knowledge is an essential component in the development of consumer-specific knowledge: both general and customer-specific knowledge are shared with the entire network in order to increase the levels of readiness for internationalisation and thereby facilitate the internationalisation process for SMEs that are members of the network.

In light of this prospective, we can assume that, as stated in the first illustration, there is a positive correlation between customer-specific knowledge sharing and readiness for internationalisation.

In order for businesses to reach the level of readiness required for internationalisation, they need to think about the efforts that will be required to adapt the demand to the new market offer, and vice versa. Internationalisation is a process that involves adapting a company, a product, or a brand to a new international market, to new countries, and consequently to new cultures.

Through the application of the lens of the adapting process, even the new foreign markets are required to adapt significantly to the offer of the internationalised firm. The problem of adaptation is often seen as a very lengthy and challenging process to complete, and for this reason, it can dissuade businesses from planning internationalisation strategies. This is

[35] Hånell, S. M., Rovira Nordman, E., Tolstoy, D., & Özbek, N. (2020). "It'sa new game out there": e-commerce in internationalising retail SMEs. International Marketing Review, 37(3), 515-531.

especially true when the adaptation in question pertains to small and medium-sized enterprises (SMEs).

When determining the level of readiness for internationalisation, it is necessary to conduct an analysis of both the environment and the market-specific scenario for each new market. The two components that make up market-specific knowledge sharing are institutional knowledge and the knowledge of the business network. On the one hand, the first factor is related to the institutional macroenvironment of the host nation, which includes things like local governments, culture, and norms.

On the other hand, network knowledge focuses on the dynamic aspects of international processes, which are the foundation of the concept of an international network itself, network knowledge refers specifically to information regarding the organisation network of a particular target country. This information may include knowledge of various suppliers, consumer dynamics, the attractiveness of a particular sector, and the level of competition present in the market.

Nevertheless, the network model for internationalisation shares the dynamics of adaptation in international markets with all of the firms that are a part of the network. Companies, especially small and medium-sized enterprises (SMEs), which have limited financial and internal resources and are unable to conduct a timely and preventative assessment of a new outlet market on their own, make use of the experiential knowledge shared by other companies that are members of a network. This makes it possible to understand and evaluate the most effective adaptation solution before beginning operations in a foreign country. A focus on adapting a company's products and services to the requirements of a foreign market paves the way for the development of a conscious readiness for internationalisation through the sharing of knowledge within a network.

In light of this perspective, the mode of entry into foreign markets draws attention to the central role that knowledge and the experiential knowledge of the network play in selecting an appropriate entry strategy for small and medium-sized enterprises (SMEs) to begin operating in other countries.

As a result, we can highlight how the readiness for internationalisation is positively related to the sharing of market-specific information.

Knowledge of the economic setting is also impacted by the structure of firms and the decisions made by management in order to boost the value of knowledge across the entire business environment. In addition, for example the perception of employees regarding the competitiveness of their internal and external environments can play a role in the stimulation of knowledge that is hidden in socio-economic settings.

Because of this shift in perspective, the management point of view of economic-setting knowledge sharing has been completely redesigned (Arain et al., 2019)[36]. This was done in order to investigate the implications of knowledge concealment in the context of the business environment. We can see the economic setting as a relational space in which the actors share their knowledge and resources with one another. One way to think about the economic setting of a market could be the collection of cultural and social values into which it is embedded. Firms are able to develop their level of willingness and maturity for internationalisation when they have knowledge of the economic setting of the country in which they will be operating. This can be achieved through a PE partnership, or a venture capital one (mostly depending on the size and orientation of the firm).

As a matter of fact, it is not easy for small and medium-sized enterprises (SMEs) to acquire a proper enough level of knowledge on the economic setting of a foreign country, and even more difficult without external support. Taking a network viewpoint once more, network membership can be a practical means of disseminating such information (e.g., PE syndicates, PE or VC partners abroad and investors in crowdfunding in foreign countries). Sharing first-hand insights into the business climate and regulatory framework of a prospective export market is made possible through networking.

The level of readiness for internationalisation of SMEs is surely affected by the knowledge-sharing of the economic settings of foreign markets. The support provided by networks enables small and medium-sized enterprises (SMEs) to lessen the typical dangers associated with internationalisation by enhancing their knowledge of specific economic settings. This results in higher levels of readiness for internationalisation and, therefore, it can be linked to the sharing of economic-setting knowledge.

[36] Arain, G. A., Bhatti, Z. A., Hameed, I., & Fang, Y. H. (2020). Top-down knowledge hiding and innovative work behavior (IWB): a three-way moderated-mediation analysis of self-efficacy and local/foreign status. Journal of Knowledge Management, 24(2), 127-149.

1.3 SMEs internationalisation in Italy: Motivations of entrepreneurs in a context with limited legislative assistance

Throughout the previous sections, we have seen how internationalisation of small and medium entrepreneurial businesses is a very challenging endeavour. We will conclude the first chapter with a study of the internationalisation motivations for Italians entrepreneurs, whereas Italy is not considerate a supportive country from a policies perspective. It will allow us to connect some of the aspects previously seen, such as networking and reputation, and how significant they are for Italian SMEs willing to reach a global market.

This is especially the case if the businesses come from a policy environment that, as just said, does not provide adequate support, such as a country or region in which the government has not yet established and clearly implemented policies that are designed to specifically support the internationalisation efforts of ventures. Because of this, it is absolutely necessary for a company to have a solid understanding of the nature of the business procedures it adopts and/or modifies in order to maintain its capacity for successful internationalisation (Wright et al., 2007; Voss et al., 2014)[37].

Successful entrepreneurs modify their organisational business processes in significant ways in order to convert the less-than-optimal policy support for internationalisation into an advantage, and yet they still proceed towards successful internationalisation. Recent literature evidence confirms this theory (Sadeghi et al., 2020)[38].

Despite the fact that Italy has a long tradition of entrepreneurialism, there is a severe lack of policy support for entrepreneurs within the government. National Experts Survey conducted under the aegis of Global Entrepreneurship Monitor (GEM) found that Italy has a tendency to lack in terms of policy support for entrepreneurship, especially with regard to physical infrastructure, financial resources for new entrepreneurs, as well as a lack of effective government programmes, to the point that Italy is at the low end of the spectrum with regard to the financial policies and government policies in terms of tax and bureaucracy.

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[37] Voss, H., Buckley, P.J. and Cross, A.R. (2014), “The impact of home country institutional effects on the internationalisation strategy of Chinese firms”, The Multinational Enterprise and the Emergence of the Global Factory, Palgrave Macmillan, London, pp. 154-172.

Wright, M., Westhead, P., Deniz, U. (2007). Internationalization of Small and Medium-sized Enterprises (SMEs) and International Entrepreneurship: A Critique and Policy Implications. Regional Studies, Volume 41, 2007-7

[38] Jafari-Sadeghi, V., Dutta, D. K., Ferraris, A., & Del Giudice, M. (2020, April 5). Internationalisation business processes in an under-supported policy contexts: evidence from Italian SMEs. Business Process Management Journal, 26(5), 1055–1074.

As a matter of fact, Bosma et al. (2008)[39] note that Italy ranks the lowest of all the large European countries across almost all aspects of the entrepreneurial ecosystem. Government policies and programmes, as well as entrepreneurial education, are singled out as particularly lacking in the country.

Even though the spirit of entrepreneurship is strong in Italy and there is a socio-cultural fit with entrepreneurship, there is a significant lack of support in terms of governmental policy, particularly with regard to internationalisation.

Nonetheless, the third chapter of this dissertation will show a "hybrid" state financial institution, SIMEST, with a focus on the development and promotion of Italian enterprises abroad.

When there is a lack of support from the government for international business ventures, business owners have to take it upon themselves to make their own arrangements and customise their business processes through personal initiative and interactions with network partners. Partnerships done through equity fundraising can be considered network partners as well, as it is one of the many benefits that they are able to provide their portfolio companies. Therefore, SIMEST will also fall within this category and in the final part we will also see how this state financial institution can provide substantial support for SMEs internalisation, even if Italy is considered a not supportive country with this regard.

In general, motivation is what explains an individual's effort and perseverance through a specific action. The role of entrepreneurial motivation in the formation of new businesses and the expansion of existing ones has been the subject of study for a considerable amount of time (Estay et al., 2013; Stewart and Roth, 2007)[40]. Entrepreneurial motivations play a significant part in the formation of new organisations, particularly in terms of how it influences the choice to start a new business.

Previous literature developed a temporal perspective of motivation and proposed that motivation can be understood as an effect of four characteristics: value, expectancy, time, and gains versus losses. They suggested that these characteristics interact to produce motivation. To be more specific, motivation has an effect on entrepreneurial behaviour in three harmonious

39 Bosma, N., Acs, Z., Autio, E., Coduras, A. and Levie, J. (2008), "Global entrepreneurship monitor", Executive Report.

40 Estay, C., Durrieu, F. and Akhter, M. (2013), "Entrepreneurship: from motivation to start-up", Journal of International Entrepreneurship, Vol. 11, pp. 243-267

Stewart, W.H. Jr and Roth, P.L. (2007), "A meta-analysis of achievbement motivation differences between entrepreneurs and managers", Journal of Small Business Management, Vol. 45 No. 4, pp. 401-421.

ways: first, it influences the choice of the individual and on the priorities, which is another way of saying the direction the action will take; second, it influences the intensity of the action, which is based on the importance or value that the action has for the entrepreneur; and third, it impacts the persistence of action, which is based on the clarity of the path to achieving this value (Braga et al., 2014)[41].

There can be several motivational factors that play a critical role in the propensity of an entrepreneur to interact with an opportunity. The need for achievement, taking risks, having a high tolerance for ambiguity, having a strong sense of where control lies, having confidence in one's own ability, and setting goals are all examples of these. Other forms of motivation, such as independence (the responsibility to use one's own judgement), drive (the willingness to put effort into something), and egoistic passion could also play an important part in the entrepreneurial process.

In a similar vein, Baum and Locke (2004)[42] discover that entrepreneurial goals and self-efficacy both have direct effects on the growth of ventures, as well as the ability to mediate the effects of entrepreneurial passion and tenacity on venture growth. These findings are consistent with those discovered by researchers working at the macro (country) level.

Using data from the Global Entrepreneurship Monitor (GEM), we can say that an increase in the number of wealth-motivated entrepreneurs in a country leads to an increase in the number of high-growth jobs and entrepreneurs who focus on exporting their products. In addition, factors such as the national culture of an entrepreneur's home country play an important role in the latter's involvement with international markets.

There are two distinct types of entrepreneurships, which are referred to as opportunity entrepreneurship and necessity entrepreneurship, and researchers have taken an interest in studying the reasons why people choose to become self-employed as entrepreneurs.

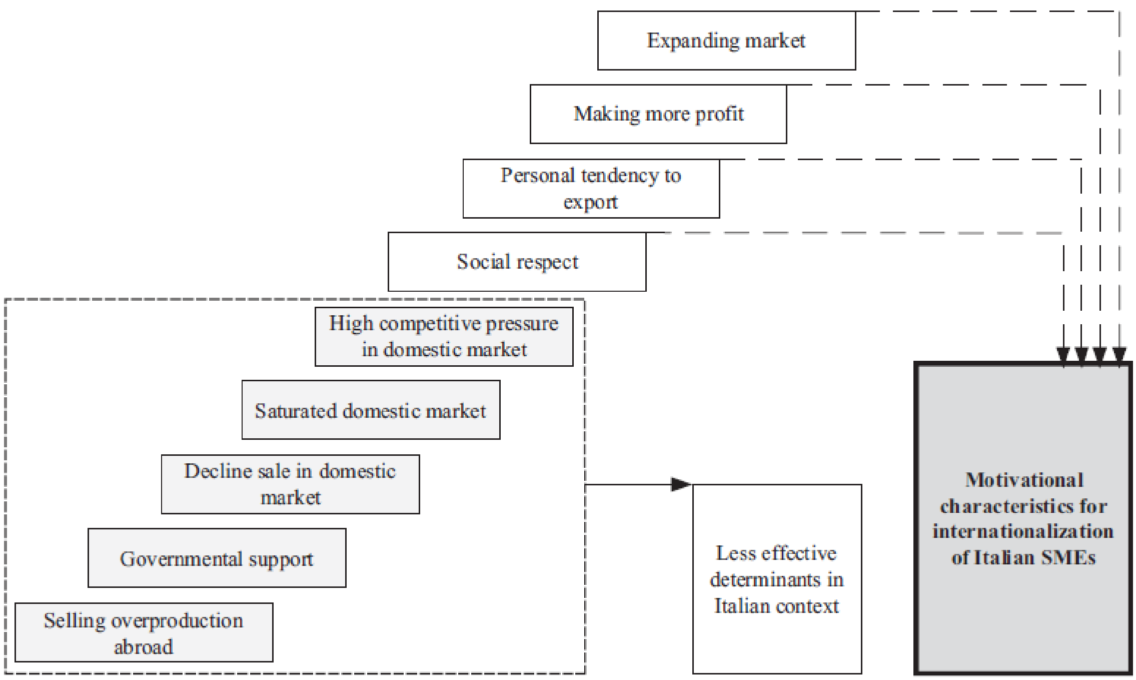
On the one hand, opportunity-oriented entrepreneurs are those who establish a venture in order to seek an opportunity, as opposed to those who do so because they are forced to. They typically start a company either to increase their income or to establish their financial autonomy. On the other hand, those who practise necessity-driven entrepreneurship view themselves as being

[41] Braga, J.C., Proença, T. and Ferreira, M.R. (2014), "Motivations for social entrepreneurship – evidence from Portugal", Tekhne - Review of Applied Management Studies, Vol. 12 No. 2014, pp. 11-21

[42] Baum, J.R. and Locke, E.A. (2004), "The relationship of entrepreneurial traits, skill, and motivation to subsequent venture growth", Journal of Applied Psychology, Vol. 89 No. 4, pp. 587-598.

compelled to launch their own companies due to the dearth of available employment opportunities. Because of this, going into business for oneself is not a choice that is made voluntarily but rather one that is relatively compelled given that there are no other employment options that are satisfactory (Angulo-Guerrero et al., 2017; Razavi Hajiagha et al., 2018a, b)[43].

Increased economic freedom can serve as a catalyst for the creation of new business ventures that take advantage of untapped market potential. We propose that this facet of entrepreneurial ventures expanding overseas remains even more understudied, especially coming from a context that is under supported, in terms of favourable policy initiatives towards international expansion of small, entrepreneurial businesses. In particular, we are referring to a context in which there is a lack of support for international expansion of small, entrepreneurial businesses. After making the decision to expand internationally, business owners have the additional responsibility of being aware of the foreign and potentially hazardous environment they will be operating in. These types of business owners are subject to a great deal of pressure, particularly in terms of the knowledge they must possess, when operating in a global marketplace (e.g., Santoro, et al., 2019)[44].



Source: Jafari-Sadeghi, V., Dutta, D. K., Ferraris, A., & Del Giudice, M. (2020, April 5). Internationalisation business processes in an under-supported policy contexts: evidence from Italian SMEs. Business Process Management Journal, 26(5), 1055–1074.

[43] Angulo-Guerrero, M.J., Perez-Moreno, S. and Abad-Guerrero, I.M. (2017), “How economic freedom affects opportunity and necessity entrepreneurship in the OECD countries”, Journal of Business Research, Elsevier B.V., Vol. 73, pp. 30-37
Razavi Hajiagha, S.H., Shahbazi, M., Amoozad Mahdiraji, H. and Panahian, H. (2018a), “A Bi-objective score-variance based linear assignment method for group decision making with hesitant fuzzy linguistic term sets”, Technological and Economic Development of Economy, Vol. 24 No. 3, pp. 1125-1148
[44] Santoro, G., Mazzoleni, A., Quaglia, R. and Solima, L. (2019), “Does age matter? The impact of SMEs age on the relationship between knowledge sourcing strategy and internationalization”, Journal of Business Research

According to the findings of the above study, there are four primary motivational determinants that influence the internationalisation of small and medium-sized businesses in Italy, and they are not related to government support: (1) Increased profits; (2) an enlarged target market; (3) an individual propensity to export; and (4) increased respect from the community.

According to this study, a number of significant aspects regarding the venture's motivation for internationalisation and its links with the business processes of the venture came to light. For instance, when it came to exporting, the most important thing for Italian businesses to focus on was the growth of the market.

Nevertheless, social respect and prestige was the final significant factor that was necessary for Italians to get their businesses across international borders. Internationalisation gives more respect from your clients. It demonstrates that you are a trustworthy individual and that you are able to provide solutions and services for a variety of situations, irrespective of the location in which the businesses are located.

In accordance with the findings of Jafari-Sadeghi (2019)[45], the factors of motivation that were uncovered in this research can be categorised as either necessity or opportunity motivations. In this regard, our findings indicate that opportunity-driven motivations like making more profit, expanding market, personal tendency to export, and social respect lead entrepreneurs to tailor their business processes in order to become successful in the internationalisation of their ventures.

This is the case in a policy environment that is under-supported. Entrepreneurs who are motivated by the opportunity to capitalise on a business opportunity rather than conforming because they are coerced to do so are considered opportunity driven. They typically participate in entrepreneurial endeavours because they want to achieve greater levels of autonomy or increase their financial standing (Aparicio et al., 2016)[46]. On the other hand, entrepreneurs who are driven by necessity are people who feel compelled to start a new business because they are unable to find employment or have lost their jobs through no fault of their own (Reynolds et al., 2002)[47].

[45] Jafari-Sadeghi, V., Dutta, D. K., Ferraris, A., & Del Giudice, M. (2020, April 5). Internationalisation business processes in an under-supported policy contexts: evidence from Italian SMEs. Business Process Management Journal, 26(5), 1055–1074.

[46] Aparicio, S., Urbano, D. and Gomez, D. (2016), “The role of innovative entrepreneurship within Colombian business cycle scenarios: a system dynamics approach”, Futures, Vol. 81, pp. 130-147.

[47] Reynolds, P.D., Bygrave, W., Autio, E., Cox, L. and Hay, M. (2002), Global Entrepreneurship Monitor Executive Report 2002, Kauffman Centre for Entrepreneurial Leadership at the Ewing Marion Kauffman Foundation, Kansas City, MO.

According to the findings of the research, there are two primary factors that determine how the capabilities of the international network affect the performance of the Italian company in international markets: (1) Establishing ties with a potential international partner or representative, and (2) preserving ties with industry-relevant authorities. This is where VCs can be very useful, as well as SIMEST, which is even a state institution.

In conclusion, in a policy environment where there is insufficient support, networking pillars that are necessary for successfully internationalising entrepreneurial firms, such as presenting products or services at international exhibitions, developing relationships with international suppliers and distributors, and establishing ties with competitors and customers from other countries, cannot be adapted to the business process in a way that will ensure success. However, entrepreneurial endeavours that have established their footprint overseas in a policy environment that is not fully developed are regarded as having an obligation to cultivate relationships with an international partner or representative and to maintain relationships with industry-relevant authorities. Both of these activities are considered to be imperative. In point of fact, the development of such networking capabilities serves as an integral part of their entrepreneurial business processes. This enables them to identify, develop, and capitalise on entrepreneurial opportunities that, if they had not developed these capabilities, they would not have been able to take advantage of. Equity fundraising gives SMEs the opportunity to benefit from all of the above key factors by just making one partnership.

2. Equity-backed companies and Internationalisation

After an overview of the most delicate factors to consider in the SMEs internationalisation, we will now proceed with a deep dive in the correlation between Private Equity Deals and internationalisation of SMEs. The paper focuses on the correlation with the private equity category comprehensive of venture capital funds, equity crowdfunding and growth equity funds (as part of PE funds).

It is important to mention that there can be several types of equity fundraising, including:

- Initial Public Offerings (IPOs): A company can raise capital by selling shares to the public for the first time, becoming publicly traded and listed on a stock exchange.
- Private Equity: A company can receive investment from private equity firms or investors in exchange for a share of the company's ownership or equity.
- Venture Capital: A company can receive investment from venture capital firms that specialize in high-risk investments in early-stage companies with high growth potential.
- Angel Investment: Companies can receive investment from high-net-worth individuals known as angel investors.
- Crowdfunding: Companies can raise funds from a large number of individuals, typically via the internet, in exchange for a share of the company's ownership or equity.
- Secondary Market Offerings: A company can raise capital by selling additional shares to existing shareholders or to new investors.
- Employee Stock Ownership Plans (ESOPs): Companies can offer employees an ownership stake in the company through a stock ownership plan.

The best type of equity fundraising to reach a global market and to internationalize will depend on the specific needs and goals of the company. However, the most popular options for internationalizing a business, also from a literature perspective, include:

1. Venture Capital: Venture capital firms often invest in companies with high growth potential and can provide not only capital, but also valuable connections, expertise, and mentorship to help companies expand globally.
2. Crowdfunding: Crowdfunding can be a great way to reach a large and diverse global market, as well as validate demand for a product or service.

3. Private Equity: Private equity firms can provide significant capital and expertise to help companies expand globally, and they may also have a network of international contacts that can be leveraged to help the company grow.

Following the aforementioned premises, we will not include in the research public equity, such as IPOs, since PE refers to the investment of capital into companies that are not publicly traded. We will neither consider joint ventures because Private equity firms invest in companies with the goal of generating returns through a combination of operational improvements, growth initiatives, and eventually, an exit event such as an IPO or a sale of the company. A joint venture, on the other hand, is a business arrangement in which two or more companies combine their resources to achieve a specific goal. Joint ventures can take various forms, but typically involve the sharing of ownership, profits, and control between the participating companies.

While private equity firms may use joint ventures as a way to enter new markets or gain access to new technologies, a joint venture is not considered a subcategory of private equity. It is a separate type of business arrangement that can be used by companies of all types, including private equity-backed companies, to achieve specific goals.

2.1 Equity Investments Vehicles position in Venture's Internationalisation

The limited access to resources in new ventures makes it difficult for entrepreneurs to expand their businesses. Despite these obstacles, some entrepreneurs are able to utilise the available resources and attract additional external resources in order to build sustainable, high-growth businesses. In some instances, these companies even internationalise at an early stage of development. In this context, venture capitalists play an important role as providers of external financial and non-financial resources for young businesses.

In addition to assisting SMEs in overcoming financial obstacles, they add value by providing managerial support and access to networks, as mentioned in the first chapter. Our objective is to investigate in greater depth how certain resource attributes may impact international expansion strategies for new businesses. Specifically, we investigate the external resources provided by venture capital infusions and the role of heterogeneity in these resources in promoting international growth. First, we investigate the impact on internationalisation strategies of the various methods of financing the new venture. Second, we examine the relevance of certain resource attributes accessed via the venture capitalist to the internationalisation process. Third, we investigate the role of a venture capitalist's ambition in stimulating the growth ambitions of an entrepreneur.

2.1.1 The international expansion of new businesses and the function of venture capitalists

In some instances, new ventures internationalise early in their development and engage in activities outside of their domestic market from the outset. Regularly, venture capitalists invest in high-growth new ventures in knowledge-intensive industries, which frequently employ early internationalisation strategies (Autio, Sapienza, and Almeida, 2000, Zahra, Ireland, and Hitt, 2000, and Fern- haber, McDougall, and Oviatt, 2007)[48]. Initial evidence demonstrates a positive correlation between the external ownership/partial ownership of venture capitalists and the level of internationalisation of small and medium-sized enterprises. Empirical evidence confirms this positive relationship for new ventures in which the ownership of an institutional

[48] Fernhaber, S. A., McDougall, P. P., & Oviatt, B. M. (2007). Exploring the role of industry structure in new venture internationalization. Entrepreneurship Theory and Practice, 31(4), 517-542.
Zahra, S. A., Ireland, R. D., Gutierrez, I., & Hitt, M. A. (2000). Introduction to Special Topic Forum Privatization and Entrepreneurial Transformation: Emerging Issues and a Future Research Agenda. Academy of management review, 25(3), 509-524.
Autio, E., Sapienza, H. J., & Almeida, J. G. (2000). Effects of age at entry, knowledge intensity, and imitability on international growth. Academy of management journal, 43(5), 909-924.

investor is coupled with the international experience of the investment manager sitting on the board of the new venture (Carpenter, Pollock, and Leary, 2003)[49].

It is demonstrated that a venture capitalist's knowledge and reputation act as a catalyst for the internationalisation of a new venture (Fernhaber and McDougall-Covin, 2009)[50]. In addition, the presence of foreign venture capitalists legitimises the new venture on the investor's home market. As a matter of fact, venture capitalists are providers of "smart money" for the growth of new ventures and, more specifically, the internationalisation process.

However, it remains unclear what mechanisms venture capitalists use to create international new ventures with rapid growth. European venture capital provides an intriguing context for analysing venture capitalists' impact on internationalisation strategies. New ventures in Europe are confronted with heterogeneity in language and other cultural factors across European countries, which impedes their ability to enter and operate in multiple markets, as customer preferences in each country may necessitate a customised market entry strategy and, as a result, place significant demands on the entrepreneur and/or the management team.

Consequently, it is frequently more difficult for new ventures to develop a scalable business model across pan-European markets than in homogeneous large markets such as the United States. Finally, European venture capitalists may face a demand for non-financial support and knowledge across multiple European markets outside of their home market (George and Nathusius 2007)[51].

2.1.2 Venture Capitalists' Provision of Financial Leakage

The resource constraint theories contend that limited access to resources forces management to use them more efficiently (Starr and MacMillan, 1990, and Baker and Nelson, 2005)[52], as managers are compelled to leverage and stretch the resources at hand or to use social contracting as a means to resource cooptation. Thus, value creation is explained by

[49] Carpenter, M. A., Pollock, T. G., & Leary, M. M. (2003). Testing a model of reasoned risk-taking: governance, the experience of principals and agents, and global strategy in high-technology IPO firms. Strategic management journal, 24(9), 803-820.
[50] Fernhaber, S. A., Mcdougall-Covin, P. P., & Shepherd, D. A. (2009). International entrepreneurship: leveraging internal and external knowledge sources. Strategic Entrepreneurship Journal, 3(4), 297-320.
[51] George, G., & Nathusius, E. (2007). The European Venture Capital Market: Scaling Beyond Boundaries. Brussels: European Private Equity & Venture Capital Association.
[52] Baker, T., & Nelson, R. E. (2005). Creating something from nothing: Resource construction through entrepreneurial bricolage. Administrative science quarterly, 50(3), 329-366.
Starr, J. A., & MacMillan, I. C. (1990). Resource cooptation via social contracting: Resource acquisition strategies for new ventures. Strategic Management Journal, 79-92.

idiosyncratic managerial strategies in environments devoid of resources, rather than by the inherent nature of the resources themselves. Therefore, financial resource constraints can have a positive effect on performance, as they alter managerial incentives toward risky strategies.

To explain the role of financial slack in the context of a new venture that is partially owned by a venture capitalist, agency theory arguments are applicable. The venture capitalist can be viewed as the principal and the entrepreneur as the agent, and their respective interests may diverge. Entrepreneurs may be more likely to engage in opportunistic behaviour if their financial resources are limited. In practise, it is widely acknowledged that venture capitalists frequently opt for limited financial resource provisioning in order to reduce agency expenses. They invest in multiple investment rounds to gather information, monitor the venture's development, and maintain the option to abandon the investment periodically. Ventures are subject to higher agency costs should be monitored more closely and, therefore, funding cycles should be shorter.

It is probable that internationalisation efforts of new ventures will result in a rise in agency costs, as this opens up additional growth opportunities and may imply greater risk. This may necessitate shorter funding cycles for venture capitalists and smaller investment amounts per stage in international SMEs. However, financial slack allows management to adapt to changing internal or external circumstances or pressures. In addition, financial cushion gives management the flexibility to engage in uncertain, higher-risk investments. In line with these arguments, we can sustain that fewer financial constraints due to personal inheritances are in a better position to build more profitable and sustainable businesses. Thus, it is believed that financial resources in excess have a positive effect on the performance and growth of a company.

In this context, internationalisation efforts can be viewed as high-risk endeavours that are easier to pursue when surplus funds are available. Therefore, a venture capitalist's funding strategy based on short funding cycles may hinder the growth and internationalisation of new businesses.

In conclusion, there are two contradictory claims regarding the impact of lax provisioning of financial resources on international new ventures. On the one hand, a venture capitalist risk mitigation strategy requires shorter funding cycles and a staged, or limited, provision of capital.

This funding strategy is commonly referred to in practise as "drip-feed funding"[53]. A strategy to capitalise on growth opportunities, on the other hand, requires longer funding cycles and lax liquidity provisioning at the beginning of the investment cycle, a so-called lump sum investment.

Provisioning of Slack Financial Resources by the Venture Capitalist

Type	Evidence in cases	Evidence in large-scale international ventures	Evidence in medium-scale international ventures	Evidence in national ventures	Selected quotes
Slack provisioning	ANTENNAS, CELL, CHIP, DATABASE, DRUGS, NETWORK, SECURE, SOFTWARE, TELCO, VACCINE	100%	83%	0%	*"Our view in drip-feeding companies is that it is fundamentally limiting the growth potential. You're holding the company back, you're holding on to the reins too tightly, you're not giving the company a head to go and expand, do deals and actually spend time on the business and the market and the proposition, rather than coming back to you every three months for the next tranche." Venture capitalist—SECURE* *"It is important for us to be well-funded, so one of the reasons why we choose this VC from the other is that they are willing to invest higher sums of money in one go. We wanted a VC that if we wanted to raise another large round, we could do so." Entrepreneur—SECURE* *"We do not follow a drip-feed approach—we ensure to give the company enough capital to be able to concentrate on growing the company." Venture capitalist—CHIP* *"Luckily, our investors did not drip-feed. We were comfortably funded to the next round of financing." Entrepreneur—CELL*
Constrained provisioning	BIO, BROADBAND, BROKER, CARDS, CONSULT, DRIVER, ENERGY, FUEL	0%	17%	100%	*"I think we are very much drip-feeders. I'm not sure that is the best way of doing it, I'm tending more to providing slightly more breathing room for management, as long as you believe that the management is good. The worst you can do is to provide too much money to managers, because they just spend it immediately." Venture capitalist—FUEL* *"Instead of putting a hell of a lot of money into the company from day one, we actually had several equity increases to move forward in one round. In that way, you don't generate a huge dramatic loss if you fail." Venture capitalist—BROADBAND* *"Like many VCs in Europe, we are drip-feeders. The pro is that you have less exposure in case you discover that is doesn't work. It gives you leverage to influence, because the typical case is that milestones are not met." Venture capitalist—CONSULT* *"You have to distribute the funding over time in order to reduce risk. You do not want to risk a too large share of your capital at once." Venture capitalist—CARDS*

Source: Lutz, George, Journal of Private Equity, vol. 16, 2012[54]

[53] Drip-feeding funding is a financing strategy in which a company or an individual receives funds gradually over time, rather than receiving a lump sum all at once. This approach is often used in situations where the recipient of the funding needs to demonstrate a certain level of progress or success before receiving additional funds, or where the provider of the funds wants to spread out the risk involved in the investment over time.
For example, in a startup scenario, an investor may choose to provide funding in stages, with each stage tied to specific milestones that the startup must achieve before receiving the next tranche of funding. This allows the investor to monitor the progress of the startup and make informed decisions about whether to continue supporting it, rather than committing all of their funds up front.
Overall, the goal of drip-feeding funding is to mitigate risk, ensure accountability, and provide support as needed.
[54] Lutz, E., George, G. (2021). Venture Capitalists' Role in New Venture Internationalization. The Journal of Private Equity, Vol. 16, No. 1 (WINTER 2012), pp. 26-41.

The exhibit indicates that venture capitalists who invested in international new ventures followed a slack resource provisioning strategy, thereby ensuring that the new venture had sufficient capital to reach the next stage of company development and international expansion. The illustration above provides selected interview evidence for the venture capitalist's provision of financial resources. 100 percent of new ventures with a large internationalisation scale and 83 percent of new ventures with a medium internationalisation scale provide inadequate financial resources. In contrast, all venture capitalists who invested in national new ventures adhered to a constrained liquidity provisioning strategy.

Even though financial slack is the way-to-go for international expansion, the opinions can still be discordant. Form one hand, financial slack's supporters can even express disbelief in limited provision of financial resources, as they always try to invest enough money so that they can reach the next level without difficulty. Dripping information to companies might not be the best choice. For example, some people, particularly in Europe, believe that if money is scarce, people will come up with creative ideas because scarcity inspires innovation. Nonetheless, The VCs/Pes that are generous enough in each stage allow SMEs to build value without being overly controlled.

From the other hand, many venture capitalists believe in limited capital provision and build their investment models around this funding strategy to limit downside risk rather than maximise upside potential. This type of resource provisioning was associated with portfolio companies that remained national players, according to the literature. Constrained planning can be necessary to ensure that the new venture spends capital efficiently and to mitigate risk. Therefore, they can have a fundamental approach to finance with a focus to control growth. Their philosophies will then be to under-finance a company rather than over-finance it. The reason behind this is that they find funding rounds a great deal of inefficiency.

In contrast, venture capitalists that invested in international new ventures believed that the constrained approach has a negative effect on the growth of new ventures because it diverts the entrepreneur from the objective of rapid expansion. Only portfolio companies in which they had already lost confidence were deemed suitable for the constrained strategy.

Sometimes, they might lose faith in a business and believe it is not worth the cost. When they are nearly certain that it will fail, sometimes they still wish to avoid immediate bankruptcy. In such cases, they wait a couple of months to be sold or shut down. Then, there will be provision of enough money to survive each month while they lay off employees prior to the company's closure.

It appears that venture capitalists' desire to build international companies is manifested in a systematic effort to build scalable businesses rather than a risk-averse approach. These findings are consistent with behavioural theories of slack in that they demonstrate that slack provisioning of financial resources positively influences internationalisation scales, whereas constrained provisioning of liquidity dampens the international expansion of portfolio companies. As a result, we say conclude disproving the resource constraint literature and agency theory, as it appears that the firm uses excess financial resources to finance its rapid expansion. However, we still cannot link the pattern of slack provisioning of financial resources to performance measures such as the type of exit or the exit multiple. According to these findings, we can only (and still) state that the provision of excess financial resources positively influences the internationalisation efforts of new ventures.

2.1.3 Non-financial assets

For early internationalisation, new businesses require competitive advantages in foreign markets. However, new ventures do not need to own these resources, as they can obtain them from external sources, such as by cooperating with or forming alliances with other businesses.

In addition to providing relevant resources to new ventures, venture capitalists can act as catalysts for internationalisation (DeClercq and Dimov, 2008)[55]. Knowledge, experience, and reputation on a global scale are among the intangible resources a venture capitalist provides to support new businesses.

Our objective is to shed additional light on the resource characteristics of venture capitalists that influence entrepreneurs' international growth aspirations. As discussed in the first chapter, we can now link how a venture capitalist's managerial resources are a significant factor in supporting the internationalisation of portfolio companies. Venture capitalists add value by defining the company's business strategy and serving as a sounding board for the company's management team. The entrepreneur and the investor frequently discuss important management decisions, such as bringing a product to market or hiring new members of the

[55] De Clercq, D., & Dimov, D. (2008). Internal knowledge development and external knowledge access in venture capital investment performance. Journal of management studies, 45(3), 585-612.

management team. Moreover, the assistance in negotiating future financing rounds with co-investors has been demonstrated to be a crucial support for new ventures. The relationship with the venture capitalist can really contribute to the SMEs growth, as VC/PE sources can meet frequently, for instance, to determine whether the company's management team is adequately staffed. This can be an opportunity for the entrepreneurs to become excellent CEOs, while also assisting the funds surround them with the right competencies.

This research reveals nuances in the diversity of resources that venture capitalists bring to a company. The firms primarily rely on three types of experience possessed by the investment manager in charge of the transaction: a) investment experience, b) entrepreneurial experience, and c) industry experience (as discusses from a general point of view in the first chapter). It usually happens that firms with a high degree of internationalisation had investment managers with high scores in all three types of experience. Among all enterprises with international revenues, there is evidence that investment managers utilised their expertise in all three dimensions to support the new enterprise.

On the contrary, we can't find evidence in all three dimensions for any national ventures. This is unexpected simply because one would anticipate that this knowledge would be crucial for any new enterprise, regardless of their internationalisation strategy. However, venture capitalists who invest in international ventures provide more heterogeneous support to boost growth ambitions and/or that international new ventures have a greater demand for this type of support than national new ventures. The venture capitalist and/or entrepreneur may have anticipated the potential supply and demand of supporting activities prior to the transaction. Even though it is intuitive that experience is important, investment managers involved in international new ventures provided a more heterogeneous range of experience to the new venture. The investment manager's industry expertise is useful for entering new markets and, in many instances, positioning a product in the correct segment.

Therefore, the fund's familiarity with the industry is a crucial characteristic. They can be capable of having a mid-term and a long-term perspective on our market. Of course, the VC/PE should work/fit well with the management team, have a basic understanding of the industry, and provide support for the company's development.

The experience of a venture capitalist in managing an entrepreneurial company enables him or her to empathise with the entrepreneur and guide him or her through challenging business development transition phases. PE/VCs' objective is to impart entrepreneurial experience to the companies in their portfolio.

Just having a sense of what works and what doesn't and sharing that knowledge with entrepreneurs so they don't make the same mistakes. Succeed in a company is not an epiphany you have when you wake up in the morning, but rather the result of doing many, many small things correctly.

The ability of venture capitalists to marshal external strategic resources is an additional crucial value-adding activity for new ventures. These strategic resources include the contacts of the venture capitalist, who acts as a network broker and forges additional ties with entrepreneurs. Contacts aid the entrepreneur in the internationalisation process by identifying international opportunities, forming strategic alliances, and establishing relationships with international customers and suppliers (McDougall, Shane, and Oviatt, 1994, Terjesen and Elam, 2009, Dimov and Milanov, 2010, and Khavul, Pérez-Nordtvedt, and Wood, 2010)[56].

Three pertinent strategic resources can be listed, also in connection with the analysis pursued in the first chapter. First, networks with other venture capitalists can be indispensable for securing later financing rounds and gaining access to additional value-adding from co-investors (in the next paragraphs we will also mention cross-border investments of PE/VC). Lead investors are typically expected to have the closest relationship with the new venture and to provide greater support and monitoring than co-investors. In the context of internationalisation, co-investors can contribute significant additional resources to support the new venture. Foreign co-investors located in a market targeted for expansion can be advantageous because they legitimise an unproven venture in that market.

Co-investors appear to play a unique role in supporting the internationalisation process, and it's likely that they were recruited specifically to fulfil this function and contribute additional resources.

Second, a network of venture capitalists with industry players is deemed advantageous for an international start-up because it can facilitate initial contact with customers and suppliers.

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[56] Khavul, S., Pérez-Nordtvedt, L., & Wood, E. (2010). Organizational entrainment and international new ventures from emerging markets. Journal of Business Venturing, 25(1), 104-119.
Dimov, D., & Milanov, H. (2010). The interplay of need and opportunity in venture capital investment syndication. Journal of business venturing, 25(4), 331-348.
Terjesen, S., & Elam, A. (2009). Transnational entrepreneurs 'venture internationalization strategies: A practice theory approach. Entrepreneurship theory and practice, 33(5), 1093-1120.
McDougall, P. P., Shane, S., & Oviatt, B. M. (1994). Explaining the formation of international new ventures: The limits of theories from international business research. Journal of business venturing, 9(6), 469-487

Thirdly, networks with head-hunters have been demonstrated to be beneficial in the process of assembling an international team necessary for geographic expansion beyond the domestic market. Typically, it is challenging to find qualified candidates for new ventures, and head-hunters can play a significant role in this process.

However, despite the importance of resources, it appears to be crucial to support the new endeavour with a variety of resources. Heterogeneous resource attributes are important for achieving a high level of internationalisation. In addition to financial resources, venture capitalists construct multinational corporations by providing heterogeneous packages of managerial and strategic assets.

The bundle of managerial resources consisted of prior investment experience, entrepreneurial experience, and industry-specific knowledge of the investment managers, whereas the bundle of strategic resources comprised valuable contacts with customers, suppliers, and other investors, as well as contacts to find additional members of the management team. Therefore, there should be greater heterogeneity in the managerial resources of a venture capitalist, including investment experience, entrepreneurial experience, and industry knowledge. These 3 dimensions will have a positive effect on the scale of internationalisation efforts.

Furthermore, greater heterogeneity in a venture capitalist's strategic resources, such as access to their professional network of investors, industry players, and executive recruiters, has a positive impact on the scope of internationalisation efforts.

2.1.4 The Aspirations of the Entrepreneur and the Venture Capitalist

Managers are viewed as socially comparing their own organisation to others in the marketplace and, as a result, developing an internal aspiration level for the size of their own organisation. The internationalisation strategy of new ventures is influenced by inter-organizational imitation. Typically, new ventures adopt the same average internationalisation scales as other firms in the same nation. In addition to internal factors, external factors also influence the aspirations of managers.

According to social psychology theory, external pressures to increase a particular output cause an increase in the individual's ex-ante aspiration levels because the individual is inclined to conform to the proposed output level (Zander and Ulberg, 1971)[57]. In organisational sciences, externally assigned goals have been shown to influence the goal-setting of employees, confirming the external social pressures theory. It is worth to emphasise the significance of external factors on the motivation to become an entrepreneur and begin a business - members of the network of future entrepreneurs, such as business partners, family, and friends, can act as socialising agents to shape their expectations of their entrepreneurial role prior to the actual decision to launch a business.

Therefore, external factors such as family status, education, or growing up in an entrepreneurial family can play a role in the choice to become an entrepreneur. Social support is relevant to the decision to start a business because entrepreneurs may need an external push to convince themselves that their business idea is worthwhile. We can therefore state the significance of external parties in shaping an entrepreneur's motivation, and it is probable that similar relationships exist between external parties and the motivation to build high-growth companies.

However, this has not been studied in the literature to date. Involvement of a relevant external party in the transformation of growth aspirations may be indicated by the ownership of an institutional investor. The venture capitalist relies on an exit to realise a return on the invested capital, and in preparation for the exit, he may exert external pressure on the entrepreneur to expand the business. It is unclear, however, whether this external pressure can change the entrepreneur's aspirations.

It was discovered that the venture capitalist's desire to create high-growth international businesses pushed the entrepreneur to pursue greater growth. The VCs inspire entrepreneurs to think more aggressively about expansion plans than they would have otherwise. This might be one of the greatest contributions they made to organisation during the first phase of the investment.

Supporting an ambitious growth plan is one of the most important contributions made by the venture capitalists, concurred a significant number of other portfolio companies.

For some venture capitalists, the ability to operate internationally can be a requirement for investment, highlighting their desire to invest in companies with business models that are scalable across geographies.

[57] Zander, A., & Ulberg, C. (1971). The group level of aspiration and external social pressures. Organizational Behavior and Human Performance, 6(3), 362-378.

In contrast, other venture capitalists who invest in national new ventures contribute to the global spread of negative opinions. In accordance with the traditional theory of internationalisation, these venture capitalists believe that a strong position on the domestic market is necessary, and that internationalisation should only occur subsequently.

Before attempting to experiment in a foreign market, it might indeed be recommend establishing a solid foundation in one's home market and avoiding simultaneous expansion into three or four nations for instance.

Entrepreneurs' aspirations for international expansion are impacted by external social pressures, as previously mentioned. Even though venture capitalists are likely to select new ventures based on their growth expectations, our data indicate that they then push the entrepreneur to pursue rapid expansion during the investment phase. Therefore, venture capitalists exert pressure on entrepreneurs by communicating their own growth goals.

The entrepreneur then adjusts his or her own level of ambition to meet the venture capitalist's requirements. We are able to demonstrate that external factors also play a significant role in the formation of entrepreneurial aspirations to create high-growth firms, in addition to the importance of internal factors in shaping aspiration. In conclusion, since venture capitalist's aspiration level can positively influence the entrepreneur's aspiration level, we can say that the venture capitalist's aspirations for growth have a positive effect on the entrepreneur's ambitions.

This study - after the first part with premises and general discussions - aims to provide a better understanding of the role of venture capitalists in the growth and internationalisation of new ventures. First, we saw how the connection between financial slack is positively with the international new venture growth. It appears that a certain amount of financial slack is necessary for new ventures to expand internationally. If entrepreneurs have access to slack financial resources from venture capitalists, they are more likely to pursue international expansion, as this appears to alter their internationalisation strategies' expectations.

However, growth does not necessarily imply a rise in performance, and we have only a couple studies of these measures, such as the type of exit or exit multiple of the venture capitalist. Consequently, we can’t really establish a connection between these measures and the inadequate provision of financial resources. In addition, it is important to note that an increase in financial resources can lead to moral hazard among entrepreneurs; however, a partnership with a venture capitalist can reduce such behaviour due to their managerial and strategic skills, as well as their experience with international markets.

Early internationalisation has a positive influence on firm growth but a negative influence on firm survival. There exists, according to U.S. evidence, a negative relationship between large internationalisation scales and post-IPO performance in venture capital-backed companies (LiPuma, 2009)[58]. In contrast, Asian-Pacific venture capitalists have greater success with investments in new ventures that relocate to the United States than with investments in new ventures that remain in their home countries (Cumming, Fleming, and Schwienbacher, 2009)[59]. Even though there is some evidence of the positive impact of venture capitalists on the growth of new ventures, we employ a behavioural lens to identify the underlying causal mechanisms. We discuss how venture capitalists use their resources to encourage entrepreneurs to pursue greater business expansion.

Changes to the corporate governance system of the new venture are typically cited as the explanation for the venture capitalist's value addition. To reduce the risk of opportunistic behaviour by the entrepreneur and to decrease agency costs, venture capitalists engage in active monitoring and control of the new venture. Consequently, this perspective emphasises the repercussions of the venture capitalist and entrepreneur's divergent interests, as well as strategies for resolving these differences. It is a pessimistic view of value creation because it emphasises activities that compel the entrepreneur to engage in activities that serve only their own interests. In contrast, we employ a social perspective, and the evidence supports an optimistic view of the relationship between venture capitalists and entrepreneurs.

The venture capitalist is depicted as a supporter of entrepreneurial aspirations by providing access to a variety of supplementary resources. It is demonstrated that the investment manager's provision of heterogeneous managerial and strategic resources has a positive effect on the degree of internationalisation of new enterprises. It has been discovered that venture capitalists who invest in new ventures with a high degree of internationalisation are uniquely positioned to provide the new venture with diverse managerial and strategic resources. In order to serve as a sounding board for the entrepreneur, important types of managerial resources include investment, entrepreneurial, and industry-specific knowledge. For supporting new ventures in international growth activities, a venture capitalist's extensive network of contacts, including customers, suppliers, head-hunters, and other investors, is a valuable strategic resource.

[58] Fayolle, A., & LiPuma, J. (2009). Assessing Venture Capital Funding for Small and Medium-Sized Enterprises.
[59] Cumming, D., Fleming, G., & Schwienbacher, A. (2009). Corporate relocation in venture capital finance. Entrepreneurship Theory and Practice, 33(5), 1121-1155.

Specifically, venture capitalists who provide access to foreign co-investors are shown to have a positive effect on the scale of internationalisation, as foreign co-investors appear to play a crucial role in assisting the venture's international expansion.

We have also showed the correlation between venture capitalists' aspirations and the expansion of international SMEs, and how social pressures can alter an entrepreneur's aspirations. Entrepreneurs may be intrinsically motivated to build a large enterprise, or they may form their aspirational level based on social comparison with others. They compare the size of their own organisation to that of others in order to establish a goal of achieving the same or greater size. Comparing oneself to other organisations is a cognitive process that is inherently competitive, and the aspirations of institutional investors exert social pressure on the aspirations of entrepreneurs. If a venture capitalist has lofty ambitions, the entrepreneur is motivated to accelerate business growth even further. In contrast to the competitive crowding caused by social comparison, there can be motivational crowding when external parties are involved. Through communicating their own high aspirations, venture capitalists are found to be able to transform the aspirations of entrepreneurs.

2.2 Equity and Reward crowdfunding in SME's internationalisation

In spite of the fact that crowdfunding has experienced meteoric growth over the past few years, research on the part it plays in the internationalisation of businesses is still in its infancy. This part of the research investigates how small and medium-sized enterprises (SMEs) can use equity crowdfunding (ECF) and reward crowdfunding (RCF) to internationalise their businesses, as well as the potential limitations associated with doing so. In this part of the research, we aim to show how ECF and RCF models assist SMEs in acquiring the financial resources necessary to internationalise and, at the same time, offer significant added value to their internationalisation. This is true not only in the sense that they make available additional financial resources, but also and most importantly in that they make up for any gaps in their knowledge on issues that are pertinent to the internationalisation process. Furthermore, we will go through the constraints that small and medium-sized businesses face when trying to internationalise their operations through the use of crowd funding (i.e., a lack of ad hoc e-commerce policies in relation to equity crowdfunding and to the regulation of the pre-ordering mechanism in the reward model).

Digital platforms play a key role with this regard, as they have the potential to speed up the process of internationalisation for businesses, as well as their expansion and the commercialization of opportunities in other nations. In addition, it is essential to emphasise the fact that such platforms make it possible for investors and entrepreneurs located in different parts of the world to connect with one another. In particular, recent years have seen the proliferation of crowdfunding platforms across a great number of nations (e.g., Belleflamme et al., 2015; Kraus et al., 2016; Troise and Tani, 2021; Vrontis et al., 2021)[60]. According to the definition provided by Block et al. (2018), crowdfunding is a new player in the global arena that assists business owners in overcoming the challenges they face when trying to raise funds. Platforms for crowdfunding give entrepreneurs and businesses the ability to connect with a diverse range of backers and investors, as well as to raise capital from the crowd, rather than

[60] Vrontis, D., Christofi, M., Battisti, E., & Graziano, E. A. (2021). Intellectual capital, knowledge sharing and equity crowdfunding. Journal of Intellectual Capital, 22(1), 95-121.
Troise, C., Corvello, V., Ghobadian, A., & O'Regan, N. (2022). How can SMEs successfully navigate VUCA environment: The role of agility in the digital transformation era. Technological Forecasting and Social Change, 174, 121227.
Kraus, S., Mensching, H., Calabrò, A., Cheng, C. F., & Filser, M. (2016). Family firm internationalization: A configurational approach. Journal of Business Research, 69(11), 5473-5478.
Belleflamme, P., Omrani, N., & Peitz, M. (2015). The economics of crowdfunding platforms. Information Economics and Policy, 33, 11-28.

from (a relatively small number of) professional investors such as venture capitalists and private equity investment funds.

Crowdfunding is an effective alternative to venture capitalists, but unlike the first one, it has not received attention in the international entrepreneurship literature as of yet. In this regard, crowdfunding represents an effective alternative to VCs and PEs. As we have seen previously, VCs and PEs can play as "catalysts" of company internationalisation by providing resources such as knowledge (related to international expansion strategies), as well as by affecting the strategic directions of the firms in which they invest.

A number of recent studies have shown that these characteristics are shared with crowdfunding. This is because the crowd also influences the trajectories of the companies in which they invest, and it also provides a new stock of knowledge through crowd inputs (Di Pietro et al., 2018; Troise and Tani, 2021)[61]. It is common thought that knowledge plays an essential part in the internationalisation of companies, and it is also rampant that different types of investors have varying knowledge bases. By facilitating the acquisition of non-financial benefits and fresh knowledge from a large number of investors, crowdsourcing provides businesses with a mechanism that is one of a kind. In point of fact, the crowd of investors has a diverse range of experiences and experiences, which ensures a one-of-a-kind selection mechanism that is superior to that of any single individual, including an expert.

"A crowd demonstrates more wisdom than an individual," as the saying goes (Walthoff-Borm et al., 2018)[62]. Business owners can take a strategic approach to crowdfunding in order to obtain additional benefits – in addition to financial support – through the participation of the crowd. In point of fact, businesses have the ability to leverage the experience and expertise of a significant number of investors and financiers. Companies have the ability to take advantage of crowd networks by, for example, gaining access to strategic networks (in the sense of forming partnerships or cultivating relationships with stakeholders) and raising public awareness as well as knowledge (in the sense of business strategies, products, and markets). Such exploitation helps companies to internationalise and is crucial to speeding up the international expansion of those companies that have used equity crowdfunding.

[61] Troise, C., Corvello, V., Ghobadian, A., & O'Regan, N. (2022). How can SMEs successfully navigate VUCA environment: The role of agility in the digital transformation era. Technological Forecasting and Social Change, 174, 121227.
[62] Walthoff-Borm, X., Schwienbacher, A., & Vanacker, T. (2018). Equity crowdfunding: First resort or last resort?. Journal of Business Venturing, 33(4), 513-533

The decision of whether or not to use crowdfunding is part of the process of strategic decision-making that entrepreneurs go through. This is because entrepreneurs may opt to implement novel technologies and systems in order to obtain additional resources and/or for other purposes. It's interesting to note that crowdfunding can be used in a strategic way to expand internationally.

However, academics have a limited understanding of the role that crowdfunding plays in the internationalisation of businesses. Furthermore, the mechanisms by which this new player can enable academics to accelerate or kickstart this process and/or sidestep traditional systems and channels are not well understood. As a result, there is a significant void in the body of previously published research due to the absence of prior research in this area.

Unlike multinational corporations, small and medium-sized enterprises (SMEs) have traditionally been considered local firms, which are companies the activities of which mainly take place within national boundaries. However, technological advancements have facilitated their global access, and crowdfunding platforms represent an intriguing opportunity for SMEs to overcome traditional barriers and access key resources, such as any missing knowledge, thereby compensating for their lack of scale.

In particular, it can be beneficial to Italian SMEs the object of this study because, as mentioned early, Italy is distinguished by the preponderance of small and medium-sized enterprises (SMEs) (e.g., Perrini, 2006)[63]. Furthermore, small and medium-sized enterprises (SMEs) play such an important role in the Italian economy, the Italian government places a high priority on the internationalisation of these companies and makes an effort to support this scope through a variety of different actions (e.g., the Law n. 58–2019 and also with investment vehicles like SIMEST, which will be discussed in the last chapter).

We could also offer valid implications for policymakers, governments, and authorities. This is because these significant actors could encourage small and medium-sized enterprises (SMEs) to use ECF and RCF in order to internationalise, while also working to overcome the limitations

[63] Perrini, F. (2006). SMEs and CSR theory: Evidence and implications from an Italian perspective. Journal of business ethics, 67, 305-316.

that currently affect these systems (i.e., a lack of ad hoc e-commerce policies in relation to ECF model and to the regulation of the pre-ordering mechanism in the RCF model).

Crowdfunding has recently entered the global arena, and it not only represents an alternative to traditional fundraising systems (such as VCs), but it also represents a strategic choice for small and medium-sized enterprises (SMEs) to acquire additional (financial and non-financial) resources and (missing) knowledge. Besides venture capitalists, business angels are another source of funding for small and medium-sized enterprises (SMEs).

The main difference with VCs and PEs is that companies that make use of crowdfunding are able to prevent the loss of control or ownership of their business because, in the case of the ECF, they are the ones who decide how much equity to put up for sale.

Internet platforms, including crowdfunding platforms, which permit companies to make online calls to raise funds, offer quick early-stage funding opportunities. In a context that is constantly evolving, the Internet is regarded as a crucial innovation for the internationalisation of SMEs, and these platforms offer quick early-stage funding opportunities. In this context, the contribution that digitization has made towards the formation of the present-day business landscape is receiving an increasing amount of recognition and importance in terms of the expansion of the economy.

SMEs that make use of the internet have achieved a higher level of internationalisation. Additionally, e-commerce can help facilitate the internationalisation of SMEs. Small and medium-sized enterprises (SMEs) can more easily interact with global players and gain access to their knowledge thanks to the proliferation of digital platforms, which are factors that facilitate internationalisation.

Crowdfunding platforms encourage the connection of small and medium-sized enterprises (SMEs) with crowd-investors from a variety of countries, thereby reducing the traditional geographic constraints that have been placed on SMEs. In this sense, the added value of crowd funding platforms is that they connect investors with companies, thereby overcoming these limitations; at the same time, these platforms act as intermediaries, and the companies make online calls to raise funds; however, the nature of the virtual environment limits direct interactions between the parties (Troise et al., 2021)[64].

[64] Troise, C., Corvello, V., Ghobadian, A., & O'Regan, N. (2022). How can SMEs successfully navigate VUCA environment: The role of agility in the digital transformation era. Technological Forecasting and Social Change, 174, 121227.

Crowdfunding is currently a smart choice for small and medium-sized businesses (SMEs) because it enables these businesses to obtain financial resources for their internationalisation process and, at the same time, helps these businesses acquire new knowledge from a large crowd of backers.

2.2.1 Crowdfunding

The idea of crowdfunding originates from the concept of crowdsourcing. According to Belleflamme et al. (2014)[65], crowdfunding involves an open call, most of the time through the Internet, for the provision of financial resources either in the form of donation or in exchange for the future product or some form of reward to support initiatives for specific purposes. Because it enables business owners to acquire capital for their enterprises directly from the crowd, that is to say, a large audience of inexperienced investors who support initiatives with relatively small amounts of funds, crowdsourcing is a relatively new form of capital acquisition that allows entrepreneurs to raise funds for their ventures directly from the crowd using Internet-based platforms rather than turning to traditional financial intermediaries or sources (Mollick, 2014)[66].

The rise in the number of people using the internet and the proliferation of specialised platforms in numerous countries have contributed to the current success of crowdsourcing. To this day, it stands as a valuable and increasingly significant alternative to the traditional methods of financing small and medium-sized businesses (SMEs), and it plays a critical part in assisting businesses in overcoming funding challenges and closing the funding gap that exists in their operations (i.e., their shortage of capital). This is especially the case when certain businesses are not appealing to other sophisticated investors – for example, based on financial metrics – given the company's short track record or the uncertainty surrounding the initiative and its developments. This can happen when a company has a limited history of success or when there is a lot of unpredictability surrounding the initiative.

Crowdfunding, which refers to the practise of raising money online from a large number of individuals rather than from a single large donor, has been the subject of a number of studies,

[65] Belleflamme, P., Lambert, T., & Schwienbacher, A. (2014). Crowdfunding: Tapping the right crowd. Journal of business venturing, 29(5), 585-609.
[66] Mollick, E. (2014). The dynamics of crowdfunding: An exploratory study. Journal of business venturing, 29(1), 1-16.

all of which have come to the conclusion that it is of major significance for businesses, such (Di Pietro et al., 2018; Estrin et al., 2018; Macht & Weatherston, 2014; Wald et al., 2019)[67]. In the first place, it seems to be relevant for the so-called "supply of contacts," seeing as how the firm stands to gain from enhanced publicity as a direct result of the public exposure that the throng of investors will bring to the company's business and products. Not only is it possible to raise more money and bring more attention to a company or product through crowdfunding, but it also gives users access to potentially useful networks.

Exploitation of networks is a crucial action that must take place before developing relationships with important players. In a similar vein, the wide pool of investors provides businesses with the opportunity to leverage and capitalise on crowd expertise. The wisdom of the crowd is beneficial to businesses, and they can acquire non-financial comments and suggestions from a huge number of persons using this method. This is especially true in regard to issues concerning products, services, and markets. In conclusion, with these levels of exposure and awareness, crowdfunding can make additional funding alternatives more accessible.

Crowdfunding is becoming increasingly popular among small and medium-sized businesses as a means to circumvent the difficulty of securing traditional forms of financing. In general, it is known that small and medium-sized businesses (SMEs) are less equipped than large enterprises to deal with the obstacles and impediments to their internationalisation that were addressed before. Companies should not only profit from the usage of external resources but also from the development of external ties in order to gain access to the resources and knowledge of other companies. Knowledge is the most essential resource for small and medium-sized businesses (SMEs), who have fewer resources than giant firms (Grant, 1996). According to the Knowledge Based View (KBV), knowledge plays an essential part in the functioning of businesses, which are primarily institutions concerned with the integration of knowledge.

As a result of the fact that crowdfunding makes it possible for small and medium-sized enterprises (SMEs) to become open to the knowledge of the crowd, the platforms that facilitate crowdfunding are emerging as open innovation (OI) tools that can be adopted by businesses in

[67] Solheim-Kile, E., & Wald, A. (2019). Extending the transactional view on public–private partnership projects: Role of relational and motivational aspects in goal alignment. Journal of construction engineering and management, 145(5), 04019030.
Macht, S. A., & Weatherston, J. (2014). The benefits of online crowdfunding for fund-seeking business ventures. Strategic Change, 23(1-2), 1-14.
Estrin, S., Gozman, D., & Khavul, S. (2018). The evolution and adoption of equity crowdfunding: entrepreneur and investor entry into a new market. Small Business Economics, 51, 425-439.

order to address any challenges related, for instance, to sustainability, commercialization opportunities, and internal innovation processes. In a similar vein, crowdsourcing can also assist companies in overcoming obstacles associated with internationalisation. Crowdfunding can be an essential source of international capital in the current global landscape, and it gives entrepreneurs the opportunity to approach and take advantage of networks in a variety of nations and regions in order to raise money for their businesses.

Through the implementation of three primary elements, technical advancement in crowdfunding platforms is able to overcome any challenges posed by distance. These advantages are ease of search, reduced monitoring requirements, and knowledge on what others have accomplished. The advanced constraints or obstructions that smaller companies face are not only associated with financing, but also to cultural and language barriers, difficulties in locating sales targets, and finding foreign partner firms. All of these factors combine to make it difficult for these companies to advance.

Crowdfunding, which has the potential advantage of attracting investors and businesspeople from all over the world, has the ability to help alleviate some of the issues that are associated with this practise. In this regard, Cumming and Johan (2016)[68] highlighted the fact that the exponential development of crowdfunding and its associated growth in trust facilitate the ability of entrepreneurs to use it to internationalise. This is due to the fact that crowdfunding can facilitate control over adequate resources, which is an important component of entrepreneurial firm internationalisation. Crowdfunding, in particular, makes it possible for businesses to directly establish traction in consumer marketplaces all over the world, even when separated by great distances.

ECF, which was inaccessible to small company entrepreneurs searching for external finance up until a few years ago, today represents an alternative fundraising instrument and an important source of knowledge for small and medium-sized enterprises (SMEs) (Troise and Tani, 2021)[69]. In the same vein, RCF is an interesting tool for small and medium-sized enterprises (SMEs) to use in order to gather feedback on their products. Small and medium-sized enterprises (SMEs) make use of the "wisdom of the crowd" (i.e., the expertise and

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[68] Cumming, D., & Johan, S. (2016). Venture's economic impact in Australia. The Journal of Technology Transfer, 41, 25-59.
[69] Troise, C., Corvello, V., Ghobadian, A., & O'Regan, N. (2022). How can SMEs successfully navigate VUCA environment: The role of agility in the digital transformation era. Technological Forecasting and Social Change, 174, 121227.

experience of investors) to their advantage in order to receive benefits such as greater market knowledge, enhanced promotional capabilities, and relationships with important stakeholders.

By utilising these tools, businesses are able to increase their public awareness, co-create new products and services, gather fresh knowledge about business strategies and markets, and capitalise on crowd networks. In this light, we can see how contributions from the crowd might make it easier for businesses to expand into international markets. In particular, the authors proposed that an open approach to diverse groups of foreign investors would make worldwide exposure easier to achieve, would broaden geographical reach, and would test any business idea on a new target audience.

According to the most recent research in the field, there are five distinct types of crowdfunding: ECF, RCF, lending-based, donation-based, and royalty-based (Battisti et al., 2020; Miglietta et al., 2019; Vrontis et al., 2021)[70]. We have decided to concentrate primarily on the RCF and ECF forms of crowdsourcing, despite the fact that there are three additional models of crowdfunding to choose from. The decision to investigate RCF and ECF is based on the characteristics of these funding sources as well as the benefits they offer for the globalisation of SMEs. As was mentioned before, the ECF is not only a fundraising tool, but also a significant source of knowledge that leverages the "wisdom of the crowd," and a system that can be used to improve a company's accessibility to international networks and gain significant features (such as improved international market knowledge, enhanced promotional capabilities, and connections with strategic foreign stakeholders).

Among the many crowdfunding platforms out there, the most well-known and widely used is reward-based crowdfunding (RCF), which allows businesses to raise money for a particular goal (typically related to the creation and dissemination of a novel, unfinished, or unproven product). Businesses can benefit from RCF platforms because they make it easier for them to raise funds through online fundraising campaigns in return for currently available or soon-to-be-released products.

[70] Vrontis, D., Christofi, M., Battisti, E., & Graziano, E. A. (2021). Intellectual capital, knowledge sharing and equity crowdfunding. Journal of Intellectual Capital, 22(1), 95-121.
Battisti, E., Miglietta, N., Salvi, A., & Creta, F. (2019). Strategic approaches to value investing: a systematic literature review of international studies. Review of International Business and Strategy, 29(3), 253-266.
Battisti, E., Creta, F., & Miglietta, N. (2020). Equity crowdfunding and regulation: implications for the real estate sector in Italy. Journal of Financial Regulation and Compliance.

Companies are able to test the so-called 'pre-order' of new items and also offer their products as rewards through RCF campaigns. Companies can offer their products as incentives (Belleflamme et al., 2014)[71]. In the world of innovation, reward-based crowdfunding is well-known for its ability to provide proof of concept, often known as evidence, that the service or product being offered is in demand and that the funds raised are being used to meet this demand.

The characteristics that were outlined above demonstrate that both ECF and RCF have a significant amount of potential and represent perfect systems for small and medium-sized enterprises (SMEs) who want to expand their operations internationally. On the other hand, the characteristics of alternative models of crowdfunding make them less appropriate for the achievement of this objective. For instance, donation-based crowdfunding is best suited for non-profit endeavours, whereas the lending-based model is analogous to a bank loan in that backers act as lenders and receive a predetermined interest rate after a certain amount of time has elapsed. As a result, it follows different logics than RCF/ECF, and the role of the crowd is distinct from that of providing additional benefits for businesses. Instead, crowdfunding that is based on royalties is still in its infancy, and the number of particular platforms that offer this type of crowdfunding is still quite restricted.

2.2.2 Equity Crowdfunding and Internationalisation

ECF is an effective and alternative approach to raise the capital necessary for internationalisation, while also representing a new opportunity for SMEs to boost their awareness and extend their international business networks. The fundamental objective of SME applicants to the ECF is to secure financial resources. In their campaigns, these companies describe their plans, including their internationalisation strategies, and how they plan to use the monies they receive. In business plans attached to their campaign posts or dedicated sections such as 'Strategies' or 'How we will invest the capital raised,' many small and medium-sized enterprises (SMEs) highlight their plans to internationalise and detail each step they intend to take to achieve this objective using the funds raised. In addition to business plans (e.g., economic and financial information or projections) and company value information (e.g., pre-money valuation and equity offered), key elements of an ECF campaign that can act as observable and credible signals to induce investors to commit financial resources include

[71] Belleflamme, P., Lambert, T., & Schwienbacher, A. (2014). Crowdfunding: Tapping the right crowd. Journal of business venturing, 29(5), 585-609.

videos, images, updates, comments, company team details, and product and strategy descriptions.

Thanks to ECF, entrepreneurs can start a commercial network that they would not have been able to do with their own resources. They can also explore new market, such as commercial retailers. ECF is an important means for SMEs to obtain visibility and create relationships with overseas market participants.
Access to foreign investor networks is highlighted by many entrepreneurs as one of the primary means of internationalising their companies (Troise et al., 2022)[72]. Investors in ECF campaigns essentially own a company's shares and so become actively involved with it. They contribute to the expansion and internationalisation of the company because they have a vested stake in its success and financial benefits. Some crowd investors can have relationships with significant global actors and can contribute to the SMEs' international network.

According to a CEO interviewed from Troise et al., "Our new owners played a crucial role in improving our company's international networks and establishing new relationships with distributors and supply chains. Thanks to the contacts supplied by crowd investors and the monies earned throughout the campaign, we were able to create worldwide agreements." Another CEO emphasised the value of investor knowledge, stating, "One of our crowd investors has substantial international experience and talents that will help speed our business' internationalisation."

In addition to their skills, investor knowledge is a valuable asset, as suggested by certain entrepreneurs. CEOs whose corporations had debuted two ECF campaigns and thus gained valuable insights and connections (as well as consolidated networks) from investors with extensive knowledge of the international market further confirmed the importance of new (crowd) investors in supporting the internationalisation of a company.

Hundreds of individuals contributed to some of the campaigns, and the perspectives of so many new backers can't be ignored. Because new investors have specialised knowledge of foreign markets and valuable information suited to expanding the business in several foreign countries

[72] Troise, C., Corvello, V., Ghobadian, A., & O'Regan, N. (2022). How can SMEs successfully navigate VUCA environment: The role of agility in the digital transformation era. Technological Forecasting and Social Change, 174, 121227.

and improving the export strategies of firms, it is crucial for small and medium-sized enterprises (SMEs) to tap into the collective intelligence of the crowd in order to go global.

Even ECF initiatives that do not have internationalisation as their primary objective are an important tool to start the process and to internationalise not alone but with a defined logic, thanks to those who know more than the entrepreneurs do.

ECF can also lead to the construction of a global brand to strengthen a company's competitiveness and boost the effectiveness of its marketing efforts. Furthermore, they can let them develop international intellectual property rights protection, specifically patents (i.e., extend the registration of their patents at the international level via the Patent Cooperation Treaty) as a result of the international visibility achieved during the campaign, which had boosted their internationalisation due to the interest of foreign players and the suggestions made by new shareholders. The ECF mechanism stepped in to cover the high costs of international patent registration (taxes on filing plus annual maintenance fees add up quickly) and highlight the importance of SMEs protecting their intellectual property in order to compete globally and reap the rewards of their innovations without having to fork over huge sums of money in the process.

2.2.3 Reward crowdfunding and Internationalisation

In contrast to ECF, RCF is a valuable instrument that enables SMEs to test their products and/or services on global crowds. In contrast to ECF platforms, which only permit SMEs to sell equity shares, RCF platforms enable them to offer their products/services as rewards; hence, RCF campaigns are primarily concerned with identifying the attributes of the products/services on offer. Due to the virtual nature of crowd-funding platforms and the campaigns placed on them, corporations disclose specific information about the quality of their products in order to boost crowd knowledge, particularly internationally. Companies reduce their information asymmetries with respect to third parties by offering extensive explanations, continuous updates, user feedback, particular high-quality photos, and authentic videos. Shipping methods and delivery timelines are additional valuable and less costly quality signals that can be communicated to overseas funders.

In exchange for present or future products/services, the backers offer tiny quantities of cash resources. All interviewees emphasised that RCF is a new route for companies to validate their products and obtain feedback that can be used to tailor their products to the specific needs and preferences of other countries.

The RCF method enables small and medium-sized businesses to test their products or services with minimal effort and expense. It can even allow entrepreneurs to even launch campaigns with modest goals, not to amass substantial financial resources, but to gauge the opinions of consumers in various nations.

The “pre-order” method facilitates the participation of a large number of overseas consumers and made feasible to manage orders to the supporters' satisfaction.

RCF is an alternate method for small and medium-sized enterprises (SMEs) to sell their products/services abroad at a cheaper cost than with traditional methods and to overcome any cross-border transaction expenses. It helps small and medium-sized enterprises compete globally as it enables enterprises to offer their products to overseas backers thanks to the platform’s capabilities to recruit international backers and to the lower expenses involved. The power of the RCF mechanism and the resultant word-of-mouth effect can be utilised by SMEs. Another intriguing point to examine is the RCF's one-of-a-kind testing and validation system for backers. This signifies an increased value compared to similar tools. In addition, backers are able to pre-order a product at a price lower than its anticipated market debut. In this sense, businesses can apply particular techniques for price discrimination.

Unlike the ECF system, which was discovered to be subject to a number of constraints based on country-specific rules, the RCF system involves an "open door" method for corporations worldwide. Numerous governments have adopted an open-door policy for multinational corporations that utilise RCF. Similarly, e-commerce legislation reduces distances and encourage consumers to acquire items and services through RCF campaigns, regardless of the location of the SME in relation to its backers.

Given its characteristics, the RCF tool appears to also represent a potential new retail channel that enables a global consumer base to purchase or pre-order a new product. In this view RCF is currently a novel and intriguing choice; nevertheless, in the future, it might become one of the most utilised distributions and/or retail channels, able to provide SMEs with additional benefits and lower transaction costs. It should be emphasised that RCF is now a distribution strategy that SMEs would carefully evaluate for future actions; in fact, it can lead entrepreneurs to define the launch of upcoming campaigns for newly designed or completed items.

RCF platforms connect together companies (the sellers) and the masses (the consumers/buyers), and they also serve as effective promotional tactics designed to increase the number of end users. In this industry, trust in the platform is essential. The platforms seek to resolve the so-called "chicken-and-egg problem" and to assure the presence of numerous and active actors on both the supply and demand sides. In addition, RCF platforms allow rapid access to a large number of consumers interested in being the "first" to try an unproven product or in assisting the company in developing or completing an unfinished product and enhancing its performance or usefulness in their country.

Despite the fact that RCF has different and smaller funding goals than ECF, a number of sample companies had raised substantial sums and this method can boost the SME's international awareness. For instance, the decision to use overseas platforms can be a faculty of those with a planned internationalisation strategy (e.g., Kickstarter).

Consideration should also be given to the RCF mechanism's role in enhancing the commercial networks of enterprises, which is a crucial part of the mechanism. As was the case with the ECF model, the crowd of backers/investors in the RCF model assists companies in expanding their network by giving them with important contacts. Although the contacts and links established through RCF are generally weaker than those provided by ECF due to the nature of the investment (in ECF, investors become shareholders, whereas in RCF, they are merely backers who purchase a product/service), some particularly proactive investors involved in the project can still be able to provide useful contacts and access to their international networks.

In addition to supplying financial resources throughout the campaign, for example investors might also place entrepreneurs in touch with some crucial actors of their network in foreign countries so that we could begin the international distribution of our product.
Due to the assistance and connections offered by their sponsors, some small and medium-sized enterprises are able to initiate the formation and expansion of trade networks abroad through RCF.

2.2.4 ECF and RCF limitations

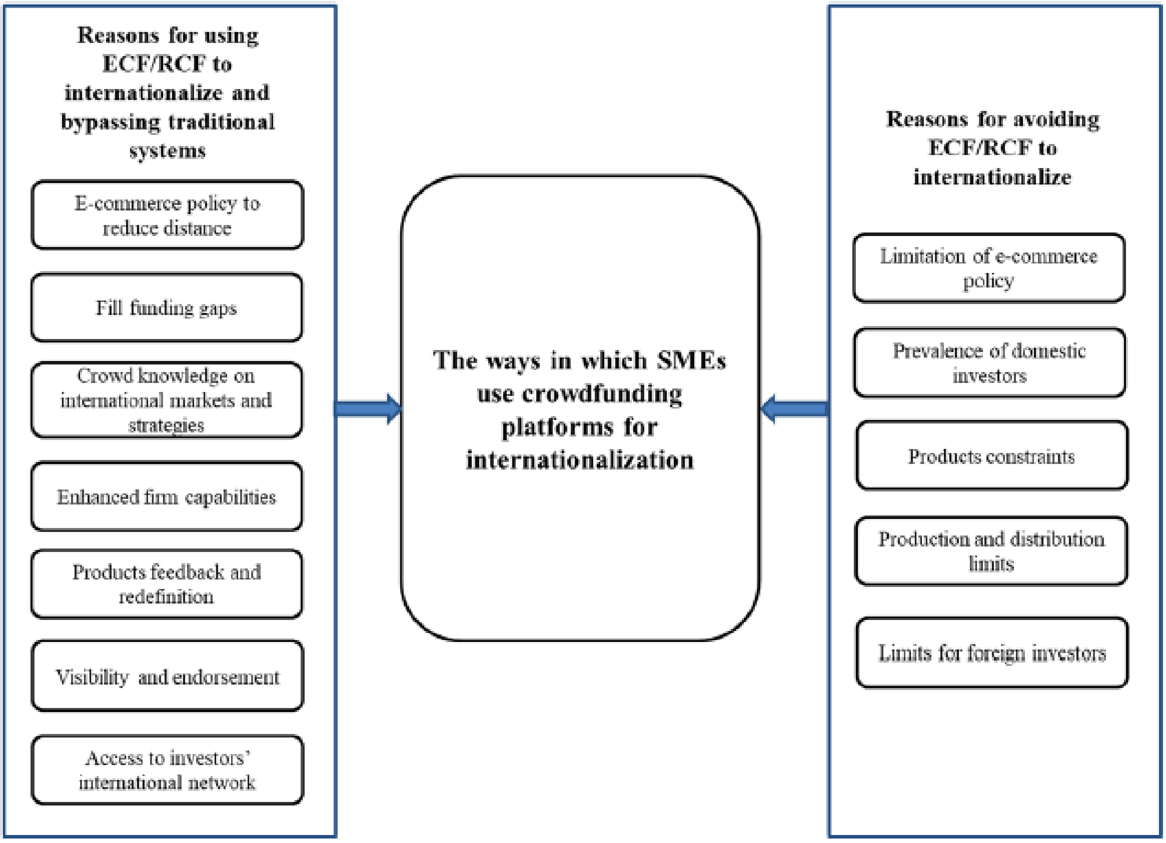


Fig. 3 Crowdfunding platforms framework

Source: Troise et al. 2022[73]

As shown in the above illustration, ECF and RCF can also have some drawbacks.

From the ECF's point of view, the primary difficulties are related to the restrictions on foreign investors. For example, in Italy investors frequently encounter difficulties investing in SMEs in Italy through ECF due to legal constraints: any foreign entity wishing to invest in an Italian company used to be required to have an Italian tax code so that the Italian Chamber of Commerce could register it as a new shareholder on the Business Register. This had been a significant barrier to the internationalisation of Italian SME. At the end of 2020, the Italian Economic Development Ministry (Ministero dello Sviluppo Economico – MISE) eliminated this requirement.

[73] Troise, C., Corvello, V., Ghobadian, A., & O'Regan, N. (2022). How can SMEs successfully navigate VUCA environment: The role of agility in the digital transformation era. Technological Forecasting and Social Change, 174, 121227.

Also, the ECF system, unlike the RCF system, generally does not let enterprises to offer goods or services (companies can only offer equity shares). Businesses often seek to both increase its capital and distribute its products; yet, with ECF, sometimes it is only able to offer stock shares and not products. This creates a limitation for the entrepreneurs, and they might then consider alternative methods for exporting or distributing their items. Reward-based crowdfunding could be a potential future alternative in this area.
However, several ECF platforms have begun to permit the provision of prizes to new owners, even if only recently. Despite this new development, the company's capacity to sell products or services remained restricted to domestic investors. The MISE’s interview - and we do not have literature on their amendments yet – will potentially have a positive outcome from this point of view.

The absence of e-commerce policies or dynamics and the constraints impacting domestic platforms are two additional limitations that arose from this section. There can be an absence of dedicated policies hindered the internationalisation and growth of their companies. In this regard, businesses continue to be excluded from the potential of e-commerce and, by extension, its strategic potential for their development and internationalisation. Also, if domestic ECF platforms are used from the SMEs, which might lack international influence, with few exceptions, they will probably be unknown to overseas investors.

On the other hand, there are also negative sides associated with the internationalisation of SMEs via RCF. From an Italian perspective, just to start getting closer to the third chapter, Italian RCF platforms have a preponderance of home country investors, which limit their internationalisation potential. In addition to gathering financial resources, SMEs are also expecting to contact some overseas backers. However, this experience usually increases SMEs’ understanding of this system.

Foreign channels, such as Kickstarter, can still be very conducive to internationalisation. For instance, through the aforementioned platform it is possible to avoid the potential issue of having solely Italian investors, if one of the goals is to initiate the internationalisation process. Money is not always the major focus.
For example, RCF campaigns pose a substantial risk when large quantities of products are to be shipped to foreign nations. SME's new items might be available only in limited quantities during the campaign. This can have a negative impact on a product's international promotion.

Those companies who do not develop specialised plans to internationalise through RCF are more likely to experience challenges in delivering the promised rewards to their foreign investors. It can be enough to have an influx of inquiries for which the SME is not available.

In some instances, the limited quantities of a product available for export acts as a barrier to the internationalisation of a small and medium-sized enterprise (SME), whereas the best-equipped companies were able to meet the demand generated by their RCF campaigns and thus advanced their internationalisation processes.

In general, RCF is subject to less rules than ECF, which is governed by unique national laws and regulations (for example, as previously discussed, those implemented by the CONSOB in the Italian context). Occasionally, both the demand and supply sides are affected by the unpredictability surrounding this mechanism. The supporters do not know whether a company will truly be able to fulfil its obligations, whilst the corporations must analyse the numerous applicable laws in light of possible contingencies (for example in relation to any complaints, returns, product warranties, and so on). Regulatory duties are often challenging, and these platforms can be not enough to properly analyse them.

Property rights and possible moral hazard issues are another variable to consider. Corporations who offer their products to overseas investors/backers, which may include other companies, run the risk of having their products duplicated if they have not appropriately protected them in the international arena. In contrast to ECF, RCF appears to be a high-risk strategy for enterprises who lack international protection for their inventions/innovations, goods, and intellectual property in general. In supplying unprotected items through RCF campaigns, these businesses expose themselves to risks and must thus conduct a thorough evaluation of the potential dangers. The chance that one of a new product will be replicated elsewhere is significant, therefore they can even choose not to market it during the campaign. Same danger occurs if a firm would register, for instance, its brand internationally but not its patents; hence, there is concern about disclosing too much product knowledge outside and losing SME's competitive advantage.

Despite their cons, ECF and RCF are still an alternative fundraising system suited to support SME internationalisation strategies. ECF provides additional benefits to SMEs via their investors (also in relation to their location). RCF is a new instrument for SMEs to sell SME's products/services internationally; to test them or secure pre-sales through crowds of worldwide consumers. From this section we can understand that SME openness is essential for addressing any internationalisation difficulties. Both crowdfunding formats enable SMEs to draw external expertise from their investors/backers and leverage their networks/relationships to internationalise.

Additionally, the RCF system assists businesses in overcoming cross-border transaction costs and shortening the distance between them and foreign consumers, thereby enhancing their international competitiveness. The importance of ECF and RCF in helping businesses overcome barriers to internationalisation, such as a lack of financial resources and a lack of knowledge on pertinent aspects (such as market information) should be apparent.

Crowdfunding is another valid investment vechicle/ partnership(s) as means to foster SME internationalization. In regard to this aspect, it is not just a fundraising tool but has a relevant effect SMEs internationalization activities and strategies. The strategic use of crowdfunding, ECF and RCF, – to internationalize, and therefore to obtain not only funding but also other advantages– albeit to different extents – provide SMEs with additional valuable resources and can also compensate for any resource constraints faced by SMEs.

Digital technologies may accelerate SMEs internationalization and this research confirms that crowdfunding platforms play a key role in this process. ECF and RCF could help SMEs overcome the main related concerns, including any scarcity in financial resources and lack of international commercial networks. Findings of our study could aid those SMEs that are seeking new crowdfunding systems to facilitate their internationalization processes, especially when they have a young age. Finally, ECF is a valuable internationalization tool, while RCF is an interesting opportunity for SMEs to get feedback on their product.

2.3 Cross-border venture capital influence on SME's geographic expansion

In this final part of the second chapter, we will analyse how the presence of foreign venture capitalists in the target market of internationalisation of a business can be beneficial to the endeavour because they help legitimise the previously unproven new enterprise in that market. However, foreign investors have a propensity to steer the portfolio companies they own towards their own home markets; hence, the benefits may become drawbacks if the target market is different from the home markets of the foreign investors.

Many of the fastest-growing global businesses in small, open economies such as Finland, Sweden, Ireland, and Israel have attracted worldwide venture investors to back their internationalisation. It has been claimed that foreign venture capital investors offer their portfolio businesses valuable internationalisation support. However, that these prospective benefits are not always realised.

Despite the growing practical importance of venture capitalists in swiftly internationalising new businesses, little emphasis has been dedicated to the role of foreign venture capitalists in facilitating the internationalisation of their portfolio companies. Nonetheless, this section examines the roles that cross-border venture capitalists play in internationalising new businesses whose principal markets are located in a foreign country. We consider cross-border venture capitalists as venture capital investors from outside the new venture's country. Specifically, we examine venture capitalists whose investments are managed from a country other than the one in which the business began operations.

Furthermore, there will be a review on the roles cross-border venture capitalists play in the internationalisation of new businesses with foreign-based primary markets. Also, it is worth to mention that internationalization assistance may be significantly less important for businesses with large domestic markets. The widest venture capital markets (e.g., the United States and the United Kingdom) also have huge markets for technology firms' products and services. However, companies based in these countries may have venture capitalists in close proximity with a strong global footprint and network, so the effects of cross-border venture capitalists on internationalisation may remain divergent and less significant.

We will also discuss about syndicates in which at least one investor manages its investments from a foreign country to that of the investee firm. For clarification, the term "international investments" is used to stress the geographical separation of the companies. In accordance with the preceding definition of a cross-border venture capitalist, multinational investors' domestic investments are not considered cross-border investments.

The presence of cross-border investors is likely to result in an isomorphic transformation process in which the portfolio company assumes an institutionalised position in the geographical area of operation of the cross-border investor, where the effect of investors appears to be coercive isomorphism.

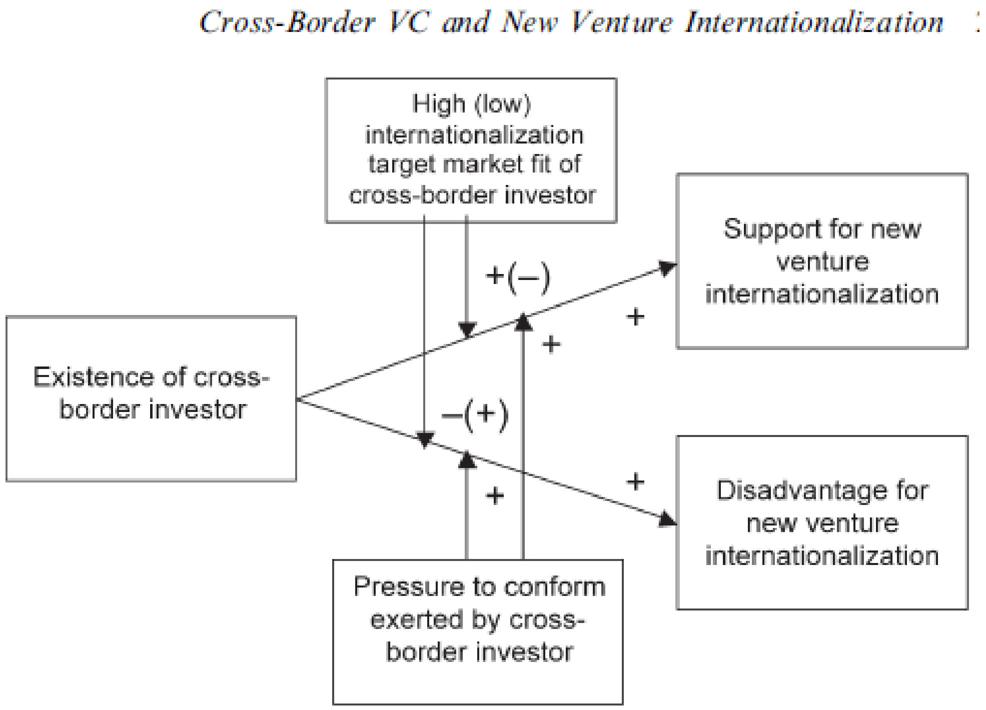
Coercive isomorphism occurs when a choice made by one organisation is the consequence of more or less explicit pressures placed by another organisation on which it depends for its resources (DiMaggio & Powell, 1983). When cross-border venture capitalists are located in the internationalisation target markets of their portfolio companies, these investors are advantageous to the investee firm, as they drive ventures to conform to a market that is one of the internationalisation targets markets. In this instance, the presence and actions of cross-border investors will reduce the foreignness obligations of the investee firms. By location, it is meant the location from where the primary investment is managed. Liabilities of foreignness relate for instance to expenditures associated with an unfamiliar environment, as well as political, cultural, and economic differences.

From this point of view, venture capitalists can and do assist businesses in multiple ways. The most significant kinds are assistance with hiring, attracting clients, introducing business partners, knowledge of the legal environment, and offering links with financiers; as we have also seen earlier. The majority of these effects involve the provision of "foreign organising knowledge". Regarding venture capitalists' effects, direct personal contacts of a venture's key individuals in foreign markets can be utilised to identify new opportunities, obtain business advice, obtain assistance in negotiations, and open doors in foreign markets. In support of this, a business can benefit its worldwide expansion by creating social capital inside its ties. (Social capital, in essence, refers to the resources generated by interactions between individuals, organisations, or other actors). As mentioned earlier, the significance of knowledge as a component of prominent theories on the internationalisation of businesses is very relevant.

Cross-border investors provide endorsement at the very least by their presence, particularly in markets close to the investors. Endorsement refers to the good reputational effects that result from an actor's relationship with a notable party, such as the association of a company endeavour with more established business network partners (Stuart et al., 1999)[74].

Nonetheless, when cross-border venture capitalists actively participate in the management of portfolio firms and do not operate from a geographic region that is important to the internationalisation strategy, the portfolio firms may incur costs that outweigh the benefits, according to the arguments. Cross-border venture capitalists incur expenses from communication, management participation, and other interactions across huge geographical and cultural distances; this effect is evident in all instances. Thus, interactions with overseas venture investors incur comparatively large transaction costs (Williamson, 1986)[75]. Moreover, cross-border venture capital investors have a tendency to steer their portfolio businesses towards their home markets, and the advantages may become disadvantages if the internationalisation target market differs from the cross-border investors' home markets. At the very least, cross-border investors can provide endorsement through their presence and generate rather significant transaction costs.

[74] Stuart, T. E., Hoang, H., & Hybels, R. C. (1999). Interorganizational endorsements and the performance of entrepreneurial ventures. Administrative science quarterly, 44(2), 315-349.
[75] Williamson, O. E. (1986). Vertical integration and related variations on a transaction-cost economics theme. In New Developments in the Analysis of Market Structure: Proceedings of a conference held by the International Economic Association in Ottawa, Canada (pp. 149-176). Palgrave Macmillan UK.



Source : Markus et al., an International Journal of Entrepreneurial Finance, 2005[76]

The above figure shows the effects of international venture capitalists on the internationalisation of new ventures.

The presence of cross-border investors is likely to result in a conforming process in which the investee firm becomes, to some extent, more similar to similar firms in the geographic areas from which the investor manages the investment or in other geographic areas where the investor has a physical presence. This is an example of an isomorphic process. Investors can apply pressure on ventures to conform to an isomorphic structure, and cross-border investors have a great deal of influence in this regard.

A number of cross-border venture capitalists have employed some type of persuasion or force (Markus et al 2005)[77]. This frequently occurred when determining where a corporation should internationalise its activities. Cross-border investors contributed significantly to the success of businesses that expanded internationally into their intended target markets.

[76] Markus, L., Thomas, H. C., & Allpress, K. (2005). Confounded by competencies? An evaluation of the evolution and use of competency models. New Zealand journal of psychology, 34(2), 117.

[77] Markus, L., Thomas, H. C., & Allpress, K. (2005). Confounded by competencies? An evaluation of the evolution and use of competency models. New Zealand journal of psychology, 34(2), 117.

2.3.1 Positive effects of cross-border VC

At least for ventures that launch in areas other than their most important market, the presence of cross-border venture capitalists can give benefits that local venture capitalists cannot normally offer. International investors provide a minimum of a greater endorsement of the venture's chances. This endorsement is particularly significant in the investor's immediate proximity. Cross-border investors can, at best, significantly reduce the liabilities of foreignness faced by the venture in the new market by providing contacts and market and other information, sometimes known as "foreign organising knowledge." Positive effects are likely to occur when the investment company has a tight match with the venture's target internationalisation market, either by operating in or originating from that market. A U.S. venture capital firm that oversees a European investment from a European office and assists the portfolio company in internationalising to U.S. markets is an example of the latter scenario.

In summary, it appears that all cross-border venture capitalists encourage a venture in some capacity (potentially excluding some investors with a generally adverse reputation) and all international investors lead to increased transaction costs and greater endorsement. Endorsement however can also not be universal, therefore it might focus on the investor's local market. The investors' compatibility with the target market is correlated with either endorsement or transaction expenses having a greater impact than the other. (By an investor's compatibility with the target market of internationalisation, it is referred to the investor's level of market presence and recognition).

An investment located in the proper market can also generate the aforementioned advantages with a higher impact than sponsorship. In other words, the investor can drive an institutionalisation process in which the enterprise attains an even higher level of legitimacy in the target market. The assistance of cross-border venture capitalists is generally considered as quite beneficial, and that this assistance appears to be crucial in reducing the foreignness-related liabilities encountered while internationalising companies.

We argue that even if international operations are not crucial to the company's development and local investors have high prestige in the global business environment, cross-border venture capitalists can still make significant contributions to the internationalisation of the company.

As mentioned earlier, overseas investors are more likely to have superior knowledge of the business climate in their location than the business that is intending to internationalise there.
Foreign market contacts, a form of international social capital (Yli-Renko et al., 2002)[78], represent an important resource that was frequently present in the informants' accounts: it appears that the presence of a cross-border venture capitalist in the selected internationalisation target market is associated with the investee firm possessing superior social capital, including social capital connecting them to potential new investors.

Conformity coming from isomorphic processes may also result in the appearance of a venture as being more appealing to investors working in a particular place. In conclusion, venture investors may have multiple beneficial influences on the internationalisation of a venture: they can boost the firm's legitimacy by giving endorsement, commercial and legal environment knowledge, and international social capital. These effects will reduce the foreignness-related liabilities encountered by the enterprise in the new market.

However, management is slightly of the opinion that their venture capitalists do not have the greatest internationalisation expertise. This could be a factor that reduces investors' willingness to exert conformity pressure.
It appears that a cross-border investor's compatibility with a market that has been identified as a target market is essential for maximising endorsement's benefits. This is allegedly owing to the fact that, despite their international and global prominence, these investors are still the most well-known among industry participants in their immediate proximity.
Common commercial contributions include bringing customer relationships and knowledge of the legal environment, opening doors to other parties such as business partners, and aiding in the recruitment of managers from abroad. Important benefits also include investor contacts.

2.3.2 Drawbacks of cross border VCs

On the other hand, there are costs associated with the participation of a cross-border venture capitalist in addition to the benefits. Communication and travel from distant locations demand extra time, and some venture capitalists steer portfolio firms in the incorrect path, as described in this section, resulting in these expenditures. In circumstances when the venture is driven to

[78] Yli-Renko, H., Autio, E., Tontti, V. (2002). Social capital, knowledge, and the international growth of technology-based new firms. International Business Review, 11: p279-304.

internationalise to 'incorrect' markets, i.e., regions that are not ideal for its growth, the costs imposed by cross-border venture capitalists are likely to outweigh the benefits discussed above. The minimal expense involved with cross-border transactions may also offset the accompanying benefit of a cross-border investor's support.
Regarding the internationalisation target region, investors are likely to exert pressure to internationalise to the location where venture capitalists manage their investments or have a physical presence. If this place does not contain a market that is optimal as the internationalisation target market for the enterprise, significant disadvantages to the development of the endeavour are likely to result.

For example, it can happen that the SME key cross-border investor does not initially have a good enough fit with the portfolio firms' target internationalisation market, but the benefits from decreased liabilities of foreignness are eventually perceived as useful, when the firms feel their presence is advantageous. A cross-border investor or other variables can influence a company's status such that the internationalisation plan identifies new target markets. Sometimes the cross-border investor cannot significantly aid internationalisation in the company's primary internationalisation target markets by giving endorsement or "foreign organising knowledge."

Finally, there is another negative effect of cross-border venture capitalists: investors giving up active participation in management and steering. Many managers and venture capitalists believe that investors may "play for their portfolio" even when it conflicts with the interests of specific portfolio firms. Type of behaviour can be seen as unethical, while from another perspective it can be perceived as sound business judgement.

Mergers that are suboptimal for the investee firm are possible; investors can negotiate suboptimal transactions for the investee firm on their own. They might have separate interests. Morality and reputation prevent (some of them) from playing for the portfolio rather than following the interests of each portfolio firm objectively and separately. The principal investor of the CEO's company is a moral compass. Their reputation is exceptional, and they may fear that their transaction flow may decrease if this continues.

Foreign investors have been found to be particularly prone to significantly reducing their active participation in the management of investee companies. Due to their independence, they may be more prone to "play for their portfolio," as the CEO put it, as opposed to playing for the benefit of each investee firm individually. In conclusion, when international venture capitalists from different countries actively participate in the management of portfolio firms and do not conduct their business from a geographic region that is central to the internationalisation target market of the portfolio company, the portfolio company will incur significant costs from international investors that will outweigh the benefits of having those investors. Cross-border venture capitalists push firms to internationalise in "incorrect" markets, i.e., markets that are not included in the optimal set of internationalisation target markets. At the very least, international investors incur somewhat significant transaction expenses.

2.3.3 The two sides of cross border VC for SMEs internationalisation

By their existence, cross-border venture capitalists impose transaction costs on ventures (it is more difficult and time-consuming to maintain contact with a distant location and person); and provide benefits in the form of endorsement for the venture (high-quality ventures can attract cross-border venture capital), thereby reducing the venture's foreignness liabilities and increasing its legitimacy in a new market.

Cross-border venture investors who impose isomorphic pressures on an investee venture can wield considerable influence. Based on their compatibility with the investee's internationalisation target market, they can either encourage the venture to internationalise to the 'incorrect,' non-target market (by exerting isomorphic pressure), where they can bring increased legitimacy and decreased liabilities of foreignness through the provision of international social capital and the relaying of business and legal knowledge in the target market; or force the venture to internationalise to the 'incorrect,' non-target market.

By an investor's compatibility with the selected target market for the internationalisation of a venture, it is referred to its degree of establishment and recognition in a market; investors have been most compatible with markets that are geographically close to the company's offices. Even though they manage their investments from Europe, U.S. investors appear to be a good fit in the United States. Consequently, an additional finding of the study is that investors appear to fit most naturally in regions where they operate. However, this pick could at most generate minor complications, given there is typically just one cross-border venture investor (Markus et al. 2005)[79].

If a cross-border venture capitalist has a good market fit, it can provide general endorsement and, in some instances convey increased legitimacy and decreased liabilities of foreignness by providing international social capital and relaying business and legal knowledge in the target market, depending on whether it exerts isomorphic pressures on the investee.
If a cross-border venture capitalist does not have a good market fit, then, depending on whether it exerts isomorphic pressures on the investee its presence may only manifest as additional expenses; or it may cause the venture to internationalise to an 'incorrect', non-target market.

We have seen that all cross-border investors incur relatively high transaction costs due to the fact that it is more expensive to communicate, make decisions, and travel between distant individuals, and sometimes people provide not only transaction costs but also endorsement benefits by merely being present or giving minimal support.

Our more serendipitous observations reveal a greater variety of ways venture capitalists can support the internationalisation of their portfolio companies, such as by assisting with recruitment, vetting potential clients, and opening doors to technology partners and potential new financiers.
We refer to the internationalisation target market as a market that the business has identified as its objective. This factor highlights the significance of time for internationalisation decisions, as noted previously. Even if the investor is in the relevant market and actively engages in the administration of the portfolio company, the entrepreneurs may view internationalisation as a premature step, as illustrated by our case descriptions.

In conclusion, at best, the investor may effectively legitimise the investee, and at worst, the investor may steer the investee into an 'incorrect' market.

Prior to agreeing to cross-border investment rounds, entrepreneurial teams and local investors should carefully examine the internationalisation objectives of the company, particularly in terms of the internationalisation target locations and whether their new candidates for investors

[79] Markus, L., Thomas, H. C., & Allpress, K. (2005). Confounded by competencies? An evaluation of the evolution and use of competency models. New Zealand journal of psychology, 34(2), 117.

are both willing and able to assist them there. New investors should be able to contribute endorsement, worldwide social capital, and knowledge in addition to financial resources. For their part, investors should seek out portfolio businesses whose business objectives can be justified as acceptable for both the investor and the investee.

Linkages to transnational players may provide significant support or disadvantages for the expansion efforts of the main actor into new geographic places. Ties to cross-border or, more generally, remote actors may vouch for the quality of the focal actor and generate significant transaction costs across physical and cultural borders. Strong cross-border network partners may exert conformational pressure, resulting in higher legitimacy in their area if this location is appropriate for internationalisation, or in costs if it is not.

After the analysis of the best equity fundraising solutions and their pro and cons, we will now go through the analysis of a specific domestic “semi-state” VC fund with a special focus on the geographic growth of Italian SMEs.

3. SIMEST, The Minority and Long-Term Institutional Partnership

3.1 SIMEST and CDP Foundation

Since its founding in 1991, SIMEST - member of the CDP Foundation (Cassa Deposito e Prestiti) - has been fostering the expansion of Italian businesses by assisting them in expanding their operations into new global markets.

This company is 76% controlled by the Italian government, through the Ministry of Economy and Finance through Sace, which is an integral part of the so-called Cassa Depositi e Prestiti (known as CDP).

Therefore, Cassa Depositi e Prestiti financial institution, which controls 76% of the company, as well as a large group of Italian banks are its shareholders. Minority shareholders include not only banks, but also business associations and trade associations. To mention a few of them, Unicredit S.p.A, Intesa Sanpaolo S.p.A., ENI S.p.A., Banca Monte dei Paschi di Siena S.p.A., - BNL S.p.A. Gruppo Paribas, CONFINDUSTRIA - and many others predominant entities responsible of the Italian financial and non-financial development abroad and locally.

In addition to being a partner of the most prestigious financial institutions in Italy, SIMEST is a member of the EDFI network, which stands for European Development Financial Institutions.

SIMEST offers assistance to businesses throughout the entirety of the internationalisation process, beginning with the evaluation of the viability of entering a new market and continuing all the way through the process of growing through direct investment. It does this by providing financial assistance for internationalisation, aid in the form of export credit, and participation in the capital of businesses.

The aim is to put in effort to increase the global competitiveness of Italian companies and open up new international markets for Italian businesses.

This is accomplished through the utilisation of a strategy that is geared towards the promotion of long-term economic growth, the financing and investment in prosperous businesses that have a significant influence on the surrounding area, the maintenance of a healthy balance between financial resources and equity, the concentration on digital innovation, and the pursuit of environmental protection.

All of this is due to well selected workforce, which is dedicated to cultivating a working environment that is both healthy and stimulating, capitalising on shared values. These companies, benefiting from such support, certainly want to grow and try to compete in markets all over the world.

The products that are proposed will meet various needs, such as:

1) low-interest loans that support companies to start their internationalisation process;

2) interest subsidies for the purpose of ensuring competitiveness of companies in the country seeking to export, to venture capital for the purpose of meeting foreign demand through local production.[80]

SIMEST therefore acts through a range of financing for:

1) internationalisation;

2) credit support on exports;

3) participation in the capital.

Through SIMEST it will be possible to finance:

1) feasibility studies aimed at assessing investment opportunities abroad (up to a maximum of three hundred thousand euro related to commercial investments);

2) participation in trade fairs outside the European Union, referring mainly to exhibitions and system missions aimed at getting to know and be known (up to a maximum of EUR 100,000);

3) the various plans to enter non-EU markets, thus opening the very first commercial structures (up to a maximum of three million);

4) plans that provide technical assistance for the training of personnel within the various investment initiatives abroad (with a ceiling of EUR 300,000);

[80] Batas, S., Kuivalainen, O., & Sinkovics, R. R. (Eds.). (2022). Megatrends in International Business. *The Academy of International Business*.

5) the capitalisation of exporting small and medium-sized enterprises, which obviously allows companies to strengthen themselves in order to be able to compete in the best possible way within the various international markets (with a ceiling of four hundred thousand euro);

6) support with regard to the export of what are capital goods by allowing for payment extensions with competitive terms;

7) participation in the capital of non-EU companies, having the opportunity to enjoy a series of interest subsidies on what is their own share, and EU companies (in both cases, the SIMEST participation cannot exceed 49% of the capital of the foreign company)[81].

Through the SIMEST portal, it will be possible to apply for further financing, while at the same time being able to manage those already in place telematically, through simple mechanisms with a very short time frame.

So, we can say that SIMEST goes to support the company throughout its internationalisation abroad. A procedure that begins with the first assessment of opening up to a new market, and then extends through a series of direct investments.

Together with SACE (Società di servizi assicurativi e finanziari per esportazione e internazionalizzazione), which is wholly owned by the Ministry of Economy and Finance; its main purpose is to ensure important support for the internationalisation of the Italian economy through important offers, branching out into a series of services that include, along with insurance cover for the commercial and political dangers of exports that may arise, also the issuing of guarantees on other financial means that are linked to the internationalisation of the country's companies. They are an integral part of the CDP Foundation's Export and Internationalisation Pole, the contact point for companies aimed at encompassing the means to compete internationally.

SIMEST is also concerned with promoting sustainable development of our country by responsibly saving money, allowing for more growth and employment and also supporting innovation and competitiveness of all state-owned companies.

The group also deals with:

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[81] BOSIO, A. O., GERVASONI, A., & BOLLAZZI, F. (2021, December). THE STRATEGIC ROLE OF PRIVATE EQUITY IN THE INTERNATIONALIZATION OF ITALIAN SMEs. *Journal of Financial Management, Markets and Institutions, 09*(02).

1) financing the infrastructure and investments of public administrations and territories;

2) supporting policies for the valorisation of the real estate assets of local authorities with a view to urban regeneration;

3) investing in social infrastructure, sustainable mobility and new forms of living;

4) providing integrated support to local authorities through classic financing operations;

5) providing technical consultancy services for the various stages of public works implementation.

Worthy of mention is the work on supporting the development of the entrepreneurial fabric in our country and in the international arena by providing means and expertise.[82] Through what is obviously an integrated offering of financing, equity and advisory services, the group contributes to the development of production chains and strengthens the private equity and venture capital market in the country.

For some years now, the group has been the Italian National Promotion Institute. This role has allowed it to extend its scope of activities, also providing financial advice to the public administration for the use of national and European funds and catalysing the financial resources of other public and private entities.

In order to support the implementation of the National Recovery and Resilience Plan, the group will also accompany central and local administrations through dedicated technical and financial advisory services.

SIMEST is also the Italian Financial Institution for Development Cooperation. In this role, it deals with the financing of numerous initiatives with a very high impact from economic, environmental and social point of view.

An impact that affects strategic sectors while also promoting issues towards:

1) the fight against climate change;

2) financial inclusion and female entrepreneurship within emerging markets.

Also important was the establishment of the CDP Foundation. This, in fact, was established in 2020, at the instigation of Cassa Depositi e Prestiti SpA, with the primary aim of enhancing the

[82] Gervasoni A., Sattin F., 2015, *Private equity e venture capital. Manuale di investimento nel capitale di rischio*, Guerini Next,

contribution and work done over the years by the group itself to ensure the social, cultural, environmental and economic development of the country.

The history of CDP intersects with an important segment of the development of the Italian economy, combining the culture of business know-how with a distinct dimension from a purely social and civic point of view, which takes root in the country[83].

Therefore, in the face of a framework such as today's, which is certainly full of many challenges to be faced, the CDP Foundation assumes considerable relevance. In fact, it promotes a series of initiatives and plans that have a very high social impact by relying on the country's strategic assets for modern and sustainable growth and development.

[83] Batas, S., Kuivalainen, O., & Sinkovics, R. R. (Eds.). (2022). Megatrends in International Business. *The Academy of International Business*.

3.2 SIMEST financing

For ten years now, SIMEST has been able to buy even minority shareholdings both in our country and throughout the European Union on market terms and without any concessions.

In 2016 there was a very important breakthrough.

During that year, in fact, SIMEST was incorporated within the Cassa Depositi e Prestiti Foundation, which in turn incorporated it within SACE.

In this way, as mentioned earlier, the Group's famous Export and Internalisation Cluster was formed.

Services and support have been grouped together in one very large group, which can be relied on and which will support all companies set up in non-EU countries. The generated VAT numbers will indeed have a very important reference point for what will be the whole project cycle.

A cycle that will encompass:

1) as a first step, the opening of the business;

2) then it will basically be given the insertion into the foreign reality;

3) finally, the related expansion through the various direct investments.

SIMEST works very actively both in our country and abroad in order to give really important support to companies. In addition, it should be pointed out that since the beginning of June 2021, all activities related to the receipt of applications for subsidised and non-repayable loans have resumed.

This is a turning point for exporting companies.

Certainly, among the biggest changes in 2021, compared to previous years, we have the so-called non-repayable financing (as also part of the recent deal with E. Marinella that will be discussed later). This funding ensures a contribution of up to half of the applications submitted. Due to the current pandemic, the legislator has gone to regulate and introduce support activities for exporting companies in order to support and promote Italy's economic recovery.

This gave rise to the so-called Fund 394/81.

This fund is managed directly by SIMEST itself. It provides for a very important series of calls for tenders to companies, with non-repayable quotas representing as much as half of the applications submitted. In addition, subsidised financing at the EU reference rate is also included for the remaining required part. The total share of the non-reimbursable contribution amounts to almost two million euros.

On the other hand, as far as subsidised finance measures are concerned, we can say that the initiative was promoted as early as 2020 and was an incredible success. In fact, applications for subsidised financing and grants came to almost two billion euros. It is precisely for this reason that SIMEST has chosen to present a series of subsidised finance measures in 2021 as well.

Among the measures of this type, mention must surely be made:

1) capitalisation;

2) entry into foreign markets or the extension of existing structures;

3) the introduction of the temporary export manager, a professional who is in charge of monitoring the sales offices of companies in order to develop and consolidate sales in foreign markets;

4) E-commerce, or marketplace;

5) Fairs, exhibitions and foreign missions;

6) Support plans from a technical point of view;

7) Studies on feasibility within foreign states.

Companies will of course be able to go and make their demands. If the financing is accepted, it will be financed directly by SIMEST itself.

Any item that is obviously part of the list above, with the exception of that relating to the capitalisation of exporting companies, can be submitted whenever the SME wishes to.

With SIMEST we also have a specifically generated intervention for those companies involved in organising events and trade fairs. We speak precisely of capitalisation dedicated to supporting the financial mechanism.

Relying on SIMEST, therefore, certainly means having a very important benefit: we are talking about the possibility of investing or starting a series of commercial exchanges with important guarantees of success, given that the company only regulates foreign exchanges towards those states that are certainly favourable to investment in our country. States are implementing provisions for the protection of foreign investments. To these benefits, certainly, as mentioned earlier, must be added the advisory services provided by SIMEST throughout the operational cycle[84].

Finally, along with financing and advisory services, the finance company will also be able to participate in the capital of exporting companies. This participation is realised through the various funds that will be made available by the European Union.

By means of capitalisation, SIMEST will be able to strengthen the equity solidity of the reference company, so that this company can be more competitive in international markets.

This type of financing is also aimed at small and medium-sized companies in Italy:

1) They are certainly already active abroad;

2) They went abroad for at least 20% of their turnover in the last two balance sheets, or almost 40% in the last balance sheet.

Such intervention provides greater support and certainly ensures greater capital strength for companies. Reference is therefore made to a six-year low-interest loan. Two of these six will be pre-amortisation. Through the capitalisation of SIMEST, an amount not exceeding 40 per cent of the company's equity will certainly be financeable.

The ceiling is eight hundred thousand euro. On the other hand, with regard to the SIMEST Fiere soft loan, this essentially supports the company's participation in:

1) Fairs;

2) Exhibitions;

3) International Missions;

4) International trade fair events.

All events will obviously take place in Italy. But what does SIMEST Fiere finance? The subsidy covers all expenses related to the trade fair event, i.e:

[84] Smolarski, J., Kut, C. (2011). The impact of venture capital financing method on SME performance and internationalization. International Entrepreneurship and Management Journal

1) Expenses of a logistical nature;

2) Costs for the purpose of setting up the exhibition area;

3) Advertisement.

The financing has a four-year term, with a grace period, covering all budgeted expenses up to a maximum of one hundred and fifty thousand euro.

Insertion programmes within foreign markets are also important. These foreign market insertion plans by SIMEST are intended to facilitate companies' entry into new markets by financing the construction of business infrastructure. This programme is aimed at all businesses that have been in operation for at least twenty-four months, and have, therefore, filed a minimum of two balance sheets related to two complete financial years with the Commercial Register.

But what do the plans to enter foreign markets finance? First of all, it should be pointed out that the financing in foreign markets has a duration of six years: these two are pre-amortisation at subsidised rates of the expenses used to build infrastructure in other countries such as:

1) Offices;

2) Shops;

3) Show room;

4) After-sales service centres.

Also, to be included in the financing are service centres on Italian territory, resulting in the service of an internationalisation plan. The amount that can be financed may include the entire budgeted investment, i.e., the total eligible expenditure, up to a maximum limit of four million euro.

Keep in mind that e-commerce is also an opportunity that allows access to new markets both within the EU and outside the EU. The aim will obviously be to increase business sales abroad; telesales is a golden opportunity to expand business activity outside the Italian state.

Through marketplaces or customised e-commerce sites, the company will be able to obtain a wider customer base worldwide through its products or services.

But what does the SIMEST E-commerce intervention finance? Reference is made to a four-year low-interest loan with a grace period that is used for the purpose of:

1) Making use of a digital marketplace offered by third parties;

2) Generate your own e-commerce platform[85].

The amounts that can be financed vary according to the plan that is to be implemented:

1) There is talk of three hundred thousand euro if you want to use a marketplace that is already present and offered by a third party;

2) on the other hand, the amount will be four hundred and fifty thousand euros in the case of setting up your own e-commerce platform

Another type of SIMEST support for companies is the Export Contribution.

In this case, reference is made to a soft loan that would allow the company to provide its foreign customers with long-term (more than two years) deferred payment terms and a subsidised interest rate. Thus, through the Export Contribution, last year SIMEST supported as many as fifty companies in their export plans, with financing amounting to almost four hundred million euro. The Export Grant is offered to companies that are going to export capital goods or services and have an interest in financing buyers in foreign countries.

It can be had on the activities of:

1) Buyer Credit;

2) Supplier Credit;

3) L/C Export confirmations;

4) Export Leasing.

As far as SIMEST's Buyer Credit is concerned, this is an approach given to the foreign buyer with the aim of lowering the cost of export financing. The activities permitted by the Buyer Credit Facility concern the financing of export contracts of:

1) Machinery;

2) Facilities;

3) Studies;

[85] Castagnoli A. 2021, *L'internazionalizzazione delle piccole e medie imprese*, p. 103

4) other services in the country.

The Export Contribution on Supplier Credit, on the other hand, is aimed at Italian companies for the purpose of exporting equipment, and other services, also allowing the exporter to defer payment to their foreign customers in the medium to long term.

This type of contribution works in the following way: the exporter goes to grant his foreign customer a credit in order to pay for the services provided in instalments. Thus, the exporting company goes to settle the claim with the bank immediately, incurring a definite cost. The Export Contribution on Supplier Credit allows exporters to minimise the cost incurred in order to settle the claim

What does the Contribution on L/C export confirmations consist of instead? The letter of credit (L/C) is basically a form of documentary credit for various companies and suppliers trading in foreign countries. This approach allows the reduction of insolvencies, as it is issued by the bank acting as guarantor of payment. The Export Contribution on export L/C confirmations (letters of credit) is given to the foreign issuing bank for the purpose of lowering the total financing cost of export letters of credit.

On the other hand, with regard to the Export Contribution on 'Export Leasing', this is intended to strengthen what is essentially the export of Italian capital goods and services by also enhancing the international competitiveness of lessors in Italy.

This type of contribution provided by SIMEST goes to the Italian lessor, who has the possibility of giving its foreign lessees a series of payment terms that can be deferred over the medium to long term, through leasing fees that show a subsidised minimum interest rate. We have seen through these considerations what funding SIMEST is able to make available for companies in Italy that export or seek to internationalise. In the face of what is on offer, the finance company tries to propose a range of services to support the country's businesses.

The company that has the desire to be able to export certainly also wants to have an export expert with it. It is precisely for this reason that SIMEST is financing the Temporary Export Manager within companies at a subsidised rate. In this case, reference is made to a highly specialised figure who, for a given period of time, will be in charge of implementing the various internationalisation plans.

Funding for the introduction of this highly specialised figure:

1) has a duration of four years, with a pre-amortisation;

2) is at a subsidised rate;

3) manages to cover all the costs of the consultancy, reaching a maximum threshold of one hundred and fifty thousand euro.

In addition to the various internationalisation processes, SIMEST can also offer subsidised financing for expenses incurred for feasibility studies.

The main objective is to be able to evaluate the opportunity to make an investment in other countries. Funding includes expenses for external staff and those for internal staff.

In addition, they include:

1) travel and accommodation expenses of external staff members;

2) drafting relating to feasibility studies;

3) expenditure on the salaries of internal staff, not exceeding 15% of the budgeted expenditure on internal staff and external staff.

After the expenses have been budgeted, everything can be financed on a subsidised basis by SIMEST, but not exceeding 15% of the average turnover of the last two years.

This funding is for four years and the amount that can be financed does not exceed two hundred thousand euros for studies related to commercial investments, and three hundred thousand euros for studies related to productive investments.

What, on the other hand, is funding for technical assistance plans? In this case, a kind of 'de minimis' soft loan is meant to support two very important interventions:

1) expenditure on training/training of personnel for technical assistance plans related to investments by our country in other states;

2) initiatives basically devoted to after-sales service included in the supply contract and indicated in the implementation period.

Like the other funding that was shown earlier, this is also very useful. SIMEST also provides support to companies through direct participation in their capital. This simply means that it will accompany the company by acting as an institutional partner, participating in the company's capital through a minority share and distributing a shareholder loan.

Other subsidies are provided for companies that are going to invest in non-EU states. These contributions are represented by:

1) an interest subsidy;

2) a venture capital fund.

When SIMEST participates in the share capital of the company, whether in our country or another, it will be able to benefit from a non-repayable subsidy on the interest for the purpose of financing the shareholding within the foreign company.

The maximum amount that can be financed is EUR 40 million per plan and EUR 80 million per economic group. The non-repayable grant will cover almost the entire share of the Italian company and will not exceed 51% of the capital of the company from the foreign country. For this financing, the maximum duration will be eight years. For foreign investments, SIMEST's direct participation could be accompanied by that of the Venture Capital Fund, a vehicle managed by SIMEST together with the Ministry of Foreign Affairs. The fund managed by SIMEST allows total participation of up to almost half of the capital of the foreign company and cannot go beyond the participation of the Italian company promoting it. This approach ensures the availability of complementary financial resources by speeding up development in international markets with the help of an institutional partner.

SIMEST's intervention in very important emergency situations was also important. Certainly, the measures to support companies that have been affected by the effects of the Coronavirus have been very strong. SIMEST therefore went to activate a series of interventions towards those companies that benefited from a series of subsidised loans for internationalisation purposes.

These interventions include:

1) the six-month moratorium inherent in the deadlines for submitting documentation and reporting for the various internationalisation activities carried out towards China and other states that have been postponed;

2) the postponement by six months of the pre-amortisation and amortisation periods of loans that have been disbursed;

3) the cancellation of the two per cent surcharge indicated for the various cancellations and for the part of the reimbursement of the financing for expenditure that was not executed, in situations of initiatives that were later cancelled.

3.3 - SIMEST for the internationalisation of SMEs: the 394 Fund

As mentioned earlier, SIMEST is an absolutely important support for the internationalisation of companies, including small and medium-sized ones[86].

Among the various instruments it has at its disposal is the 394 Fund, managed by SIMEST in agreement with the Ministry of Foreign Affairs and International Cooperation for the purpose of granting loans to support the internationalisation of our country's SMEs.

Reference is therefore made to seven soft loan lines that have been made available by SIMEST in order to enable Italian companies to strengthen their position within the global competitive environment:

1) from financing feasibility studies related to foreign investments to participation in international fairs and exhibitions;

2) from commercial placement within new markets and on-site technical support, to e-commerce development;

3) from supporting professionals dedicated to internationalisation, digitisation and innovation to capitalisation.

This fund has EUR 2.1 billion, of which almost 1.5 billion is to support low-interest loans and more than five hundred thousand in non-repayable loans, which goes back to the EUR 1.6 billion that was allocated through the 'Sostegni Bis' decree.

This decree established for six of the seven instruments the opportunity to apply for non-repayable co-financing up to a maximum of twenty-five per cent of the loan, for a total of eight hundred thousand euro per beneficiary company, also including the non-repayable quotas that have already been decided.

The Facilities Committee was responsible for defining the share of non-repayable co-financing and the related conditions.

It also took into account elements such as:

1) the resources one has available;

[86] Corsi S., Migliori S.2017, *Le PMI italiane: governance, internazionalizzazione e struttura finanziaria. Profili teorici ed evidenze empiriche*, Franco Angeli, p. 242

2) the total number of applications from companies.

It is the body that goes on to approve the activities that are submitted by SIMEST in relation to subsidised finance.

This body is represented by the members of the

1) Ministry of Foreign Affairs and International Cooperation (Presidency);

2) Ministry of Economy and Finance;

3) Ministry of Economic Development.

In addition, there will also be a representative of the regions.

3.3.1 Eugenio Marinella ties: reaching the global market with SIMEST

Throughout history, the most prominent leaders, kings, and royals have endeavoured to promote the products and services of their respective nations. When visiting other nations, for instance, Ottoman sultans would present their hosts with luxurious silk robes. When travelling abroad, Japanese emperors would bring cherry blossom trees with them. Even Fidel Castro always purchased a box of Cuba's finest Cohiba cigars.

The greatest of these diplomatic gifts, however, is? They were presented by Italian President Francesco Cossiga, who presented each head of state he met with a box containing five E. Marinella neckties. King Charles III, Boris Yeltsin, Barack Obama, Prince Albert of Monaco, and even John F. Kennedy have been introduced to the brand on official trips throughout the years. Gianni Agnelli and Aristotle Onassis have all worn the firm's silk ties.

The luxury label, which was launched by Eugenio Marinella in 1914, is no longer the exclusive domain of the powerful. In fact, with SIMEST’s contribution, in late January 2022 E. Marinella launched its first location in the heart of London earlier this year. The investments were made through the just discussed 394 fund. "The collaboration with Marinella," says Salzano, President of CDP Foundation, "is a typical example of the help SIMEST provides on a daily basis to Italian small and medium-sized businesses, which serve as ambassadors for our nation abroad”.

Double operations for the venerable Neapolitan tie manufacturer, as they also created a new online sales platform to reach the entire world, thanks to financing for its entry into international markets and e-commerce. A support that is increasingly focused on the digitization of businesses and the environmental sustainability of their production processes: two issues that are now crucial for global competitiveness.

SIMEST has helped to the expansion initiative of E. Marinella in the United Kingdom and internationally with two subsidised finance operations totaling €1.120 billion, of which 25% is non-repayable (as mentioned earlier).

The introduction into the online sales sector will enable the Neapolitan brand to increase its customer base by attracting new "digital" consumers and by colonising markets not yet covered by its own sales network.

And, with its location on Mayfair's Burlington Arcade, the new store brings the brand full circle; when Eugenio opened his historic shop in Naples over a century ago, he sourced every building material (including door jambs) from England.

Burlington Arcade, where the new boutique opens every morning at 9 a.m., is therefore the ideal location for E. Marinella. The iconic concourse is the ideal location for displaying the scarves, silks, ties, and textiles manufactured by the Italian institution, exemplifying the brand's marriage of Italian taste with English refinement.

The store is a cacophony of colour, filled to the brim with a vast assortment of the brand's products. A wrought-iron spiral staircase winds through the centre of the room, and knowledgeable staff members are there to walk you through the world of Italy's best accessories. Even regular trunk displays will be held there, during which seamstresses from Naples will temporarily set up business.

The entire charming experience is separated from the genuine Neapolitan product by a single boldly-brewed espresso, as a sort of reverse local responsiveness in which the company aims to sell and keep its own country’s traditions and lifestyle. And, given its great location on Burlington Arcade — within walking distance of Savile Row's sartorial expertise — you will be able to provide your formalwear collection with the best of both worlds.

It is therefore not surprising that the Italian president always travels with a range of silk neckties. Because of E. Marinella's ambassadorial grace and regal quality, the brand is a true global leader, it can now be discovered and accessed from everywhere in the world.

With the assistance of SIMEST, Marinella is therefore expanding its footprint on international markets.

SIMEST represents a very important reality, aimed at supporting the growth and competitiveness of our country's companies that also operate beyond Italy's borders.

SIMEST works alongside the company throughout the international development cycle, starting with the initial assessment of opening up to a new market and expanding through a series of foreign direct investments. Through soft loans, capital participation and export support funding for internationalisation that is distributed by SIMEST has supported companies also during the economic crisis that resulted from the pandemic. A year ago, almost eight thousand companies were supported for more than ten thousand loans, reaching a maximum of EUR 3 billion.

Conclusion

The work conducted through the whole dissertation aimed at demonstrating the potential of equity fundraising within the internationalisation of the SMEs.

The research formulated towards the funds' (mainly VCs considering the companies we are referring to) attitude and contribution facets when partnering with the SMEs from a geographic growth perspective. We have showed the huge attractiveness that equity and proactive partnership have as a solution still defined as alternative.

As a matter of fact, while venture capital funds have become more common in recent years, they are still not as widespread as some other forms of business funding for their external perception of risk tolerance. These financial entities typically focus on investing in early-stage, high-growth companies, which can be risky investments. From the investors' perspective, not everyone has the appetite or risk tolerance for this type of investment.

They also have a relatively limited accessibility - especially in Italy, where we have indeed analysed a "State" VC fund - as they are typically only available to a small pool of investors, including high net worth individuals, institutional investors, and other professional investors. This can limit the accessibility of venture capital funding for many SMEs, and they can also struggle to find a partnership.

VC funds are very selective, the valuation and due diligence analysis can be a long process and it is quite hard to be "chosen". Not all companies will meet their requirements and their specific investment criteria, as many VCs are looking for companies with a demonstrated track record of growth, a well-defined target market, and a strong management team.

However, if the due diligence is successful and the fund wishes to proceed, the chances to have a consistent international expansion for the SMEs will be higher. With this regard, risk management is highly evaluated from the funds and geographic diversification is itself a type of risk diversification that will have high importance.

Therefore, these factors can limit the accessibility and availability of venture capital funding for many SMEs but, as the popularity of venture capital continues to grow, it's possible that these barriers will diminish over time.

Several literatures and examples recalled in the thesis explained why they should be helpful for the internationalisation of the SMEs. Reputation, regulatory, market specific, tacit and implicit knowledge, experience, financing (especially slack financing) are only a few of the undeniable aspects that equity partners own and are capable to accelerate the SMEs expansion. Nonetheless, we should also consider the lower correlation with the market trend, the higher indolent in the real economy and, because of these, of the higher diversification.

Without a partner of this dimension, SMEs will certainly be more likely to face their biggest hindrances, such as lack of adequate financial capital, human capital, technology and cultural, legal and regulatory features; all of them required to enter in foreign markets.

We have seen how SIMEST offers great solutions as a hybrid model with the (almost) fully state financial support but with a lower aversion to risk. The government backing, as a subsidiary of the Italian Cassa Depositi e Prestiti Foundation, and therefore the support of the Italian government, can increase the credibility and stability of the supported companies.

SIMEST's wide range of financial products and services, including equity investments and trade financing help Italian companies to overcome the financial barriers to internationalization.

In conclusion, we should also make an interjection on the European long-term investment fund (ELTIF), a type of regulated fund introduced in the European Union to encourage infrastructure investment. The aforementioned fund's regulation has been recently revised by the EU, given rise to "ELTIF 2.0", a promising redesign that will have a direct impact on the SMEs and the European inter-states commercial barriers

The announcement that a political agreement (the "Political Agreement") had been achieved with the EU Parliament on the ELTIF Regulation was made by the Council of the EU on October 19, 2022. The draught language of the compromise that was struck has now been released by the EU co-legislators. This comes after extra inter-institutional deliberations that were targeted at refining the content of the Political Agreement. The Provisional Agreement is the name given to the document.

The purpose of the Provisional Agreement is to increase the amount of funding that is directed towards small and medium-sized businesses (SMEs) as well as long-term projects by implementing amendments to the ELTIF Regulation. These amendments will make the ELTIF framework more appealing and easier to invest in. This new framework significantly expands the investment universe, removes obstacles that prevent professional investors from investing, and makes it simpler for retail investors to invest in ELTIFs, all while maintaining a high level of investor protection.

The EU's co-legislators have decided to further increase the ELTIF's design flexibility and to enhance its attractiveness by simplifying its distribution in order to hasten its adoption as the "go-to" fund structure for long-term investments. This will allow for the adoption of the ELTIF to occur more quickly and to have a direct impact on the European SMEs markets and their countries interaction.

The European long-term investment fund (ELTIF) can be seen as a based-European regulatory framework for Alternative Investment Funds (AIFs) that direct cash collected into European long-term real-economy projects, in keeping with the European Union's (EU) goal of responsible, durable, and shared prosperity.

ELTIF can represent a key tool for institutions in order to enhance capital flow towards SMEs, which maybe will create a European market with almost no barriers, with huge benefits not only for the entrepreneurs but also for the single States.

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