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Research Article

Influences of Foreign and Domestic Venture Capitalists on Internationalisation of Small Firms

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ABSTRACT

This study investigates whether venture capitalists (VCs) influence the internationalization of small firms and whether such impact differs between foreign and domestic VCs. Our findings, based on in-depth interviews with top decision-makers from two VCs and four portfolio ventures, indicate contrasts between the perceptions of VCs and portfolio firms, so that the former claim to have a higher impact than what is perceived by the latter. Additionally, our evidence about the differential impacts of foreign versus domestic VCs runs counter to the literature and suggests that the purported stronger impact of foreign VCs may have been over-emphasized in the literature. Two contingencies are revealed that seem to affect the impact of the VC and of its nationality on the internationalization of investee firms: breadth of the industry (global versus local industries) and firm's vocation (born global firm versus local leader).

Keywords: venture capital; investment funds; internationalization; small ventures

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INTRODUCTION

Due to their limited resources, small firms face constraints to their growth potential, including their internationalization prospects. In fact, "[w]hich resources are the most important for international entrepreneurship" is still a relevant research question (Dana, 2017, p. 483). In this regard, VCs may represent a relevant source of financial and non-financial resources.

According to the resource-based view (Barney, 1991), the sustained growth and success of a firm depend on the interplay between its resources/capabilities and the external environment. Internationalization is a form of organizational growth and some studies (Hitt, Bierman, Uhlenbruck, & Shimizu, 2006; Westhead, Wright, & Ucbasaran, 2001) have provided arguments and empirical evidence of the relationship between a firm's resources and its internationalization path.

Fernhaber and McDougall-Covin (2009) argue that VCs can serve as a facilitator of new venture internationalization by providing knowledge and reputation resources. However, while the literature offers some evidence about how the internationalization of small firms can be affected by the participation of a VC in the firm's equity capital base, empirical evidence is still scarce, and findings from previous studies have been to some extent controversial, and in fact there has been observed a large variation in growth of firms backed by VCs (Standaert, Knockaert, & Manigart, 2021).

Moreover, differences between the contributions of foreign versus domestic VCs within the same market have received limited attention (Pruthi, Wright, & Locket, 2003). We speculate that the impact of a VC should be the outcome of value-added contributions, which can differ between a foreign venture capitalist (FVC) and a domestic venture capitalist (DVC). An FVC may add several crucial internationalization attributes to an investee that a DVC may not be able to provide — for example, specialized international networks, further international exit opportunities, global outsourcing opportunities, access to international partnerships, and further funding. Additionally, due to geographical distances, coaching and monitoring mechanisms, such as contractual and behavior restriction of investees, may differ in terms of FVCs vs. DVCs (Pruthi et al., 2003). In fact, some studies, admittedly not all related to internationalization, have suggested differences between FVCs and DVCs in their influences on small ventures' operations/management and resulting success.

FVC attributes may be even more relevant for emerging market ventures since lack of international experience, coupled with institutional voids and difficulties of fund raising, are more critical than in advanced markets. These special features of emerging economies pose challenges for small firms in their path to internationalization.

Given this backdrop, this study examines:

(a) What contributions do VCs deliver that foster the internationalization of small firms?
(b) Are there differences among the contributions brought by FVCs vs. DVCs?

(c) Are there any contingencies that might modify (i.e., strengthen or else weaken) the impact of VCs on the internationalization of small firms?

This study adopts a qualitative approach, based on the triangulation of views of foreign and domestic VCs as well as those of small investee firms in order to understand the mechanisms by which the participation of distinct VC types affects the growth of small firms — particularly, their internationalization efforts and results — and the contingencies that might modify such impact.

Additionally, this study contributes to the literature on internationalization of VC-backed companies by presenting empirical evidence from an emerging market — Brazil, while the literature has focused either on advanced markets or on a particular emerging market — China (Cumming, Guariglia, Hou, Lee, & Newman, 2014; Dai, Jo, & Kassichieh, 2012; Humphery-Jenner, Suchard, 2013a; 2013b; Jiang, Cai, Keasey, & Wright, 2011), which is quite different from Brazil and Latin American countries in general.

LITERATURE REVIEW

Small firms usually suffer from lack of resources, especially human capital resources (Dabić, Maley, Dana, Novak, Pellegrini, & Caputo, 2020; Westhead et al., 2001) — which may hamper their growth and success prospects.

Fernhaber, McDougall-Covin, and Shepherd (2009) note that some researchers have argued that VCs provide resources, beyond the financial, to new ventures by adding management expertise (Baum & Silverman, 2004; Ruhnka, Feldman, & Dean, 1992), reputation (Chang, 2004), employee recruitment (MacMillan, Kulow, & Khoylian, 1988), and strategy capabilities (Fried, Bruton, & Hisrich, 1998; MacMillan et al., 1988). Similarly, Sazvar and Yahyazadehfar (2019) contend that VCs can bring several managerial benefits to investee firms such as development of entrepreneurial culture, which can foster the internationalization drive, establishment of supportive rules, and education of human resources, among others. Carpenter, Pollock, and Leary (2003) claim that VCs have a positive impact on the internationalization of SMEs because of the control and risk management mechanisms they provide. Sun and Liang (2014) also report a positive effect of venture capital on the internationalization of investee firms. Such influence may be stronger if VC managers have international experience (Carpenter, Pollock & Leary, 2003).

Besides, the literature presents arguments about the potentially distinct influences of FVCs and DVCs on how to mitigate possible agency conflicts between investor and investee. Agency problems of moral hazard and adverse selection arise when principal and agent interests are misaligned (Jensen & Meckling, 1976). While VCs in general have been argued to help mitigate these information asymmetries and agency costs (Cumming, 2006; Huang, Kenney, & Patton, 2015), higher geographical distance between an FVC and its investee may increase the intensity of the agency problem, since an FVC does not have as much information about the investee and the local business environment as a DVC does (Humphery-Jenner & Suchard, 2013b). Therefore, FVCs and DVCs may behave differently in supporting their investees' international expansion.

Influences of venture capitalists

Our literature review indicates that the contributions of VCs to small start-ups — particularly, the impact on their internationalization path and results — derive from five main mechanisms: provision of financial resources, management support, access to networks, reputation/credibility, and organizational culture. In addition, the literature suggests that the contribution of the VC to internationalization seems to be stronger for FVCs than DVCs because the former tend to have more international familiarity and network connections, more experience with IPOs (initial public offerings), and tend to be larger.

'Provision of financial resources'. VCs can provide two types of financial resources: direct capital and the structuring of financial operations in order to attract additional investors. Staged financing is often used to strengthen monitoring and to mitigate agency problems (Wang & Zhou, 2004). Contrarily to DVCs, FVCs usually place more restrictions on further funding rounds (Pruthi et al., 2003). Once a VC has invested in a firm, other potential investors may perceive a lower risk of information asymmetry, diminishing the risk of moral hazard and adverse selection (Bruton, Filatotchev, Chahine, & Wright, 2010). In emerging countries, where local sources of funding are still incipient, FVCs can help new ventures get trained and prepared for additional rounds of financing (Yu, Wang, Lin & Zhong, 2019).

Besides, as VCs monitor and certificate their investees, they help these small companies raise money with lower underpricing at their initial IPO (Jiang, Cai, Keasey, Wright, & Zhang, 2014). Additionally, Humphery-Jenner and Suchard (2013b) found evidence that an FVC would increase the likelihood that a portfolio firm lists successfully on a foreign exchange. Such additional resources may prove particularly necessary in foreign mergers and acquisitions (M&A) processes (Sun & Liang, 2014). As VC fund raising is positively related to the degree of development of capital markets, a developed market also can provide important financial resources to foreign operations (Dias & Silva, 2016).

'Management support'. The literature indicates that entrepreneurs' personal factors, such as global industry knowledge and foreign experience, would lessen perceived barriers and facilitate international expansion (Baum, Schwens, & Kabst, 2013; Manolova, Brush, Edelman, & Greene, 2002). Not all entrepreneurs possess these personal skills, though; therefore, a skilled financial investor can contribute in several ways: via the VC's experience in the internationalization processes of firms in similar industries, corporate governance, provision of control and monitoring mechanisms, restructuring and professionalization of processes, strategy formulation (MacMillan et al., 1988; Rosenstein, 1988), and upgrade in human resource policies and employee recruitment, implementing new compensation formats, such as stock options, which can motivate managers to spur growth (Florin, Lubatkin, & Schulze, 2003; Hellmann & Puri, 2002). Overall, VCs, particularly FVCs, "may help professionalize local entrepreneurial firms given their experience of advising and nurturing portfolio companies in their home countries" (Devigne, Manigart, Vanacker & Mulier, 2018, p. 1440).

An interesting interplay between different knowledge provided by the VC and the investee (Park, LiPuma, & Prange, 2015) may in fact leverage the knowledge pool and boost a venture's international expansion. Fernhaber and McDougall-Covin (2009) found a positive relation between the international knowledge of a VC and the internationalization of the investee and such impact was higher the greater the reputation of the VC. The combination of knowledge composed of international and local experiences stimulates more opportunity-driven entrepreneurship than necessity-driven entrepreneurship (Fang, Chrisman, Memili & Wang, 2020).

Due to monitoring costs, the degree of investor involvement to protect the investee also depends on the geographic distance. A start-up investment will require a higher level of involvement, close monitoring, and technical support from an investor (Gupta & Sapienza, 1992). As FVCs face higher costs of geographic distance and monitoring, they have been argued to tend to conduct less supervision (Zhang & Zhang, 2021), employ more prudent strategies (Zhang & Zhang, 2021), and invest in less innovative ventures (Que & Zhang, 2020). In addition, since resources for cross-border expansion become more important in later stages (Devigne, Vanacker, Manigart, & Paeleman, 2013), an FVC's contribution can be more relevant for late-stage ventures. Further, FVCs perform more strategic roles, such as planning, while DVCs tend to be more operationally oriented (Pruthi et al., 2003).

'Access to networks'. Some new ventures do not internationalize alone, but rather may draw upon their networks (Coviello & Munro, 1997). VCs have been argued to "open up networks and opportunities" (Espenlaub, Khurshed, & Mohamed, 2015, p. 217), especially those that are already internationalized themselves, so that new ventures can increase their resource base (Dai et al., 2012). Internationalized VCs can transform a local business into a global business (Humphery-Jenner & Suchard, 2013b) since financial network diversity, derived from firm's ownership structures (Sheng & Pereira, 2014), tends to increase the degree of internationalization of firms (Manolova, Manev, & Gyoshev, 2014). In addition, internationalization of investee firms can be important for the VC as it increases the chances of a successful exit strategy (Espenlaub et al., 2015).

FVCs also have more experience in syndication during foreign expansion. Syndication can improve venture success (Das, Jo, & Kim, 2011; Meuleman & Wright, 2011; Tian, 2012), especially when it involves a combination of FVCs and DVCs (Chemmanur, Hull, & Krishnan, 2016; Huang et al., 2015). This combination offers new ventures not only higher growth rates (Devigne et al., 2013) but also better exit performance (Cumming, Knill, & Syvrud, 2016). FVCs tend to be more prone to syndication in order to cope with their liability of foreignness (Park et al., 2019). When the expansion targets an emerging market, or where an understanding of the political risk and local regulations is important for venture success, partnering with a VC in the target market may provide access to key local connections in order to overcome such difficulties (Humphery-Jenner & Suchard, 2013b; Sun & Liang, 2014) — and FVCs may prove more helpful than DVCs.

'Reputation/credibility'. When a firm is new to a market, potential customers and partners may find it difficult to evaluate its trustworthiness or the quality of its products. Having a credible VC as a stakeholder can enhance the assessment of the firm in the eyes of potential foreign partners (Yamakawa, Peng, & Deeds, 2008), since the VC investment itself functions as a credible form of commitment (Williamson, 1996). Compared to a DVC, an FVC may be better equipped to legitimize the new venture in the market where the investor is located (Mäkelä & Maula, 2005); raise the awareness about the company in foreign markets since it has stake in portfolio companies that operate in international markets; and help with the cultural and business integration process in foreign markets, thereby reducing the liability of foreignness.

'Organizational culture'. Lutz and George (2012) contend that external parties can shape the motivation of entrepreneurs. In fact, VCs can influence the investee's managers at a high level, through either the posture and speech typical of VCs or the setting of challenging goals (Locke, Latham, & Erez, 1988), which might include expansion abroad. Besides, the aspirations of entrepreneurs and VCs can influence the firm's use of external funding, which can fuel expansion, including international operations (Isabelle, Westerlund, Rajala, & Leminen, 2019).

Internationalization outcomes

Internationalization is a broad and complex concept, and the degree of internationalization can be characterized by multiple dimensions such as volume of foreign sales (both absolute and relative to domestic sales), number of countries in which the company sells or holds operations, and degree of commitment and irreversibility of the foreign entry mode (Hennart, 2011; Kirca, Roth, Hult, & Cavusgil, 2012).

Firms invested by VC's have been argued to internationalize more intensely and quickly (George, Wiklund, & Zahra, 2005), so that the investors can implement their exit strategy quicker (Dai et al., 2012; Espenlaub et al., 2015; Puri & Zarutskie, 2012). Firms tend to engage in higher-risk investments, such as internationalization, when they have extra financial resources (Nohria & Gulati, 1996), when top managers and the board of directors have international experience (Bloodgood, Sapienza, & Almeida, 1996), or when they have external owners (e.g., VCs), who tend to be less risk averse than CEOs and top executives (George et al., 2005). However, despite the acknowledged contributions of VCs on the internationalization of their portfolio firms, the growth potential in the domestic market may negatively affect the impetus to internationalize (Hennart, Sheng, & Carreira, 2017).

The higher knowledge about foreign markets and foreign languages provided by FVCs in particular may speed up internationalization and increase the international reach of their portfolio ventures (Fernandez-Ortiz & Lombardo, 2009) as well as provide higher internationalization success (Schwens & Kabst, 2009).

It is interesting to note that there may be a reverse effect in place, that is, VCs may prefer to invest in firms that present intention and potential to expand abroad (Lutz & George, 2012). Therefore, the argued relationship between VC investment and the internationalization of investee firms may be endogenous.

Differential influences between foreign vs. domestic venture capitalists

Regarding VC's contributions at the strategic and the operational levels, Pruthi, Wright, and

Locket (2003) found that "foreign VCs were significantly more likely than domestic VCs to be involved at the strategic level, while domestic VCs were significantly more active at the operational level." (Pruthi, Wright, & Locket, 2003, p. 175) Since internationalization efforts demand more planning and longer-term reasoning — at the strategic, not just the operational level —, one can infer that FVCs will tend to be more involved than DVCs with the internationalization processes of their portfolio companies. In addition, investee firms may benefit from FVCs to enhance their scaling up capabilities and their strategic integration into global value chains (Gonzalo, Federico, Drucaroff, & Kantis, 2013). However, FVCs have been reported to yield lower performance than DVCs, at least in China (Zhang & Zhang, 2021).

Each type of VC may contribute distinct advantages to their investee firms. Compared to emerging market local VCs, foreign VCs tend to have more international experience and provide greater capital expertise (Chemmanur et al., 2016), greater access to networks abroad (Humphery-Jenner & Suchard, 2013b), and, in general, better corporate governance (Aggarwal, Erel, Ferreira, & Matos, 2011). On the other hand, the negative effects of geographical distance on effective FVC involvement are attenuated but not eliminated by advances in transportation (Bernstein, Giroud, & Townsend, 2016). However, some FVCs open foreign offices with local managers in the foreign countries accessed or partner with local VCs (Devigne et al., 2018), thus developing a management approach close to that of domestic funds. Additionally, the international experience of an FVC may also help in dealing with psychic distance issues, that is, dissimilarities between two countries that may affect the ability of a company to do business successfully in another country (Johanson & Vahlne 1977; Prime, Obadia, & Vida, 2009). If local exit conditions are inadequate, cross-border investors can promote M&A opportunities at their home country and enhance exit options for start-ups. Besides, particularly in emerging markets, FVCs inflows may "compensate for potential limits in the domestic VC supply pool," which may be constrained by less favorable tax or legal conditions (Schertler & Tykvová, 2012, p. 1778). However, international syndicates tend to be faster to write off low-performing investments (Bertoni & Groh, 2014) and, as such, abbreviate the international life of their investee firms. In addition, since FVCs present lower emotional involvement and weaker social and business ties with the local market, they tend to terminate low-performing investments quicker than DVCs (Devigne, Manigart, & Wright, 2016).

On the other hand, partnering with DVCs may bring superior home country knowledge and better monitoring and counseling because of physical proximity, thus lessening agency problems (Humphery-Jenner & Suchard, 2013b). In fact, FVCs may suffer from information frictions and cultural differences (Dai et al., 2012; Devigne et al., 2018). Differences across countries and lack of experience in a particular foreign market make it harder and costlier for FVCs to run due diligences and operate properly in those markets (Beaverstock, 2004; Chemmanur et al., 2016; Cumming & Macintosh, 2003; Wright, Pruthi, & Lockett, 2005). Nevertheless, contrary to these findings, Tan, Zhang, and Xia (2008) suggest that "domestic VC firms are less active in monitoring" and "also less motivated to provide value-added services than their foreign counterparts." (Tan, Zhang, and Xia, 2008, p. 263).

Carpenter et al. (2003, p. 812) found an overall negative relationship with the scale of international operations (ratio of foreign to total sales); however, the relationship was positive "when the VC is represented by a board member with international experience." Carpenter et al., 2003, p. 812) Furthermore, they argued that VCs behave in a risk-seeking manner, as far as internationalization is concerned, only when both the firm's managers and the board members have had previous international experience. Indeed, Fernhaber and McDougall-Covin (2009) found that the international knowledge and reputation of a VC tends to be associated with higher internationalization of the investee.

Interestingly, Jiang, Cai, Keasey, Wright and Zhang (2014) did not find support for their contention that FVC-backed ventures would benefit from lower initial underpricing as compared to DVC-backed ventures. Their interpretation of the non-significant difference rests on the interplay between positive (e.g., reputation and experience in capital markets) and negative (e.g., liability of foreignness) impacts of FVCs vs. DVCs mentioned above.

METHODS

We chose an in-depth study of multiple cases and searched for evidence from two standpoints: that of the investee firms and that of VCs. Additionally, because most of the empirical evidence has come from advanced markets, or else China, we chose an emerging market, Brazil, as our research setting. We contend that the institutional environment of China is quite different from other emerging markets, so that past conclusions may not hold. In comparison to China, Brazil poses higher obstacles to doing business, as indicated by the countries overall position in the 'ease of doing business' rank published by the World Bank (2020a) (respectively, 31st and 124th), although both countries have been among the top five destinations of foreign direct investment for more than 10 years (World Bank, 2020b). Besides, one might speculate that cultural differences between the two countries (Nelson, 2014) might lead to differences in the relationships between VCs and their portfolio firms.

Brazil presents many of the features that can intensify the argued differential impact of FVCs vs. DVCs. Besides the scarcity of cheap local funding sources, until the early 1990s, the Brazilian market was closed to foreign trade and to inward foreign investment (Hennart, Sheng, & Pimenta, 2015). Furthermore, Brazil's poor infrastructure poses obstacles to exports and to outward foreign investment, pushing Brazilian firms to exploit the large internal demand (Rocha, 2003), shying them away from internationalization. In addition, complex local regulations and laws, deficient law enforcement, huge court backlogs (Amado & Brasil, 1991; World Bank, 2020a), particularities regarding national cultural traits (Caldas, 2006), and social and business practices (Duarte, 2006; Ferreira, Fischer, Porto, Pilati, & Milfont, 2012) tend to favor DVCs over FVCs. Although there is no different treatment for foreign investors under local Brazilian law, foreign investors might experience liability of foreignness regarding learning about and adapting to the local institutional environment (Monteiro & Sheng, 2021).

In order to investigate this complex context, an in-depth qualitative study allows to understand entrepreneurs' and VCs' perceptions as well as the differential impacts of DVCs vs. FVCs and reveal the mechanisms underlying the potential association, since some of the possible determinants of the impact of VCs (e.g., managerial and reputational resources) are not available from secondary sources and would be difficult to obtain from a structured questionnaire. We chose a small-sample approach, which is compatible with the main contribution searched — that is, uncover contrasting evidence from two tightly-related types of stakeholders, VCs and investee firms, as well as from DVCs and FVCs.

We interviewed founders of four Brazilian small firms that received financial support from VCs — two FVC investees and two DVC investees. The VCs that invested minority equity capital in these firms gained a seat on the board, but did not retain veto power; thus, they did not have voting control over the firms' strategic decisions. For purposes of triangulation of data sources, we also interviewed the CEOs of two VC firms, one FVC and one DVC. In order to avoid conflicts of interest and social desirability bias and, therefore, to motivate firms to talk more freely, we chose VCs that had not invested in any of the interviewed ventures. In fact, as we speculated about the advantages and disadvantages of matching the VCs with a sample of their own investee firms, we concluded that the disadvantages (i.e., the potentially not sincere answers because of social desirability bias and fear of opening up information that might be [ab]used or misinterpreted by the counterparts) overshadowed the advantages (i.e., information on matched pairs). Therefore, we opted for not matching VCs and respective investee firms.

In fact, by prompting the VCs not to talk about one specific investee firm, but rather to express how they believe that they help their investees (in general) to internationalize, we provide more freedom for VCs to talk without being biased by any single case. Of course, had we chosen the matched pair approach, we could ask the VC not to focus on any of its particular investees, but rather to talk in general. But we deemed that it would somehow cross the line of ethics not to tell the VC that we would also interview one of their investee firms and vice versa. In addition, by revealing the matched pair approach to the interviewees, social desirability bias or overreaction might affect their responses. However, we acknowledge that, by forgoing the matched pair VC-investee approach, we miss the opportunity of more focused triangulation for each specific case of investee firm. Since there are advantages and disadvantages to each of the two approaches of data collection — that is, (a) having matched pairs of VC-investee versus (b) selecting VCs that do not have a stake in the particular investees that compose the theoretical sample —, and no clearly discernible best approach, we employed our own judgment to choose.

There are few VCs in Brazil and few firms that have received funding from them. Since one of the authors has professional experience in the venture capital business, he approached some of his contacts in order to find VC managers and founders of small ventures who would be willing to participate in the study. The interviews lasted for 40 to 60 minutes and were run either in person or through Skype. Interviews were taped and jointly analyzed by two researchers.

We employed a semi-structured script based on the points covered in the literature review. To avoid forcing the answers into our pre-structured outline, we first asked the interviewees to talk freely about how the VC had influenced the internationalization path of the firms and which results of the internationalization process could be attributed to the involvement of the VC. These open questions were supplemented with specific questions about the potential benefits provided by VCs, specifically, provision of financial resources, management support, access to networks, reputation/credibility, organizational culture, and specific outcomes that might have been influenced by the participation of the VC in the firms' equity, specifically, operational efficiency, market value of the company, profitability, success in M&As, revenues, and increased international presence.

To assure confidentiality, the names of the firms are disguised; only the industry and the position of the interviewee are presented in Table 1.

Table 1

Presentation of the sampled firms and VCs

Firm/VC	Founding	Area of specialization	Type of VC
F_services	2000	firm that organized an award for the best websites in Brazil and later on became a free internet provider	received a minority equity participation from a domestic VC with very little international experience
F_commerce	2010	firm specialized in collective buying	received a minority equity stake from a pool of foreign VCs, all with extensive global presence
F_IT	1998	firm specialized in IT for the telecom industry	received a majority equity participation from a foreign (South African) VC, which is global and targets investments to any potential country (except the USA) but prioritizes emerging markets
F_pay	2005	firm that manages electronic payments	received a minority equity participation from a domestic VC with no international experience
DVC_1		VC specialized in digital media, e-commerce and mobile solutions	domestic (Brazilian) venture capital firm with very little international experience
FVC_1		VC specialized in investments in internet ventures	foreign (US) venture investment fund targeted specifically at Brazilian firms, but with all the support and experience of their parent fund — an FVC with extensive international experience and presence

Brazil is relevant for the VC market in the region, having received 55.9% of the investments by VC funds in Latin America in 2018 (The Association for Private Capital Investment in Latin America [LAVCA], 2019). Tables 2 through 4 provide descriptive statistics of the venture capital and private equity industry in Brazil, broken down by origin of the capital (domestic vs. foreign).

Foreign capital is very important in the evolution of venture capital and private equity businesses in Brazil. Foreign investors have increased their participation significantly from 51% in 2011 to 71% in 2019. During the same period, not only the number of invested companies has increased, but also the magnitude of investments, and the volume of capital from VCs.

Table 2

Total committed capital[a] by the private equity and venture capital industry in Brazil (in billion BRL — Brazilian reais)

Year	Domestic (BRL billion)	Foreign (BRL billion)	Domestic (%)	Foreign (%)
2011	29.2	34.3	46%	54%
2012	42.4	40.7	51%	49%

Continues

Table 2 (continued)

Year	Domestic (BRL billion)	Foreign (BRL billion)	Domestic (%)	Foreign (%)
2013	45.1	55.1	45%	55%
2014	55.8	71.1	44%	56%
2015	65.9	87.3	43%	57%
2016	67.1	75.7	47%	53%
2017	64.8	89.5	42%	58%
2018	57.9	112.4	34%	66%
2019	57.7	140.4	29%	71%

Note. KPMG, & Associação Brasileira de Private Equity e Venture Capital - Brazilian Private Equity and Venture Capital Association]. (2020). *Consolidação de dados: Indústria de Private Equity e Venture Capital no Brasil 2015 – 2016 – 2017- 2018* [Data Consolidation: Private Equity and Venture Capital Industry in Brazil 2015 – 2016 – 2017 – 2018 – 2019 – 2020]. Retrieved from https://www.abvcap.com.br/Default.aspx (available to registered users only).
[a] Total committed capital is the total capital subscribed by investors (e.g., independent asset managers, family offices, sovereign wealth funds, pension funds, corporate investors, and government agencies that operate in the private equity and venture capital industry in Brazil) and considers amounts already contributed and to be contributed in the investment vehicles in operation on December 31 of each year.

Table 3

Total committed capital by private equity funds and venture capital funds in Brazil

Year	Private equity (BRL billion)	Venture capital (BRL billion)	Private equity (%)	Venture capital (%)
2015	147.8	5.4	96%	4%
2016	136.7	6.1	96%	4%
2017	146.0	8.3	95%	5%
2018	153.7	16.6	90%	10%
2019	166.7	31.4	84%	16%

Note. KPMG, & Associação Brasileira de Private Equity e Venture Capital - Brazilian Private Equity and Venture Capital Association]. (2020). *Consolidação de dados: Indústria de Private Equity e Venture Capital no Brasil 2015 – 2016 – 2017- 2018* [Data Consolidation: Private Equity and Venture Capital Industry in Brazil 2015 – 2016 – 2017 – 2018 – 2019 – 2020]. Retrieved from https://www.abvcap.com.br/Default.aspx (available to registered users only).

Table 4

Number of invested companies and average deal size

Year	Number of invested companies	Average deal size (BRL million)
2013	186	95
2014	101	132
2015	159	117
2016	157	72
2017	175	87
2018	202	67
2019	317	81

Note. KPMG, & Associação Brasileira de Private Equity e Venture Capital - Brazilian Private Equity and Venture Capital Association]. (2020). *Consolidação de dados: Indústria de Private Equity e Venture Capital no Brasil 2015 – 2016 – 2017- 2018* [Data Consolidation: Private Equity and Venture Capital Industry in Brazil 2015 – 2016 – 2017 – 2018 – 2019 – 2020]. Retrieved from https://www.abvcap.com.br/Default.aspx (available to registered users only).

This research design has some limitations. First, the number of cases is small and thus discourages any attempt to generalize the results to the populations of portfolio companies or of VCs. Second, for each case of portfolio company, there is no triangulation with the view of a VC that invested in the company itself, although, as previously explained, this was a deliberate research design decision to reduce social desirability bias. Third, the fact that the interviewer was professionally engaged in the venture capital business may have led to social desirability bias on the part of both the interviewed VCs and the companies.

According to KPMG and & Associação Brasileira de Private Equity e Venture Capital [ABVCAP] (2020), investments in IT companies, including private equity and venture capital, both domestic and foreign, represented between 1% and 12% of the total capital invested per year during 2011-2017 in Brazil. While the four companies, all from the IT sector, may not be representative of the breakdown of sectors invested by these funds in Brazil, we in fact did not aim at reaching representativeness, statistical or otherwise, but rather at triangulating among different viewpoints as a way to unveil contrasting perceptions that might question or add to the theoretical arguments and the empirical evidence previously published. We acknowledge, however, that the internationalization of IT businesses may be easier than the internationalization of businesses based on tangible goods because many IT services can be easily and inexpensively delivered, do not depend on high capital investment in the target countries, and tend not to be so sensitive to cultural differences across countries. As such, the international experience of the VCs and their networks established in other countries may not be as important as they may be for other businesses. On the other hand, even IT firms may depend on connections in the target markets in order to facilitate their legitimacy and their compliance with regulations and business practices.

FINDINGS

Results were arranged to allow three main comparisons: (a) contrasting perceptions of the portfolio firms and those of the VCs regarding the overall impacts of the VC, (b) their perceptions as far as internationalization is concerned, and (c) differential impacts of an FVC and a DVC.

Contrasting perceptions as to VC impacts — VCs versus portfolio firms

'Financial resources'. When asked whether the capital injection had been made specifically for internationalization, all the firms said that the financial support of their VC was directed to boost company growth in the domestic market, not specifically earmarked for internationalization, which can be a later path for growth. See Table 5.

Table 5

Contributions of venture capitalists regarding financial resources

	Did the VC help obtain financial resources for your company? If so, how?	Was the capital injection made specifically for internationalization?
F_services[a]	"Yes, at the moment he is an investor, he helps capture greater value."	"There was no specific financial contribution to internationalization. Contributions serve to create value in the company. The investor believed that internationalization was one of the growth paths and could also help in this process, [but the VC] had no specific business plan [for internationalization]."

Continues

Table 5 (continued)

	Did the VC help obtain financial resources for your company? If so, how?	Was the capital injection made specifically for internationalization?
F_commerce	"Yes, [by] appointment and negotiation."	"Before buying an international competitor, I had a meeting with one of the future investors that wanted to contribute capital, and they [the VC that had invested in F_commerce] gave a 'push' to accelerate the acquisition."
F_IT	"The second group of investors was not brought in by the old investors, although both co-invested at a later time."	"No, [the investment] was made specifically for expansion in Brazil. It began with Mexico, a business opportunity offered by a Brazilian customer and then [continued with the] acquisition of an international competitor that already had presence in other countries (Argentina, Mexico, Colombia, Venezuela)."
F_Pay[a]	"No, there was no new contribution. The company self-financed its growth."	"No, [the investment was for the] growth of the company. The main motivator [for internationalization] was customer demand."
DVC_1	"Yes, we [the VC] have a network of 17 co-investors."	"There is no cake formula. [The investee] was a born global. Seed and series A [funding rounds] generally serve to dominate Brazil."
FVC_1	"Yes, with the presentation of other investors."	"Usually it happens more in round C or D. It is also common a financial contribution specific to the internationalization in stage of early growth (B or C). Companies are looking for rounds of around 10 million dollars and are looking for new partners to help. Some private equity funds use this network capillarity factor as differentiation."

Note. [a] Domestic VC investee.

While the interviewed firms agreed that a VC might help attract more investors, this was not the case of two of them — one never had a second round of external financing, rather self-financing its expansion after the entry of the VC, and another one attracted a second group of investors unrelated to the first one. In fact, only when explicitly asked by the interviewer, did the firms mention the benefit of the VC attracting more investors. The two VCs, however, argue that they do help firms obtain further financing; one of them even said that they had a network of 17 co-investors.

'Management support'. Only in two out of the four cases did the small ventures agree to have benefited from the previous international experience of the VC, and only one of them agreed that the VC helped with governance — although DVC_1 maintained that they do help with governance in general. The same two firms said that the VCs helped with company professionalization and process restructuring — this is also the opinion of DVC_1 regarding their own portfolio companies.

One of the firms argued that the level of experience and the capacity to organize processes, prior to receiving external capital, may vary a lot across firms; so does the potential contribution of a VC in this regard. As for setting metrics and monitoring results, one firm and both VCs agreed that VCs provide expertise; apparently, the other firms already had some structured processes in place. That firm alone said that the VC also helped with human resources management. Both VCs stated that they do help firms in several aspects of managerial support; but one said that improvement in management is not always tied to internationalization. See Table 6.

Table 6

Contributions of venture capitalists regarding management support

Do you think [VC name] contributed (and in what form) to the internationalization of [company name]?						
	F_services[a]	F_commerce	F_IT	F_pay[a]	DVC_1	FVC_1
a) [VC]'s experience with similar businesses or industries that involved international business management and internationalization processes						
	Yes	No	Yes	No	Yes[b]	Yes
b) Corporate governance						
	Yes	No	No	No	Yes	Yes
Do you think [VC name] contributed (and in what form) to the internationalization of [company name]?						
	F_services[a]	**F_commerce**	**F_IT**	**F_pay[a]**	**DVC_1**	**FVC_1**
c) Control and monitoring of the internationalization process						
	Yes	No	No[c]	No	Yes	Yes
d) Professionalization and restructuring of processes (e.g., stock option plans, internal processes, reconfiguration of management models, etc.)						
	Yes	No	Yes	No	Yes	Yes[d]
e) Assistance in human resources policies (e.g., indication and evaluation of candidates)						
	Yes	Yes, but very little	No	No	Yes	Yes

Note. [a] Investee of domestic VC. [b] By contact and scheduling with other players. [c] Because [company name] did not need it; otherwise, [VC name] would have helped. [d] But not specifically for internationalizations.

'Access to networks'. The VCs argued that they do help in establishing contacts with foreign players via their long list of relations. DVC_1 was also quite emphatic regarding the positive impact on helping firms attract better talent because their portfolio firms can claim to have more resources, garner the close attention of professional investors, and have been thoroughly screened.

Two firms said that the VC did not help with attracting employees. On the other hand, one firm mentioned the credibility effect derived from being a VC investee and the other agreed that the investor helped with the indication of headhunting firms. One of the VCs said clearly that they do help in attracting employees/executives and investors. Table 7 provides details.

Table 7

Contributions of venture capitalists regarding access to networks

F_services[a]	F_commerce	F_IT	F_pay[a]	DVC_1	FVC_1
a) Has the VC helped you attract talented people? If so, in what way?					
Yes, by indicating headhunters	Not actively, but having investors provided credibility; always indirect	No	No	Yes, showing the target talented people that the company has funds, that investors are close to the board, that management has quality, and that a strict filter was used to choose this company	Yes, recruiting the country manager; [the VC] already had a relationship and did the matchmaking
b) Has the VC helped attract other co-investors?					
Yes	Yes	No	No	Yes	Yes

Note. [a] Investee of domestic VC.

'Reputation/credibility'. Three firms said that the credibility of the investor helped them establish international alliances or acquire other firms abroad; one of them said that the acquisition process was shortened because the investor had stakes in the two firms. However, one of the firms contended that the investor did not help in this regard. DVC_1 argued that, while their portfolio firms are responsible for their M&As, the investor may provide assistance.

Two firms made it clear that the credibility of the investor helped them overcome the liability of foreignness, especially regarding business-to-business relationships. The other two firms did not see any contribution of the investor in this respect. One of them even said that it was the recognized quality of the firm's service that paved their way abroad, so they did not depend on the VC's brand. The two VCs said that it is the firm itself that must build its own credibility, but that the investor can also help.

'Organizational culture'. The two VCs maintained that they could push firms to a higher aspiration level, but the interviewed firms said otherwise. All firms believed that they already had a culture of growth and did not need any 'push' from the investor. Interestingly, neither the firms nor the DVC mentioned any contribution of VCs regarding dealing with psychic differences across countries. However, the FVC_1 emphatically said that this ability to deal with different cultures is one of their differentials. In addition, DVC_1, when prompted to talk about this aspect, contended that they have relationships with partners and other investors abroad.

Comparing evidence: Perceptions of VCs versus portfolio firms as to the impact of the VC on internationalization outcomes

Overall, the investee firms manifested different views about the impact of VCs. F_services contended that investors played a relevant role not only for the success of the company but also for the training of managers, thus driving the success of the company. In the words of its founder CEO:

> "My life has changed with the management of these investors: growth as a leader, learning in management and business development."

He added that:

> "[the VC] helped by sharing best practices of international expansion … [presenting] a lawyer to open the company [abroad], partners in each country, headhunter." Further, the VC had experience with similar companies since they wanted to build a Latin American holding company. F_IT's founder CEO also agreed that VCs "[provided] access to examples, helped give access to knowledge and to other entrepreneurs."

On the other hand, F_pay maintained that VCs contributed nothing. In addition, F_commerce said that:

> "they did not influence much, did not help or disturb," although "[the VC] was always in favor of internationalization, it was always passive in this regard."

In fact, F_commerce contends that the speed of internationalization was dictated by the company itself, not by the VC:

> "Nobody would have made us internationalize faster or with energy and capital," but "several other investors might have stopped or questioned the internationalization decision."

In a contrasting vein, FVC_1 claimed that they had influenced the speed of international expansion of their portfolio firms, not always to make it higher:

> "Certainly, investee companies would have expanded before the ideal [moment] and would position themselves in sub-optimal markets."

FVC_1 illustrated their claim with the example of a portfolio company that was about to open a commercial office in Singapore and was negotiating contracts in Russia, but was redirected to Latin America (Argentina and Mexico) where the VC found a 'sponsor client' that could 'open doors' in other countries. DVC_1 argued that they contribute with analytical capacity and by leading the companies to question whether they are in fact ready for international expansion but recognized that they have few internationalized companies in their portfolio. Table 6 summarizes the participation of the VCs in the international expansion process.

Table 8

Involvement of venture capitalists in the internationalization process

What was the involvement of VC in the internationalization process?					
F_services[a]	**F_commerce**	**F_IT**	**F_pay[a]**	**DVC_1**	**FVC_1**
a) Decision to internationalize					
Only secondary role	Only secondary role	Yes, relevant role	No	Only secondary role	Only secondary role
b) Decision about which countries the company should internationalize to					
Only secondary role	Only secondary role	Yes, relevant role	No	Yes, relevant role	Only secondary role
c) Involvement in the foreign market entry process					
Only secondary role	No	Yes, relevant role	No	Yes, relevant role	Only secondary role
d) Involvement in the post-entry process					
No	No	Yes, relevant role	No	Only secondary role	Only secondary role

Note. [a] Investee of domestic VC.

F_commerce's founder said that, at an advanced round of negotiation, a new investor encouraged the firm to acquire a foreign competitor, thus increasing its foreign footprint. Likewise, F_IT accelerated its international expansion after the second round of funding, which allowed the company to acquire a player with established operations in four Latin American countries. Apparently, the appetite of entrepreneurs for growth abroad, coupled with external funding, actually helped boost the firms' positions abroad.

However, investors may limit internationalization efforts. FVC_1 said that a company should not start expanding geographically before it has reached a certain level of sustainability and excellence in processes. In a similar vein, DVC_1 said they have sometimes advised companies to focus primarily on being dominant players in their domestic market before dedicating part of their scarce resources to internationalization and running the risk of being a player of little consequence outside the country. FVC_1 made a distinction between born globals and what the interviewee called 'national leaders' seeking to expand to other territories. In his view, the internationalization strategies for each of these two types of firms should be distinct: born global companies could receive more resources and expand faster, while 'national leaders' (i.e., firms that first grow in the domestic market and, later on, target international markets) should be more cautious when they start international expansion. FVC_1 further argued that there would be a rule in the Silicon Valley, not officially admitted, that

> "not born globals should only begin to target international markets after having reached the sales of 10 million dollars [in the domestic market],"

thereby having attained a high

> "level of sustainability in operations and excellence in processes."

This VC admitted that few Brazilian companies are born global. In fact, he suggested a reverse movement of internationalization, which he called 'think globally and act locally' — the Brazilian company could position itself as a facilitator for foreign players to enter the Latin American market, by assisting them with product import and services, shifting the focus away from 'export only' business.

F_pay's founder held that small Brazilian firms with potential for international expansion should not be too hasty as they approach international markets, but rather should first consolidate their position in the domestic market. Likewise, F_services' founder argued that,

> "as firms decide to step out, they should move just one foot while they make sure that the other foot is firmly placed [in the domestic market], so that the firm will be able to deal with any instability."

Therefore, VCs may not necessarily speed up internationalization since some of them, as well as some firms, believe that it is better to build a strong position in the domestic market before venturing abroad. These findings suggest that careful planning of growth can slow the internationalization impetus, while boosting financial outcomes by increasing the chances of success.

Differential impacts: Foreign versus domestic venture capitalists

Both types of venture capitalists, the FVC and the DVC, stated that they were highly active to support capital needs — not specifically for internationalization efforts, but for growth in general —, which is consistent with the literature. FVC_1, however, was more cautious and preferred multiple rounds, thus corroborating the predictions of agency theory. Regarding internationalization, the two VCs and three of the investee firms mentioned nothing about specific 'earmarking' of the funding provided by the VCs. In fact, international expansion of their portfolio companies was not a priority for either the FVC or the DVC, which is consistent with Hennart, Sheng, and Carrera (2017) contention. However, F_IT indicated that their FVC was a major contributor of resources in a single 'series B' round — early growth stage —, specifically tied

to acquisitions of players abroad, which prompted the firm's internationalization. Both FVC_1 and the DVC_1 played only a secondary role in the internationalization path (e.g., by helping companies select foreign markets). FVC_1 did not provide a clear answer about the restructuring of processes toward internationalization, while DVC_1 argued to have looked for foreign players to partner with in the international expansion of its investees. However, out of the four investee firms, the only two that acquired players abroad were FVC investees.
In our sample, FVCs seemed more inclined to promote internationalization, in contrast with the literature. The FVC claimed having helped investees reduce the liability of foreignness and participated actively in the recruiting of target country managers, while the DVC preferred someone who was close to the DVC's board, i.e., a 'trusted fellow,' which is a trait of the Brazilian corporate culture. The two FVC investees, unlike the DVC investees, clearly contended that the credibility of their investor helped them overcome the liability of foreignness, especially regarding business-to-business relationships. FVC_1 claimed that they deal better with differences across national cultures. The two VCs claimed to have contributed to the reputation and credibility of their investees abroad, which helped the companies gain legitimacy abroad and form international alliances or participate in M&As. Both types of VCs stressed the importance of their branding for the investees. This self-reported similarity is slightly different from the literature prediction that FVCs will contribute more.

In sum, as shown in Tables 9, 10, and 11, there were hardly any relevant differences regarding the impact of FVC versus DVC on the internationalization of portfolio firms: only one investee by an FVC acknowledged a great impact of their investor.

Table 9

Comparing evidence on (a) VCs' perceptions vs. portfolio firms' perceptions and (b) our findings vs. the literature about FVC vs. DVC impact

Literature: expected POSITIVE impacts of VC ownership	Comparison between the literature, the interviewed VCs, and the interviewed portfolio firms	Literature: expected differential effects between FVCs and DVCs[a]	Comparing evidence between the literature and our findings
Provision of financial resources	Interviewed VCs stated that their funding was not earmarked for internationalization but for growth in general. Literature suggests that VCs help attract additional investors. VCs agreed. But two of the interviewed firms downplayed the role of VCs in attracting investors for a second round of funding.	(+) FVCs have more experience in syndicated financing, which may provide the necessary funds for foreign expansion. (+) FVCs are more likely to have their portfolio companies listed successfully on a foreign exchange, and to obtain higher IPO proceeds, which may help finance acquisitions abroad.	No difference between FVC vs. DVC since the money was not earmarked for internationalization, in the opinion both of the VCs (whether FVC or DVC) and of the investees (whether FVC or DVC investees). However, one FVC investee stated that they received a round of funding specifically tied to acquisitions of players abroad.
Management support	Interviewed VCs were in agreement with the literature in general that they do provide management support (especially regarding operational efficiency). However, some portfolio firms downplayed the VC's support. Therefore, the real contribution of the VC may be contingent on the level of experience and the capacity of the investee to organize their processes (prior to receiving external capital).	(+) FVCs provide more support at the strategic level, which may include internationalization decisions; DVCs focus more on execution, and on the technical and operational levels. (+) FVCs tend to have more international experience (which may be particularly important in later-stage ventures, when internationalization becomes more relevant as a growth option). (+) FVCs are better equipped to attract foreign employees and executives.	Virtually no difference was discerned (either by the VCs or by the portfolio firms) regarding the impact of FVC vs. DVC, except that DVC_1 argued to have helped with identifying potential partners abroad. However, out of the four investee firms, the only two that acquired players abroad were FVC investees.

Note. [a] Positive sign (+) denotes an expected higher positive impact or a lower (in absolute terms) negative impact of FVCs over DVCs; a negative sign (-) denotes otherwise.

Table 10

Comparing evidence on (a) VCs' perceptions vs. portfolio firms' perceptions and (b) our findings vs. the literature about FVC vs. DVC impact

Literature: expected POSITIVE impacts of VC ownership	Comparison between the literature, the interviewed VCs, and the interviewed portfolio firms	Literature: expected differential effects between FVCs and DVCs[a]	Comparing evidence between the literature and our findings
Access to networks	Interviewed VCs were in agreement with the literature in general that they do help with attracting talented workforce and co-investors; but not all of the interviewed portfolio firms agreed.	(+) FVCs have more international connections (with suppliers, buyers, other VCs, etc.). (+) FVCs also can use their lobbying and political influence in potential host countries, while DVCs may need a foreign partner to help with international expansion.	No clearly distinct pattern of differences was discerned (either by the VCs or by the portfolio firms) regarding the impact of FVC vs. DVC, except regarding access to workforce in foreign countries (the FVC seemed to help more, in agreement with the literature).
Reputation/ Credibility	Unlike the literature in general, the interviewed VCs and firms contended that the reputation impacts depend more on the firms than on the VCs, particularly in B2C industries.	(+) FVC reputation confers legitimization of new venture in a foreign country (in particular, in the home country of the FVC).	In agreement with the literature, the two FVC investees, unlike the DVC investees, clearly contended that the credibility of their investor helped them overcome the liability of foreignness, especially regarding B2B relationships.
Organizational Culture	Interviewed VCs tend to agree with the literature in general that they push firms to a higher aspiration level. The investee firms do not recognize such 'push' and believe that the firms themselves have the 'genes' for growth.	(+) FVCs can be more inspirational for venture executives, in particular because they have more international experience and tend to be less risk averse to foreign endeavors, while DVCs may suffer more from liability of foreignness.	No clear difference was discerned regarding the impact of FVC vs. DVC (either by the VCs or by the portfolio firms). However, in line with the literature, both the sampled VCs and firms suggested that an FVC helped more in terms of aptitude to deal with the liability of foreignness.

Note. [a] A positive sign (+) denotes an expected higher positive impact or a lower (in absolute terms) negative impact of FVCs over DVCs; a negative sign (-) denotes otherwise.

Table 11

Comparing evidence on (a) VCs' perceptions vs. portfolio firms' perceptions and (b) our findings vs. the literature about FVC vs. DVC impact

Literature: expected NEGATIVE impacts of VC ownership	Comparison between the literature, the interviewed VCs, and the interviewed portfolio firms	Literature: expected differential effects between FVCs and DVCs[a]	Comparison between the literature and our findings regarding FVC vs. DVC impacts
Agency problem between VC and venture's managers	Agency problems may refrain VCs from encouraging initiatives that may be more difficult to monitor (e.g., internationalization).	(-) FVCs tend to suffer more from agency problems due to geographic distance, unfamiliarity with the local market and lack of information about the local entrepreneurs, which may lead FVCs to prefer staged financing (more rounds and lower amounts per round, and higher restrictions on future funding), thus slowing down foreign growth. (-) FVCs may fear that early internationalization could jeopardize their control over the investee.	In agreement with the literature, the FVC preferred more rounds of financing.
Priority for foreign expansion		(-) FVCs may tend to focus on the domestic market of their portfolio companies; DVCs may be more interested in international expansion of their portfolio firms in order to set an international footprint themselves.	The sampled FVC and DVC agreed that their firms should consolidate first in the domestic market before venturing abroad. The two DVC investees (but not the FVC investees) were emphatic regarding consolidating their position in the domestic market before venturing abroad. The sampled firms hinted that FVC investees were more involved with internationalization and that the DVC seemed more domestically oriented.

Note. [a] A positive sign (+) denotes an expected higher positive impact or a lower (in absolute terms) negative impact of FVCs over DVCs; a negative sign (-) denotes otherwise.

DISCUSSION

The in-depth interviews with two sides of the dyad suggest that VCs do provide managerial contributions, on top of financial support, but the effective impact regarding the internationalization of their portfolio firms should not be over-emphasized, but seems in fact to be contingent on the characteristics of the companies and their industries and on the prospects of the domestic market.

The two VCs tended to believe that they helped the investee firms regarding most of the points examined here. From the standpoint of firms, however, the level of contribution of a VC varied a lot; there seemed to be no general formula. Perhaps attribution bias played a role, that is, firms and VCs each believed that they and they alone were responsible for the international (or otherwise) success.

A cross-case analysis provides some interesting findings as to the variety of the impacts of the VC. While F_pay (DVC investee) did not see any contribution whatsoever from the participation of the VC, F_services (also a DVC investee) agreed that the investor helped in most of the points related to a VC's potential contribution. In addition, F_IT (FVC investee) agreed that the VC helped in some aspects (e.g., experience in internationalization, credibility with potential business partners) and F_commerce (FVC investee) contended that the VC helped in several regards (e.g., finding a target for an acquisition deal and financing the acquisition; credibility in the eyes of future employees), but that the impetus to internationalize came from within the firm. Additionally, their VC was more conservative than the firm regarding internationalization, which is surprising, but consistent with Carpenter et al.'s (2003) contention that "technology-based IPO firms are less likely ... to have extensive global sales when they are backed by a VC" (Carpenter et al.'s 2003, p. 803). These results agree with Gimmon, Yitshaki, Benjamin, and Khavul's (2011) findings about diverging perceptions between VCs and entrepreneurs regarding involvement in strategic reorientation. Overall, it seems that impacts associated with attracting skilled employees and executives were indirect and worked by means of the additional credibility derived from having a VC on the board, rather than through the investor's active involvement in searching for talents.

Both DVC_1 and FVC_1 contended that some (investee) firms may be 'born global' by nature, and we are led to understand that the firm's nature (vocation) might modify the role of a VC as a trigger to provide the internationalization impetus. The international business literature presents variables that would tend to lead to faster internationalization — including a born global profile — such as focus on "niche products and services sought by internationally dispersed customers," focus on "products and services for which they do not need to make international marketing mix adaptations," use of "low-cost means of communication and delivery," or being "based in a country with a small home market for the product or service" (Hennart, 2014, p. 126-127). Hennart, Majocchi, and Hagen (2021) found empirical evidence that the choice of a niche business model (as well as the international work experience of the founder) is strongly related to 'born globalness.' However, the international literature that addresses born globals has been virtually mute about the influence of VCs. Therefore, there is room to connect the international business and the finance literatures.

FVC_1 offered another interesting insight, the 'think globally and act locally.' If the domestic firm can serve as a bridge for a foreign company to enter the local market, then there might be an opportunity for a DVC (which knows the domestic market better) to fund either the domestic firm or its foreign partner (or both); also, collaboration between a DVC and an FVC might foster such partnership between investee firms. Therefore, the role of a VC might be to promote international partnerships to its domestic investee firms rather than necessarily encouraging direct international forays.

Regarding an organization's drive toward growth, a large potential domestic market, such as Brazil, can in fact instill a natural aspiration in firms to privilege internal growth. The cases investigated here do not provide support for the theoretical expectation — as argued by Carpenter et al. (2003), Fernhaber and McDougall-Covin (2009), Humphery-Jenner and Suchard (2013b), and Sun and Liang (2014) — that a VC can provide the seed for international expansion, though, since the firms seemed to believe that they did not need the VC to trigger the push abroad. In some industries (e.g., IT), where customer needs may be more similar across countries, it may be easier to conceive an international presence soon after inception — and such may have been the case of the four firms here.

Overall, our findings suggest that the contributions of VCs to the international expansion of firms may have been overstated in the literature. Additionally, our findings suggest that the expected effect of VC ownership and, in particular, the expected higher impact of foreign VC ownership may be smaller than has been emphasized in the literature, at least as far as internationalization of their portfolio firms is concerned; in fact, the internationalization of the firms seems to be more dependent on the firms' features and on external factors.

Our empirical evidence hinted at the global nature of the industry and of the firm. Although informative, the evidence was not enough to conclude about how these two contingencies would modify the precise impact of the VC. For example: Would the VC be less relevant in the case of a global industry or of a born global firm because, in these cases, the firm would already possess the 'genes' for internationalization or, conversely, would the VC have a stronger impact because such firms need more resources early on to expand fast in foreign markets? Would an FVC, because of its international experience, help more or, conversely, would there be virtually no difference between the impact of an FVC vs. a DVC since the firm would already be inclined to go abroad fast?

Furthermore, our findings suggest that the impetus for internationalization provided by a VC may be contingent on the breadth of the industry — global versus local — and the vocation of the investee firm — born global versus domestic leader. The arguments of the VCs and of the investee firms suggest the following propositions (which are quite general since the data provided only suggestive evidence that is nonetheless indicative of the need of investigation):

> *P1*: The impact of the VC, as well as the differential impact of the nationality of the VC on the internationalization outcomes of portfolio firms, may differ for firms in global industries versus firms in local industries.

> *P2*: The impact of the VC, as well as the differential impact of the nationality of the VC on the internationalization outcomes of portfolio firms, may differ for firms of a born global type versus firms with a local-leader vocation.

CONCLUSIONS

The originality of this study lies in providing contrasting evidence about the viewpoints of VCs and investee firms regarding how each one perceives the contribution of the VC to the internationalization propensity and intensity of investee firms — each side maintains to have the 'genes' for internationalization. Besides, this study brings suggestive evidence that the contributions of FVCs to portfolio firms, in comparison to those of DVCs, may have been overstated in the literature since the influences of the former do not seem to be stronger than those of latter in this in-depth qualitative study. We also bring empirical evidence from an emerging market other than China. We also unveiled suggestive evidence that the impact of the (type of) VC on the internationalization outcomes of their portfolio firms may be moderated by the type of industry (global vs. local) or the vocation of the firm (born global vs. local leader). Since venture capital is an ever-growing source of funds for firms, the impact of VCs on firm success and, particularly, on firm internationalization decisions should attract more attention in the future.

Our qualitative evidence shows that the controversy as to the effects of the participation of VCs on the internationalization path remains. While the literature tends to emphasize the positive contributions of VCs, although empirical findings have been mutually controversial, especially those of foreign VCs, our own findings indicate that such potential seems to have been as yet under-delivered. Our findings hint that internationalization outcomes seem to be more affected by traits of the firms themselves than by the presence of the VC. Besides, some VCs may tend to select firms with higher potential for growth, including via internationalization; therefore, the association between VC investment and internationalization may not be causal, but rather endogenous. This suggestive finding of a potential endogenous relationship between VC investment and small firm internationalization bears parallels with Fu, Yang, and An (2019) suggestion that "strong entrepreneurs/VCs match with strong partners, and weak ones match with weak counterparts" (Fu, Yang, & An, 2019, p. 346).

This study also brings a new insight into the literature: VCs may choose a different approach for firms that are born global and firms that have a more domestic perspective. Whereas, for the former, VCs may decide to invest more money and reinforce rapid internationalization, for the latter, VCs may give preferential attention to structuring the domestic processes before emphasizing the international expansion — thus even reducing the speed of internationalization. This finding suggests that the potential for growth propelled by a VC depends on the investee firm's own growth aspirations.

Given that there seems to be some divergence between the perspectives of founding entrepreneurs and those of VCs, future studies could examine such incongruence more deeply by interviewing the VCs and their respective portfolio firms and triangulate the two sides of the story, while taking the necessary precautions to minimize social desirability bias.

We do not generalize our results, given that the Brazilian context is a very peculiar one. As an emerging market with large domestic demand and populated with rather inward-oriented firms, high level of taxation, and extensive red tape, the particularities of the Brazilian context may affect the behavior of entrepreneurs and VCs regarding their impetus to internationalize. Such contrast with the institutional environment of advanced markets, and that of China, makes this study particularly interesting to uncover further insights for the literature.

The deliberately exploratory nature of our study has allowed unveiling two potential moderators of the impact of the VC — specifically, the 'vocation' of the investee firm (born global vs. domestic) and the 'breadth' of the industry (global vs. local) — that is indicative evidence that would have been difficult to obtain from a deductive, hypothesis-based study. Our conclusions — presented in the form of propositions after the analysis of the findings — are indicative, therefore pending further scrutiny and statistical verification by future studies based on larger samples, but they reveal interesting avenues for further investigation. In fact, some of the mutually contradictory findings and some of the non-significant findings in the literature may be the consequence of not controlling for those contingencies (explicitly, type of industry and type of investee firm). We hope that our results shall encourage future researchers to control for characteristics of their samples and research settings.

Although our findings offer new clues as to the delivered or potential impacts of the VC on the internationalization path of firms, the contrasting perceptions of VCs and portfolio firms, as well as the smaller-than-expected impact of foreign versus domestic VC ownership, deserve to be theoretically explored and empirically examined in future studies. For example, regarding the access to networks, it would be interesting to understand how VCs improve access to foreign customers or suppliers, in addition to investors and talented employees; or the impact of the pandemic on the connection between geographical distance and the effects of FVCs on the internationalization path of SME. For example, the consumer experience with online and digital business might have affected the impact of geographic distance in different industries. Besides, studies of emerging markets — which suffer from structural deficiencies that can, to a certain extent, be better tackled by foreign or domestic institutional investors — may bring insights to the current stock of knowledge about the impact of VC ownership on investee internationalization paths and results.

Finally, from a managerial standpoint, this study may be useful both for small firms and for VCs, since it highlights potential aspects by which the VCs can boost the growth of their portfolio firms, especially through internationalization. A recommendation for entrepreneurs is to clearly define what benefits, besides financial resources, they expect from VCs so that they can optimize their own selection of the VC. Moreover, such a degree of selectivity may be an important antecedent for early and accelerated internationalization that scholars should control for in future studies.

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