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## Network! Network! Network! How global technology start-ups access modern business ecosystems

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# ETLA Working Papers

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# NETWORK! NETWORK! NETWORK!

## HOW GLOBAL TECHNOLOGY START-UPS ACCESS MODERN BUSINESS ECOSYSTEMS

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# Network! Network! Network!

## How Global Technology Start-Ups Access Modern Business Ecosystems

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### *Abstract*

This study explores the very first mile in entrepreneurial networking by examining what entrepreneurs really *do* to connect to critical stakeholders and, thereby, to integrate into foreign business ecosystems. Reverting to explorative, inductive methodology, the study contributes to the existing body of knowledge by approaching networking from a rare angle; networking as practice. The study examines (i) the precepts and principles that direct the start-ups' networking efforts, (ii) the practices they employ to identify relevant partners and establish connections to them, (iii) the practices they make use of in the interface of newly established connections to sway and commit the respective partners to their cause and network, and finally (iv), the practices that offshore governmental agency nodes apply to help start-ups assimilate to foreign local ecosystems. We found that firms need to embrace and learn how to exploit serendipitous networking opportunities to gain access to stakeholders that purely ansoffian planning approaches could never uncover. The exploitation of serendipity necessitates flexibility with regard to the start-ups' existing product or service concepts, strategies and business plans because in the serendipitous mode these are often re- and co-designed with newly encountered stakeholders. Many of the actual networking practices were found to have evolved together with the progress of other dominant megatrends such as the spread and acceptance of social and other digital media. Such progress seems to have endogenously affected some of the conventional cultural tenets of networking, helping to bypass hierarchical gatekeepers in organizations, for instance. In addition, the diffusion and acceptance of more content- and context-rich communication techniques such as social and mobile video, prototyping and story-telling have made pitching a proposal faster, more holistic, experiential and interactive. We further found that offshore governmental agency nodes can play a decisive role in accelerating and facilitating the integration of foreign newcomers into a local ecosystem. Important prerequisite for the capability to provide such services is a respected and established status within the ecosystem, a vast, cross-sectoral network, and professional employees with hands-on industrial experience in the respective ecosystem.

### *Keywords*

Networking, practice, network access, entrepreneurship, ecosystem, globalization



## Introduction

How do start-ups tackle the challenge of accessing today's exceedingly complex and ambiguous business ecosystems? This study sets out to answer this question, providing empirical insights from the practices of ten global start-ups as they strive to establish themselves in one of the world's most active economic hotspots. Reverting to explorative, inductive methodology, the study contributes to the existing body of knowledge by approaching networking from a rare angle; networking as practice.

Since Coase's (1937) and Williamson's (1981, 1991) fundamental contributions to the theory of the firm and the role of transaction costs in organizing economic activity, it has long been acknowledged that significant economic value is rarely created within the confines of single firms. Instead, by organizing themselves into industries and building on each other's incremental value added, firms are able to meet even the most complex of demands.

Consequently, research in management and economics has laid much emphasis on discovering and explaining the ways in which firms organize into value creating industrial structures. With advancements in technology and the progress of globalization, it seems the structures themselves have become more and more complex over time. What started out as linear value chains in the mid-1980s (Porter 1986, 1990; Hopkins and Wallerstein 1986; Kogut & Kulatilaka 1994, Kogut 1995; Gereffi 1994; 1999), soon became entire networks less than a decade later (Bartlett and Ghoshal, 1989; Christensen and Rosenbloom, 1995; Stabell and Fjeldstad, 1998; Allee, 2000; Kothandaraman and Wilson, 2001; Peppard and Rylander, 2006).

As concepts, the chain and the network have ever since retained a dominant position both in research literature and business jargon. Only recently has a new buzz word entered the discussions: the ecosystem; a network of networks, converging entire industries and technologies into complex, interwoven and global economic structures (Moore, J., 2006; Corallo et al., 2007). A perfect example is the mobile communications industry with Apple reigning over a vast ecosystem, spanning from device manufacturing to software development and to sales of applications, music and video.

What do we know then about these various value structures? It seems we know a lot. We have examined them on their content, governance, and structure (Hoang and Antonic, 2003) as well as related processes (Slotte-Kock and Coviello, 2010) and culture (Klyver and Foley, 2012). We know they serve different purposes, ranging from operating flexibility to open innovation and knowledge creation (Volberda, 1996; Powell, Kogut and Smith-Doerr, 1996; Skyrme, 1999), and we have examined various strategies to manage them (Dubini and Aldrich, 1991; Kash and Rycoft, 2000; Crick and Spence, 2005; Provan, 2008). We have scrutinized the role of these structures in different industries and across various business functions (Piercy and Cravens, 1995; Gadde, Håkansson and Persson, 2010), we have examined their evolution over time and

along other relevant dimensions (Butler and Hansen, 1991; Lundgren, 1995; Seppälä, 2013a,b), and we have assessed the impact of different value structures on organizational performance, such as profitability or innovativeness (Demirkan and Demirkan, 2012; Hardwick, Cruickshank and Anderson, 2012; Pittaway et al., 2004; Walter, Auer and Ritter, 2006). Finally, we have covered the phenomenon on basically every conceivable level of organization. Besides the abundant insights gained from the firm and industry levels, on the level of individuals we know, for instance, of the differences between strong and weak ties (Granovetter, 1973), and the roles gatekeepers and other boundary spanning individuals play in and between networks (Aldrich and Herker, 1977; Tushman and Scanlan, 1981; Levina and Vast, 2005).

Despite the comprehensive achievements, one important level of analysis has received surprisingly little attention. In organizational research, rigorous efforts to understand networking as practice, i.e. as the fundamental, grass-root level activity that leads to the build-up of individual network connections, are scarce. Extant research frequently makes a case for the beneficial impacts of networks and networking (de Klerk and Saayman, 2012), but largely omits to show how exactly to go about it.

A notable exception is the work of Anderson, Dodd and Jack (2010) who examine the role of network practices in the entrepreneurial growth cycle. The authors identify a five-step cycle which consists of the phases of liberation, inspiration, visioning, articulation and implementation. While the study establishes a coherent growth process driven by consecutively introvert and extrovert phases of interaction with diverse stakeholders, the underlying networking practices as such purposefully remain conceptual. We still do not learn what the entrepreneurs are really *doing* to establish the necessary connections for interaction. Such insights would be of special value to both research and practice in entrepreneurship.

Thus, in research, we need to shed light into the black box that the very first mile in networking still largely remains. Opening the box would contribute a rare practice-based view on how firms integrate into new ecosystems. So far, this view has largely been taken for granted as most research has focused on already established networks as the unit of analysis. Looking at the practice level of networking would help us understand how the growing complexity of value structures has affected the challenges and requirements that entrepreneurs and start-ups face in their early stages. It is the task of research to identify and describe these challenges, and to provide grounded recommendations for tackling them.

The implications for practice are direct. To the young start-up, designing effective strategies and practices to access the ever more complex business ecosystems and technology platforms is a daunting task. Identifying and securing a fitting position, in which start-ups can leverage their respective value propositions within the ecosystem, is an important prerequisite for viability. Beyond anecdotal advice in mainstream management magazines there is little evidence on networking practices that entrepreneurs could revert to in search of support.

To address these short-comings, this study provides empirical evidence of the networking practices that ten start-ups from four countries and a number of different industries have employed to gain access to and establish themselves in one of the world's most heralded and perceptible ecosystems; Silicon Valley, California. In doing so, the study examines (i) the precepts and principles that direct the start-ups' networking efforts, (ii) the practices they employ to identify relevant partners and establish connections to them, (iii) the practices they make use of in the interface of newly established connections to sway and commit the respective partners to their cause and network, and finally (iv), the practices that offshore governmental agency nodes apply to help start-ups and other companies assimilate to foreign local ecosystems.

The approach is explorative and aims to provide rich descriptions of the start-ups' real-world practices. Thereby, the study seeks to (i) reinforce and expand our existing understanding on networking as practice, a level of analysis that connects the vast body of research on networks to real-world actions, (ii) develop managerial implications that entrepreneurs and other practitioners can adopt and learn from in their endeavors to access new networks and ecosystems, and (iii) discuss what mechanisms governments and policy-makers could adopt to support young start-ups in these endeavors.

The article is structured as follows. Section 2 introduces the data and the methodological approach applied in the study. Section 3 presents the findings. These include detailed discussions of individual networking philosophies and practices, and the role that governmental mediators have played in facilitating them. Section 4 provides a discussion of the results and implications for research, management, and policy-making. Section 5 concludes the article.

## **Data and Methodology**

The data exploited in this study were gathered from ten global start-ups from four different countries; the USA, Denmark, Finland, and Switzerland. Four of the start-ups are just initiating operations, another four have been active for three to five years, while the oldest two have up to 13 years of operational experience. Firm size is directly correlated with the firms' age and stage with the youngest sustaining just the founder and the oldest employing more than 90 employees. The industry sectors that these firms represent range from crowd-sourcing to on-line advertising, from recruitment software to touchscreen technologies, and from mobile communication platforms to educational tablet applications and nano-materials. In all firms, the original founders are still leading as CEO or occupy another leading position as part of the executive team. In addition, all firms either already have established themselves in Silicon Valley or seek to do so with high priority.



From a study design perspective, Silicon Valley was chosen due to (i) its openness to and familiarity with academic inquiries which is related to the close and active presence of several world-class universities, (ii) its constant and global influx of new firms and the varied mix of readily established ones, and (iii) its status as a hub of several business ecosystems that drive the latest megatrends in cutting-edge technology and new sector development. The first of the three factors greatly facilitated in gaining access to firms. The second helped in identifying enough firms that were still in the process of integrating to the ecosystem and represented an appropriate variety of different sectors. The third and final factor assured that the implications of the study would reflect current practices of those high-growth industries, in which entrepreneurship can be expected to play a decisive role in the years to come. This was to provide for long-term relevancy of gained insights.

In addition to start-ups, we examined the services and networking practices of three foreign government agencies that served in the region to facilitate the efforts of in-coming firms and start-ups to find partners and establish businesses in Silicon Valley. In the course of data collection, the examined firms referred to the importance of these agencies so frequently that their role could not be ignored in light of the study's scope. These offshore nodes of Swiss, Danish, and Finnish government agencies provide a variety of services ranging from consultancy and local networking to market assessments and more comprehensive incubator functions.

The data were collected via interviews and prototyping workshops. The firms' founders were interviewed based on a semi-structured template to provide for enough flexibility for exploring unanticipated but relevant topics and concepts. The in-depth interviews lasted between 60 and 180 minutes. In some cases, the firms' networks were either too complex or ambiguous to be effectively discussed in a conventional interview. To address the problem, we arranged prototyping workshops in which the respective firm founders built tangible, physical models of their networks based on inexpensive office supplies and other crafting materials. Once the models were built, they were discussed according to the original interview template. The prototyping technique forces fuzzy and complex ideas to take tangible shape. The output of prototyping is a physical representation of an idea that can be annotated, shared, and rebuilt for high learning value and communicability. Thereby, prototyping helps to better understand and communicate a half-formed or complex concept (Schrage, 1999; Carleton and Cockayne, 2009) such as a too fuzzy or complex business network.

The interviews and prototyping workshops were recorded, filmed and photographed for further analysis. The material was first transcribed and then analyzed according to the tenets of Eisenhardt's (1989) inductive approach. In the first interpretative cycles, the within-case analysis, distinct topics on networking were flagged within the context of individual firms. Subsequently, in the inter-case analysis, these topics

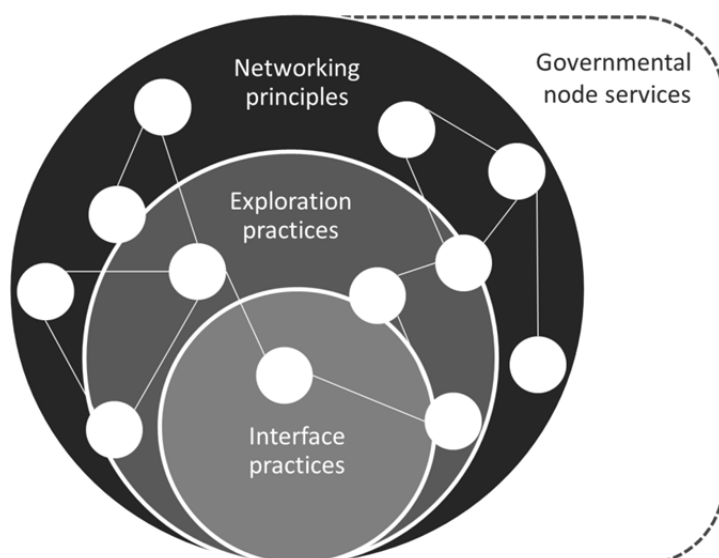
were then categorized across firms into three emerging, recurrent themes: (i) the drivers, tenets and purposes of networking, or principles as we call them, (ii) the practices that firms deploy to find and approach relevant partners, and (iii) the practices they apply in the immediate interface with their partners once contact has been established. It has to be noted that individual practices within single categories might differ across firms. To be included in any given category, however, the respective practices had to serve the same or similar function in facilitating networking.

## Results

The findings of the study are grouped into four distinct sets. The first describes the drivers, philosophies and tenets that the examined firms use to inform and guide their actual networking practices. We name this set networking principles. The second set examines the actual practices that the firms employ to scan for and make contact with potential partners in their respective ecosystems. This set we label exploration practices. The third set scrutinizes practices that the firms use to convey their value proposition to identified partners and commit them to their network. We designate the set interface practices. Finally, the fourth set comprises the services and practices that the aforementioned government agency nodes provide to immigrating start-ups to facilitate in their integration to the local ecosystems.

Figure 1 demonstrates the conceptual interrelatedness of the sets. Networking principles inform both exploration practices and interface practices. Similarly, networking services provided by government agency nodes extend into both spheres. While exploration practices serve to scan a large number of possible partner candidates, interface practices are employed in the immediate contact interface with individual candidates.

**Figure 1** Categorization and interrelatedness of results



## **Networking principles**

*Serendipity* – Among the many principles that the firms discussed and employed none was as recurrent and dominant as serendipity. Easily misunderstood as an antonym for a strategic approach, serendipitous networking can best be described through a metaphor; a visit to the museum, as which one of the participants described it:

A guest enters the museum. She might have an idea of what to broadly expect, but she does not truly know what exactly it is that she will discover and how valuable the experience is going to be for her. She enters despite, ready to be surprised and expecting to stumble upon something or someone that will be of value to her. Many times she will find interesting pieces right there during her visit. Other times she won't necessarily understand the value of all her experiences right away. Their true value might dawn on her much later when, in another context, she suddenly connects elements of the present situation with a certain experience earlier in the museum. That is when she is able to fully understand the value of the experience, get back to it and exploit it to its fullest extent.

What the metaphor conveys so clearly is that often it is impossible to explicitly plan on the most beneficial contacts and to plan on who will be important to the business. Implicit in this finding is the start-ups' frequent disappointments with strategically identified and pursued prospects. The reasons are fairly natural, often involving a mismatch between expectations and reality. Publicly available information, even recommendations by trusted third parties or initial correspondence with candidates often fail to convey the true compatibility of the offerings of two prospective partners. Instead, many of the firms' most beneficial contacts have been established unexpectedly in contexts that were not planned on.

A good illustration is an anecdote by one of the entrepreneurs who got involved in a conversation with the person sitting next to him on the plane. Both strangers to each other, they picked up a casual dialogue related to an on-board magazine article on the world of music and opera. By the end of the flight, the entrepreneur had a check for USD 50.000 from his seat neighbor who turned out to be an angel investor. Another example is about a firm founder who, in his parallel role as a lecturing professor, helped out a student by giving advice on one of the student's personal projects. Grateful for the help, the student invited the professor for dinner and introduced the professor to his mother. She happened to be a major venture capitalist and is now one of the key funders of the professor's company.

The real power in a serendipitous approach is in enabling access to a much larger pool of opportunities than a purely planning-based approach could. While planning can at best lead to the recognition of the visible tip of an iceberg, a serendipitous approach opens a view below the surface where a fuzzy, unknown but decisively larger mass resides. Serendipitous exploration enables access to the unknown unknowns that

simply cannot be targeted through planning because, by definition, firms are not aware of the existence of these opportunities in the first place.

As haphazard as this approach may seem, serendipitous networking is very purposeful and strategic. It involves a lot of explicitly dedicated time and strenuous work. Some of the start-ups consciously take time off from business development and other structured work whenever an opportunity presents itself to visit industry events, start-up camps, seminars, and other venues with an interesting audience. Others have a more structured approach and spend one dedicated day a week on mingling in the community; be it at universities, in social media, or the aforementioned venues. Being strategically serendipitous implies that networking just for networking's sake must be perceived as a fundamental and explicit part of work; it has to be resourced properly, something that does not come naturally to firms coming from a planning-based business culture, as most of the start-ups with a European background explained. In such cultures, a manager who is visiting events or conversing with seemingly random people in nearby cafés without clear, agreed upon context while others sit at their desks in the office can at worst be frowned upon. Thus, serendipitous networking must be based on a shared, agreed upon culture that the organization as a whole buys into.

Finally, it has to be noted that the serendipitous approach is by no means a substitute for a planned networking strategy; it is an important complement that increases the probability of encountering relevant opportunities. All start-ups pursued first and foremost strategically identified stakeholders in Silicon Valley. At the same time they were acutely aware that most of these prospects will either not be interested in the specific proposal the start-ups are making or cannot provide the value that the start-ups are expecting. But even in cases of rejection, the start-ups emphasized the value that such encounters can convey: usually they receive high-quality referrals to new prospective contacts that are a better match or they obtain critical feedback on how to improve their proposition. Learning from and acting on such feedback requires flexibility.

*Flexibility* – Because there is no telling ex ante who exactly will be of value to the firm, serendipity dictates that virtually everyone in any context of encounter is given a window of opportunity, be it in a line waiting for your turn at the lunch buffet, at an industry networking event, the meeting over coffee with a new prospect from the last trade fair, or an agreed upon appointment with a VC. In this window ideas are exchanged. The start-ups felt that in the serendipitous mode it is very important to understand the difference between mutually exchanging ideas and pitching a fixed proposition. In the best case, an idea is like a Christmas tree, as one of the entrepreneurs put it; a tree that people along the way – through encounters and discussions – can “hang things onto and change their arrangement.” As the idea gradually unfolds the tree grows to its final form as a joint contribution.

A valuable encounter is characterized by mutual excitement. It is a tell-tale sign of the necessary motivation and drive to be translated into action. In such an encounter, the entrepreneur's original idea is first validated by her respective counterpart. During the ensuing conversation, the counterpart often revises, builds, and expands on the idea, which in turn is validated by the entrepreneur. The entrepreneur walks out of the conversation with something more and meaningful than she walked in with. The original idea has grown and become a concept that neither of the parties could have created independently. It is the foundation for a shared network connection that is built on co-creation.

Not nearly all of the encounters lead to concrete collaboration, but in the course of several encounters, serendipitous or not, networking becomes an adaptive, long-term process through which the original value proposition of a start-up will reshape and adapt to its respective ecosystem.

The serendipitous strategy is in stark contrast to the conventional push strategy that usually features a fixed proposition. In following the push strategy the key challenge is to find a partner whose needs match the proposition as well as possible. In contrast, a serendipitous strategy emphasizes constant iteration of ideas, business models and product concepts. It requires a great deal of flexibility and the ability to open up to new ideas at the cost of original ones. Feedback, critique, and ideas obtained from new contacts are seen as an opportunity for improvement, not as a rejection of concept. Seizing such an opportunity might entail scrapping the original business idea and model to start from scratch. In exchange, it can provide a co-created business concept that through the iterative process implicitly integrates into the respective ecosystem and its needs.

*Reciprocity* – Serendipity lives off a culture of reciprocity. It is the shared ecosystem-wide understanding that, for an individual to extract benefit from a random encounter, everyone in the community needs to be willing and ready to provide it. In return, those expecting advice, help and feedback need to first think of how they can bring value to the system before asking for it; a purely opportunistic approach is very short-lived and is practiced at the risk of being unequivocally stigmatized. Because of the prevailing culture of reciprocity in Silicon Valley, the start-ups found it relatively easy to approach new contacts and retrieve feedback and advice as long as they were able to convey a promise of mutual interest. The interest does not necessarily have to result in immediate benefit. As discussed earlier, the benefit accrues over time through a process of co-creation together with a multitude of different individuals and stakeholders. Instead, providing someone a favor is considered an investment that might create returns at some unforeseeable time in future. It creates social capital that can be called upon when needed, possibly in a very different context.

The rather ambiguous and seemingly altruistic concept of reciprocity is pursued strategically by stakeholders in Silicon Valley. One of the entrepreneurs, for instance, dedicates a frequent quota of five

percent of his time to provide his existing network with benefit that he does not expect to gain from directly. Good examples are helping people to secure employment and providing new-comers with trusted referrals to stakeholders that might be of value to them.

### **Exploration practices**

*Leveraging digital media* – The rapid technological advance in digital media and its wide adoption in business practice has had a major impact on the way how start-ups explore their targeted ecosystems for prospective partners. Especially the diffusion and acceptance of social media in the professional sphere has been “a total revolution” in contacting and reaching out to partner candidates, as one of the founders put it.

Social and other digital media facilitate in both the serendipitous and planned approaches to networking. In the serendipitous mode, the start-ups use social mass media to tap into a vast, unknown mass of potential partners, aiming to attract those who truly are interested in the firm’s value proposal. An excellent example is a video that one of the start-ups posted on YouTube, a global and free distribution platform for digital content, about its product prototype before the firm was incorporated in 2007. In a short time the video “went viral,” as the founder described it, and attracted a large number of direct contacts from a variety of partners interested in collaborating or using the technology. The video created a pull effect that encouraged the founder to incorporate the idea and develop the prototype to a commercial product with the help of the newly gained contacts. Today, the company’s product is used in more than 50 countries.

Digital mass media can be employed in this way to validate concepts by a large audience. The validation not only implicitly establishes connections to relevant partners, but it lowers both technological and business risks, and attracts feedback and new development ideas from a very diverse base of stakeholders. Importantly, it can be leveraged as a tangible reference to convince funders and other critical partners of the concept’s acceptance among other stakeholders such as potential clients.

Other platforms used in the serendipitous networking mode are business and technology blogs as well as social micro-blogs such as Twitter. Used for a slightly different purpose, they are leveraged to mass spread new ideas and concepts in real time, to project competence and ultimately to establish the firm as a thought leader in its ecosystem. In this sense firms use the platforms to gain credibility and status, and to build a positive reputation as a stakeholder to be taken seriously. The power of blogs and micro-blogs – beyond their virtually limitless reach – is in their functionality to open up public conversations in ecosystem relevant forums and build virtual communities of followers around them. The discussions are used to provoke feedback and gather ideas for product and business development. More importantly, the contacts attracted through this type of interaction have a higher probability of being relevant to the firm because

prospects that do not see a value in contacting the firm will not participate in the discussions or make contact in the first place.

While most of the media platforms are freely accessible, the start-ups emphasized that a proactive on-line presence is a strategic choice requiring expertise, long-term commitment, and resourcing. To illustrate, one of the start-ups, a firm of 10 employees in total, employs a full-time in-house editor and a full-time in-house graphic designer who are responsible for tending to the firm's digital media presence and communication. Some of the start-ups also strategically entertain contacts to established bloggers, magazines and thought leaders to take advantage of their community status and established contacts to create validated visibility and hype. Some also actively maintain good relations with more conventional media houses to harness newspapers and technology magazines as a channel to build brands and attract serendipitous contacts from a targeted population of media followers. Magazines and newspapers are intrinsically interested in staying up-to-date on trends in business and technology by reporting stories from the field. Especially start-ups are treated as modern day adventurers and heroes in a world in which economies have become less and less stable and the constant power struggles of large multinationals have become uninteresting. Stories of newcomers as the heralds of change attract the interest of a large variety of readers. This can be exploited to the start-ups' advantage as some of them already have.

Digital media, and especially social media, have also greatly changed approaches to networking in the planned mode. Professional social network platforms such as LinkedIn or Zerply have had a particular impact. Their powerful search functionalities have made it possible to scan a vast global mass of detailed individual profiles in a highly targeted and specified manner at virtually no cost. Once prospective partners have been identified, their profile information greatly helps in making an initial due diligence regarding their backgrounds, interests, networks, current endeavors and other aspects that are worthy to know when making an initial contact. What previously took weeks of time and effort, and necessitated strenuous footwork, the use of external consultants even, is now a few clicks of the mouse away. Identifying a potentially valuable partner is faster and considerably less expensive than before the dawn of on-line social networks.

But it is not only the identification and assessment of prospects that has gained in efficiency. Social networks have become an accepted channel of making the actual contact as well. Especially the European entrepreneurs emphasized how LinkedIn has changed the very conventional, formal, indirect and sluggish culture of making the first contact with high-ranking decision-makers. Previously it has been strict etiquette to work through an organizational hierarchy of gatekeepers before gaining the eventual opportunity to speak with an executive with decision-making power. According to the start-ups' recent experiences, the redefined etiquette of social networks now allows to bypass the hierarchy and to approach executives

directly. This varied slightly among the different industries that the start-ups represented. That being said, without referrals it is still very challenging to extend the relationship beyond the initial contact. But even in this regard social network platforms are helpful because most of them openly display individuals who are common to both parties' networks. These individuals are easy to approach with a request for a referral that is trust-based.

Some social network platforms also provide functions that disclose information on individuals who have visited a firm's on-line profile. It has become a frequently used way of creating a natural context for contacting; an interest-based virtual event to follow up on. "You visited me on LinkedIn. How can I help you?" is an effective hook to start a conversation, as one of the entrepreneurs said.

*Events* – While digital platforms have changed many conventional practices and created entirely new ones, they haven't replaced event-based forums as a long-standing practice to network. Especially some of the start-ups that sold large physical products are dependent on events such as trade shows where prospective customers are able to interact with and experience the product hands-on. Usually known trade shows attract stakeholders from all tiers of the ecosystem and are an opportunity to gain visibility. They are an arena set for serendipitous encounters but are not necessarily very efficient. To illustrate, from up to three to five thousand new contact leads per year, only 2 to 3 percent have been of medium interest and 1 or 2 percent of true value to one of the start-ups.

Start-up events, on the other hand, are of particular interest to fresh entrepreneurs. Attended by many important stakeholders from the respective ecosystems, ranging from fellow entrepreneurs to financiers, and from legal service providers to media representatives and big industry, most of these start-up events are structured as business idea competitions. Usually the events feature a networking phase during which attendees are to form teams to develop a business idea. The idea is then pitched to a jury or the audience to determine winners. They are an effective forum for entrepreneurs to mingle with peers and other like-minded individuals because everyone present is looking for collaborative opportunities.

While networking at start-up events is inherently serendipitous, the events' context specificity and the attendees' purposeful openness to new ideas raise the probability of relevance in individual encounters. Thus, many entrepreneurs exploit the events for recruiting, obtaining high-quality feedback on business ideas and pitching, raising the interest of financiers, and asking for referrals to previously identified important contacts. The start-ups emphasized that to retain any value from such events it is paramount to take a proactive stance to approaching attendees. Popular individuals known to be key stakeholders and gatekeepers in the local ecosystem are embattled for their time at events. The windows of opportunity are small and need to be exploited. Especially the European start-ups who are not used to a purely



transactional social culture have found it relatively difficult to approach individuals without an existing social context.

*Recruitment as a networking strategy* – Recruitment can be strategically leveraged to expand a start-up's reach into an ecosystem. The key is to hire employees with large existing networks. These are usually business function specific depending on the individual's professional background, but they are also all the more robust, reliable and efficient due to established and proven routines and codes of conduct. The start-ups have found this to be a very effective practice to identify and engage prospective high-quality partners because it is considerably faster than a conventional search and it guarantees a match with expectations with a higher probability. Problems with personal chemistries have also been found to be less frequent, and the level of commitment once a relationship has been established is higher than with entirely unaffiliated partners.

Sometimes recruiting can be the only mechanism to gain access to certain industries. Trying to approach a traditional, incumbent industry with new technological solutions is a challenging task. Furthermore, to be taken seriously as a young, inexperienced start-up is difficult due to a lack of reputation and credibility in the target industry. A good example is the attempt to bring the concept of internet-based crowd-sourcing into the document processing industry. One of the start-ups resolved the problem by hiring a veteran salesman from the incumbent industry who “knew the tricks of the trade and had access to a fat Rolodex”.

The start-ups noted that for a foreign company trying to access local ecosystems hiring can be a major challenge. Due to the lack of credibility the best expertise will most of the time not be available. Similarly, the local salary-skill ratio can take the unwary foreign entrepreneur by surprise.

*Standardization committees as a short-cut to the ecosystem core* – Many emerging, technology-based industry sectors are governed by standards. Mobile communication and software development are only two obvious examples. Standards are usually set by the industry for the industry in self-organized standardization committees. For instance, ATIS (Alliance for Telecommunications Industry Solutions) develops standards for the ICT industry, including IP-based infrastructures, converged multimedia services, and operations support systems. These committees are often headed by the dominant core stakeholders in the respective ecosystems. In the case of ATIS, executives from international companies such as Cisco Systems, AT&T and Verizon form the board of directors. However, the committees are open to the entire industry, and for a membership fee any interested company, small or large, is often welcome to join in the work, which is conducted jointly among the members.

Some of the start-ups have seized the opportunity and joined in standardization committees to gain direct access to the core players of their ecosystems. In joint standardization work with these players, the start-

ups have been able to showcase their expertise and prove their capability as a provider of added value to the industry. In two cases the committee collaboration has led to long-term partnerships with large global stakeholders as the core corporations have endorsed the start-ups as preferred partners to their respective partners in the ecosystem.

The high potential benefits of participating in standard committees come at a high cost to young start-ups. Because you can only fail once in the presence of key stakeholders, the participation needs to be a strategic, committed decision that is backed up with cutting-edge expertise and adequate resourcing. To illustrate, one of the start-ups saw its participation as a long-term investment and committed its head engineers, the key assets of the company, to standardization work for a considerable amount of time. This meant that the start-ups actual work was on hold for the period. The commitment was only made possible by an injection of venture funding that the start-up had been able to secure just before the work at the committee commenced.

*Local service providers as nexuses of networks* – Start-ups that approach a new ecosystem, especially one in a foreign country and culture, can quickly run into difficulties if they are unaware of local rules, customs and regulations. Even matters such as the form, content and purpose of sales pitches and business plans can greatly differ across cultures and regions. Without exception, the start-ups emphasized the necessity to identify and approach a set of competent local advisors and service providers, including legal counselors, accountants, consultants, and tax advisors, to steer clear of region and culture related pitfalls. Using external expertise to tackle these issues enables start-ups to focus on core competences and business development while hired professionals take care of the necessary administrative issues. This saves time and costs, but also complements the start-ups' skill sets with local expertise that is necessary to approach potential partners in the region.

More importantly, however, these service providers can be one of the most valuable assets with regard to networking. Particularly those of renown tend to be recognized brokers (Burt, 1992) between numerous networks in the region, and they maintain large networks of their own. Some provide services for a number of different industries and therefore have connections that bridge industry boundaries. They know local VCs, big industry, and entrepreneurs, and are therefore able to suggest suitable and trusted partners and advisors. Brokers do so gladly because their client's success in the area benefits themselves as well.

To the fresh start-up it is of importance to identify those service providers who are well positioned in their respective ecosystems. It is not a trivial task because service providers of all quality are abundant in regions of high economic activity. Choosing incompetent consultants and counselors can in the worst case be fatal for a small start-up as resources to rectify made errors and to compensate for unproductive resource

commitments are not necessarily available. Referrals from colleagues and other partners who are more experienced in the region's ecosystems are valuable in this regard.

### **Interface practices**

*Making contact* – Developments in information and communication technology have also had a changing impact on how start-ups contact identified partner prospects. Emails replaced cold calling in the 1990s, and now social media with their built-in functionalities to integrate trusted referrals and messages is strongly gaining in popularity as a preferred channel to reach out to new potential partners. With the rise and spreading acceptance of social media as a new, more direct and information-rich gateway to untapped networks it is the firm's task to learn how to use it effectively. A firm needs to be aware of how and in which contexts their contacts use digital media.

For instance, digital content is increasingly viewed and created on the go on mobile devices. As many of the start-ups mentioned, emerging rules of engagement dictate that a message should not take more space than fits onto a smartphone screen. Another frequently mentioned new practice is to exploit the convergence of social media, mobile technologies, and digital video, the latter of which is increasingly replacing text as the conveyor of information. Video as the focal content of a message bears many advantages over conventional text. It is superior in explaining complex concepts in less time and a more tangible form, it leaves less room for misinterpretation and errors, it can provide holistic, detailed and situation-specific descriptions through observable examples (prototypes, users in action, animated charts and process diagrams, service scenarios, etc.), and, most importantly, it implies less effort for the receiver of the message. The start-ups felt that the responsiveness to messages leveraging mobile multimedia has increased over the use of conventional approaches such as cold calling or text emails because "no-one has the time or willingness to read anymore." The typical email or message on social media today usually consists of a fairly information-rich subject line, and a message body comprising of a single line of text and a video link.

*Pitching the idea* – For new entrants into a foreign ecosystem such as Silicon Valley the actual event of pitching an idea to a prospective partner should not be approached as a one-time sales meeting. Pushing a fixed solution mostly ends in dismissal. Instead, the start-ups advocate approaching networking as an extended learning process, in which the partner is courted patiently over a longer period of time. It is important to be flexible enough to allow space for co-development of ideas and adaptation that ultimately can lead to a mutually beneficial match in supply and demand. The long-term goal in this approach is not necessarily to affect an opportunistic transaction but to build a lasting, empathetic relationship with the partner. The partnership does not even necessarily have to produce benefit directly but is expected to

serve as a strategic platform that can spawn unforeseen opportunities through the partner's contacts and ideas.

A well-received practice to signal flexibility and readiness for a symbiotic, co-creative approach to a partnership is to build the pitch into story format. Instead of listing technical specifications, showing pie charts and running numbers by the audience, the pitch takes the form of a well-scripted, flowing story. Depending on the situation, the stories can holistically depict how the company grows throughout its entire life-cycle or they can tell of a single encounter between a user and the company's product or service. In this story, the protagonist is the entrepreneur, and the context and landscape is her vision. Much like tangible prototypes, stories have the power to establish context and show relationships between seemingly unrelated ideas. They are able to present fuzzy and otherwise ambiguous elements of a vision as a coherent flow of arguments, connecting ideas with intended actions and pursued outcomes (Gargiulo, 2006). Stories have been found to boost factual recall and comprehension (Thorndyke, 1977). More importantly, stories invite the audience to add to them and develop them. They inspire, excite, and spark new ideas, providing a better foundation for constructive feedback as their flaws and potential for improvement can be shown in the story's context and outcome.

Vision-based story-telling as a pitching technique cannot omit the required factual elements, however. In a formal meeting, a pitch deck of 10 to 15 slides with 3 to 4 slides on the very core of the proposition are still the expected norm. All the relevant arguments and numbers have to be included in the story. It also has to address the proposal's unique added value to the courted partner's business, which requires a well-executed due diligence process. There are also the usual time constraints. Story-telling is just a more engaging and inspiring format for conveying information. Once the script is laid out, it is fairly easy to add the numbers and indices typical of a conventional pitch without drowning the audience in statistics.

Prototyping is another powerful tool that facilitates in pitching and provoking relevant feedback. Similar to the use of videos, prototypes not only convey vast amounts of complex information in a short time, they also provide the opportunity to interact with and test a proposed concept. The pitch becomes an engaging, in-depth learning experience for the prospective partner as the hands-on experimentation with the prototype generates both new and relevant questions as well as unexpected ideas on how the concept could find use in the partner's business. In this sense, a prototype helps to establish proof of concept and to gain credibility. In addition, many of the start-ups felt that the feedback gathered on a prototype was more helpful than feedback on conventional pitches, because it was more prolific, detailed and constructive, and helped to identify concrete action points to develop the concept further.

The start-ups pointed at a number of issues that need to be recognized to leverage an engaging approach to pitching. To start with, it is not always clear who is the actual decision maker in a large prospective

partner organization. Some of the start-ups had still to learn about the central role that external consultants, for instance, can play in decision-making. It goes without saying that knowing who the decision maker is affects the approach and content of a pitch. It also has an impact on how feedback from different individuals in the prospective partner's organization should be treated.

Analogously, it is ill-considered to enter a meeting in Silicon Valley without ad hoc decision-making power. Especially companies accustomed to the European business culture characterized by consensus-seeking, board-based decision-making processes had to adapt to a new paradigm that called for more individual autonomy in decision-making. The lack of such autonomy can easily be misinterpreted as lack of confidence, commitment, and determination. In the worst case it will be taken as an offense due to disrespect of the prospective partner's time. In either case, decision-making power is considered a fundamental element of credibility.

Finally, an entrepreneur must be ready to pitch her concept at any time anywhere as some of the earlier examples on serendipity illustrated. In Silicon Valley in particular this includes contexts that transcend the strict business sphere. It is norm to discuss business related ideas and ambitions over the casual Sunday barbeque with friends of friends as people naturally mix work, life and play as a way of life. In this context the skill of casual small talk is irreplaceable, and it has to be understood that the local concept does not refer to discussing the weather, movies or holiday destinations. Available mobile technologies come to assist in ad hoc pitching as cloud services have enabled access to virtually any form of media from virtually any location on the planet. Presentations, videos, and software prototypes can be shown on a pocket-sized device with enough storage capacity or a mobile data connection.

### **Governmental mediators**

Governments are increasingly aware of the challenges that start-ups face in their efforts to tap into global markets and into foreign ecosystems in particular. In addition to designing domestic policies that incentivize global entrepreneurship and expedite export activities, governments have taken a more proactive role in supporting start-ups in adapting to and integrating into ecosystems overseas.

Tangible examples are offshore nodes of government agencies, such as the Innovation Center Denmark, FinNode/Finpro and swissnex San Francisco in Silicon Valley, that provide start-ups and other businesses intent on networking in the region with an array of services based on their own expertise and extensive contacts. These services include, among others, *scouting*, *mentoring*, *interpreting*, and *ecosystem generation*.

*Scouting* services aim to match in-coming companies with the right contacts in the local ecosystem. Some companies are looking for a provider of the right technology to complement their own portfolio, others

need a more holistic integration including contacts to financiers, law firms, partners and clients. Scouting can be executed in two modes. In the *pull mode* the company expresses its networking needs to the node. To understand and tangibly define the need, the nodes can ask the company to express it in terms of milestones and objectives it wants to achieve in the region. These objectives help the nodes determine who the right partner for the particular need could be. For the company, the scouting service is a shortcut to the right contacts that otherwise would necessitate a full-scale search effort. In addition to mere time savings, nodes are able to provide trusted referrals and recommendations within their extensive networks that are a prerequisite to interface with many stakeholders in Silicon Valley.

In making referrals the nodes are at a clear advantage over single companies not only because they are able to leverage already established, long-term relationships to important stakeholders but also because they can approach these stakeholders with a portfolio of companies that are seeking a meeting. Bundling prospectors is more efficient for all parties involved and raises the probability for a local stakeholder to gain relevant contacts in a single meeting with a node.

To help companies prepare their ecosystem entry strategy well ahead of time, one of the nodes has prepared so-called business opportunity maps for key industries in the region that lay out the entire ecosystem including the key stakeholders comprising the industries' networks, the ecosystem specific rules of the game, and existing technological needs that could serve as an area of opportunity for new entrants. These maps help prospective entrants plan their positioning and value proposition before committing to the resource-intensive and risky move overseas.

In the *push mode*, nodes make companies aware of networking needs they have not recognized before. Being able to provide this service requires a lot of business-specific expertise and perceptiveness when conversing with client companies that arrive in the region. Node experts need to be able to spot the weaknesses and discontinuities in a client's set objectives as compared to the intended action plan, and to connect the dots between the objectives and the value propositions of a vast array of local players in the ecosystem. They need to be critical about clients' initial suggestions and plans, listen "beyond the actual conversations [they] are having with clients", and be creative about who could be better suited to help them out. In some nodes the level of expertise required to provide such a service is guaranteed by employing staff with industry-specific backgrounds.

While scouting is valuable to all companies, small and large, mentoring services are of particular value to start-ups that need hands-on, localized advice in many dimensions of their business. Especially culture-bound differences in designing business plans and their content, building business models, or giving presentations can be large for young companies coming from a European business culture. Nodes give hand-on support in designing the key elements of business as it is conducted in the local culture of the

ecosystem. Most of the nodes provide these services as part of an accelerator-like service concept. Others take a strongly structured approach in the form of international entrepreneurship programs (such as Gaselli by Finpro) that include a strict competition-based screening process in the originating country, a fixed business development phase on-site in the local ecosystem, and an implementation phase during which the node provides live mentoring services including establishing contacts to the right stakeholders and sitting in meetings with the companies.

Embedded in all services provided by the nodes is their function as a cultural interpreter. For instance, in crafting opportunity maps, the nodes probe the ecosystem for weak signals of emerging trends and provide sense-making by interpreting these trends into tangible opportunities for companies. Also, they interpret the messages that client companies aim to convey to the ecosystem while helping to draft emails, letters of intent, business plans, and presentations, and convert them into a form that the local ecosystem expects in terms of conduct, objectives, emphasized values, and formal requirements such as legal issues. Similarly, by accompanying their clients in meetings with local stakeholders, the nodes are able to interpret the feedback companies obtain, and help to translate it into relevant action points for their clients. In this sense, the nodes lower costs related to the assimilation to culture-related new codes of conduct, communication practices, value regimes and expectations, and thereby help to prevent discontinuities in the process of integration into the ecosystem.

On a more strategic level, nodes also affect the emergence of entirely new ecosystems. Reading weak signals of emerging technologies and industry sectors in academia, industry and society in general, the nodes are able to bring together early thought leaders by organizing high-profile events that connect key stakeholders from different tiers of the economy to form seedlings of new (local) ecosystems. These events not only serve as a natural way to validate the weak signals but also to corroborate the nodes' position in the core of an emerging ecosystem. A central position in an ecosystem is one of the most valuable assets for a mediator and a critical success factor in the provision of the nodes' services. These events usually feature identified thought leaders from around the globe and are professionally organized including content design and branding. As a more tactical tool, events can be organized as a way to enter existing ecosystems, establish new networks, and develop a brand, the latter of which can be a challenge for nodes that usually suffer from the bureaucratic stigma of governmental organizations.

Managing a successful node is as big a challenge as managing any business. The core product of nodes is their own network. One of the key challenges mentioned by the nodes is the pricing of this network. The benefit accruing to the client is intangible and not necessarily measurable even in the long run, which makes setting a well-grounded price for provided services very difficult. Furthermore, a network needs maintenance as every business asset does. Nodes need to constantly monitor the shifts in their networks,

starting from the mere existence of individual stakeholders to their specific value propositions that can change over time. It is important to be aware of who is doing what in order to avoid wasting anyone's time with irrelevant propositions and introductions, something that can potentially have detrimental effects on the nodes' social capital that their entire operation is built on. For the same reason, it is important to verify that clients introduced to local stakeholders will provide the expected value added. Thus, nodes usually perform a rigorous due diligence on their clients, often reverting to external experts for the evaluation of technical issues, for instance. Clients need to be able to clearly define their value proposition and show the expected entrepreneurial drive characteristic of Silicon Valley.

To stay informed of the latest developments in the ecosystem and to structure and expand their networks accordingly, the nodes need to be constantly in the field meeting stakeholders. Recognizing weak signals and discerning them from the noise requires embracing the concept of serendipity. For the nodes especially, every new contact "is the right contact" for either an existing or a future client and therefore worth investing in. The seasoned node veteran "does not wait for a good meeting but makes every meeting a good one."

Finally, networks are first and foremost personal; they are built by and bound to individuals through long-term, hands-on work with local stakeholders. "It is really about creating relationships beyond the networks; those are the connections where you can trust that the person will actually listen to you and be open." Hence, establishing an extensive network and securing a reputable position in it is a strategic and extremely slow process. To add to the challenge, for a node to work effectively and to be able to provide services to a wide variety of different client companies, the node's networks need to be vast and complex.

These requirements set a clear stipulation for human resource management in foreign governmental nodes: key node personnel need to remain in their position for extended periods if not indefinitely. Personnel with a track record of eight or more years in the region are no exception. Employing experienced individuals from the ecosystem is another effective strategy to anchor the node into the local networks. One of the nodes, for instance, employs a local serial entrepreneur as one of their key mentors who has run businesses and worked in Silicon Valley for 25 years already. Another node is run by an ex-serial entrepreneur who himself immigrated to Silicon Valley from overseas and successfully launched and sold two start-ups in the US.

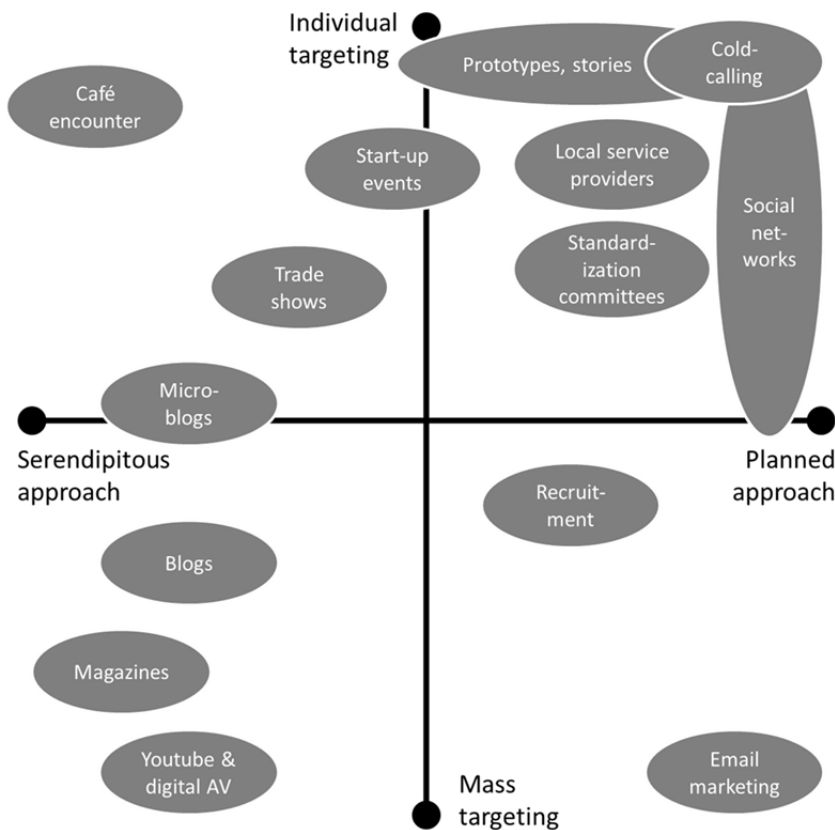
Against this background, an HR strategy based on purely rotational tours of duty is difficult to justify. Rotational strategies usually aim to repatriate expertise that accumulates during the tours in foreign ecosystems. While tours of a year or two usually suffice to familiarize with local customs and practices, they are disruptive to long-term objectives such as positioning and integration into the ecosystem. One fruitful strategy is to maintain both indefinite and rotational positions in a single node, which has been found to be



very effective both in establishing local credibility and in maximizing knowledge transfer to the home country in one of the nodes.

To conclude, Figure 2 summarizes the practices found in the study along two discussed dimensions: the respective approach's degree of serendipity and the width of its outreach. To contrast the findings against other known practices, email marketing and cold-calling have been added to the figure.

**Figure 2** Summary of networking practices



## Discussion

It goes without saying that the findings of this study are in part reflective of the unique characteristics of the US networking culture in general and of the local networking environment of Silicon Valley in particular. One could argue that many of the described practices were identified and addressed by the start-ups exactly because they were foreign to their domestic networking culture. As culture has been found to moderate entrepreneurial networking (Klyver and Foley, 2012), some key aspects that have not explicitly been referred to so far beg a brief discussion for the sake of drawing valid implications for management and policy.

To begin with, it seems there is a fairly large rift in the cultural foundation between the US and Europe with regard to the motives of networking. The rift partly explains the predominance of serendipity as a dominant approach to networking in Silicon Valley. Networking for networking's sake, an opportunistic mode of seeking and making contact to gain benefit from someone, is largely frowned upon in the business culture of the Old Continent. Pursued without consideration of local practices, opportunity-seeking behavior can be even considered "obnoxious." In Silicon Valley it is accepted practice. As one of the European veterans with a decade of hands-on experience in local networking explained, "in Silicon Valley everything is transactional; it is a transactional society. You give, you take. Back home [in Europe] one has to at least pretend to be interested in the person and slowly forge a relationship before actually asking for something. Here [in the US] it is just a trade; people consider networking a currency. It can be a little shocking. We don't have it in the European culture, and a lot of [European] start-ups struggle with it. At times, they can be offended by the seemingly impersonal, opportunistic behavior of the locals." A crucial assumption behind the sustainability of this practice is that everyone is expected to provide a favor in return when called upon. The capacity to provide value in return is crucial to turning the new, transactional contacts into lasting relationships and networks that are key to the long-term integration in the local ecosystem.

The acceptability of transactional networking implies that it is less strenuous to make first contacts in Silicon Valley than it is in the European business culture; "you can knock on anybody's door and they won't blame you for trying." The crucial question is whether they will make time to actually sit down and listen to a new prospector. Here another difference between the two cultures becomes evident: in Silicon Valley trusted referrals are key to signaling credibility and worthwhileness. Without high quality referrals it is unlikely to convince important stakeholders to spare time and interest beyond the initial contact. Scanning a prospective partner's trusted network is therefore an important part of the due diligence every prospector should execute prior before approaching prospective partners. Several of the start-ups spoke of the need to establish a network of referrers, at least one for each key prospect that companies intend to approach.

To take advantage of the opportunities transactional networking promises, it is necessary to be open-minded at all times. While the European approach is usually characterized by a strategic approach to prospect identification and a disregard of prospects with no obvious value to the business, in Silicon Valley everyone is treated as someone potentially very important at the outset. "No one can afford to ignore a new contact. It could be the next Mark Zuckerberg; you cannot tell by the looks, you cannot tell without asking," as a local serial entrepreneurs described the motives behind the culture. Constant open-mindedness is a strongly encultured part of Silicon Valley life as the locals "live their jobs" by frequently mixing work and play. New connections are constantly made in both the professional and private spheres

of life. Europeans seem to more strongly distinguish between the two, and therefore are challenged in taking advantage of serendipitous networking in an ecosystem that lives of it.

Without reiterating the learnings already discussed in the results, the differences in culture and practices described in this study have direct implications for managing a start-up's access and integration into a foreign ecosystem.

Start-ups are well advised to prepare for the differences in culture, practice and other important aspects such as legislation well before contacting prospective partners in the new ecosystem. Networking is highly social and hence does not allow for many mistakes. Leveraging existing contacts and their experiences in the ecosystem is an obvious first step. A practice that has gained popularity is to hire a part- or full-time mentor well-versed in the local ecosystem's rules of the game. Many retired entrepreneurs, business leaders, and financiers, for instance, show their appreciation of their success to the ecosystem by offering their knowledge and networks to young start-ups through mentorships.

For start-ups from countries that have established governmental agency nodes for the promotion of internationalization into the targeted ecosystem, it is effortless to revert to the nodes' extensive services and utilize their network to gain quick access to the region. The nodes have a comparative advantage in networking over start-ups because networking is their explicit business model; it is the nodes' product. Where companies have budgets for business development and R&D, and usually do not define networking as a separate business function, nodes have dedicated budgets for network development. Nodes provide their clients with value added by offering them readily filtered, customized contacts a fraction of the cost start-ups would incur on their own.

While all of the early stage start-ups underlined the irreplaceable role their respective nodes had played in accelerating their integration into Silicon Valley, they were similarly aware of the fact that it is unwise to fully outsource networks. Arms-length relationships not only hamper the long-term integration in the ecosystem but obstruct the accumulation of experience in networking.

Finally, networking should be regarded as an explicit part of work when accessing new ecosystems. It is challenging to exploit the available practices to their fullest extent without laying out a conscious networking strategy and committing the required resources to it. The investments that the participation in standardization committees require is a good example. Uncoordinated efforts can prove slow and ineffective. Furthermore, in transactional networking cultures such as Silicon Valley it has to be kept in mind as part of the overall strategy that work is a very flexible concept that extends far into the private zones of life. The timid networker would hesitate to cross the line between the two and miss out on many valuable opportunities to connect to the ecosystem.

The findings advise the management of governmental agency nodes as well. To begin with, the nodes are only able to provide value if they are fully integrated in the local ecosystem, i.e. reign over a readily established network, and can advise their clients in the local customs, practices, and rules. Since networks are always personal, the ability to provide these services is dependent on the degree of integration of single node employees in and their familiarity with the ecosystem.

Thus, it is ill-advised to design HR policies that emphasize the short-cycled rotation of employees between the home country and a foreign ecosystem. While rotational duties are a common way to repatriate experience from foreign ecosystems, they are usually too short to build rooted relationships, not to mention extended networks that could be leveraged to assist arriving start-ups efficiently. While prolonged and overlapping tours of duty are one way of addressing the challenge, some nodes have reverted to the recruitment of local veterans as permanent employees. When hiring such individuals, it is of importance to pay attention to large local networks as a key recruitment criterion. Other nodes have made their positions permanent even for employees coming from the home country; on-site track records of eight to ten years are not a rare exception. Combining rotational HR policies with permanent positions could be a fruitful way to strike an effective balance between high-end service for clients and the repatriation of expertise.

In excess of established networks, node professionals have to be knowledgeable in the business sectors that are predominant in the local ecosystem. Substance-based expertise is a key asset in providing many of the most essential node services such as technology scouting and interpreting. For instance, reading weak signals of emerging technology trends, translating them into business opportunities, and communicating them to entrepreneurs and prospective partners alike requires in-depth expertise in the respective technologies and business sectors. To public officers with backgrounds in administration this would pose a formidable challenge. Thus, governmental agency nodes need to have the flexibility to hire experienced industry professionals to provide the nodes' key services. This might pose a challenge to conventional recruitment processes and regulations, not least because of the necessary liberties in determining competitive salaries. In addition to salaries and red tape, the bureaucratic, governmental stigma of the nodes is another factor that undermines the nodes' attractiveness as a second career choice for industry professionals or entrepreneurs.

Nodes need to explicitly invest in building a brand as a dynamic, business-like provider of value not just for their natural clients – the start-ups – but for the entire ecosystem. Some of the nodes have gone to great lengths to blur their perceived governmental connections, starting with their name and the interior design of office spaces to the design of mold-breaking content of networking events and their programs. The potential value that the nodes can generate for start-ups is immense but it requires professional management to run a successful node.

## Conclusions

This study set out to explore the very first mile in entrepreneurial networking by examining what entrepreneurs really *do* to connect to critical stakeholders and, thereby, to integrate into foreign business ecosystems. Networking as practice has remained a fairly rare approach in the otherwise comprehensive literature on networking and networks. By shedding light onto the grass root-level practices in networking the study connects real world action with the more conceptual achievements of the extant body of literature.

The inductive explorative analysis of qualitative firm data from 10 technology start-ups and their networking practices in accessing Silicon Valley's business ecosystem rendered insights into (i) the principles that guide start-ups in their efforts to network, (ii) the tangible practices they apply to identify and approach relevant stakeholders, (iii) the practices start-ups revert to in pitching their cause and commit prospective partners to it, and finally (iv) the services that offshore governmental agency nodes provide to help the start-ups in accessing Silicon Valley.

Regarding the guiding principles of networking, we found that firms need to embrace and learn how to exploit serendipitous networking opportunities to gain access to stakeholders that purely ansoffian planning approaches could never uncover. Recognizing serendipity as a complementary mode to more strategic approaches will grant entry into the dimension of the unknown unknowns; a pool potential partners that a strategic approach cannot identify as relevant to the firm. The full exploitation of serendipity necessitates a great deal of flexibility with regard to the start-ups' initially designed product or service concepts, strategies and business plans because in the serendipitous mode these are often re- and co-designed with the newly encountered stakeholders.

Many of the actual networking practices were found to have evolved together with the progress of other dominant megatrends such as the spread and acceptance of social and other digital media. An interesting finding worth pointing out is that such progress seems to have endogenously affected some of the conventional cultural tenets of networking. Not only has it considerably lowered transaction costs in searching for and identifying prospective partners but has also granted much more direct access to the top of organizational hierarchies that, in the European networking culture at least, used to be a strenuous bottom-up battle through various gatekeepers and hierarchical layers of organizations. In the direct interface of contacts, practices seem to have proliferated beyond the set of usual techniques such as the traditional presentation of business plans. The diffusion and acceptance of more content- and context-rich communication techniques such as social and mobile video, prototyping and story-telling have made pitching a proposal faster, more holistic, experiential and interactive.

Finally, we found that offshore governmental agency nodes can play a decisive role in accelerating and facilitating the integration of foreign newcomers into a local ecosystem. Important prerequisite for the capability to provide such services is a respected and established status within the ecosystem, a vast, cross-sectoral network, and professional employees with hands-on industrial experience in the local ecosystem.

The explorative findings of this study open interesting new avenues for research. One of the more promising ones is clearly the in-depth investigation of the endogenous relationship between the spread of new information and communication technologies and changes in the culture, tenets and norms in business networking. Our initial results insinuate that technology might have a powerful changing influence on such norms that dictate the code of conduct and the boundaries of accepted practices in making contact with prospective stakeholders. Understanding this linkage would enable us to generate better foresight on the possible impacts of new emerging trends in technology on the interaction between companies. This in turn would constitute valuable information for entrepreneurs.

The close inspection of the role of offshore governmental nodes as accelerators, interpreters and facilitators is another potential opportunity for research that aims to further the cause of entrepreneurship. Little explicit light has been shed on the work that these nodes conduct and the actual impacts that they have had on the globalization of small and medium sized businesses in particular. Understanding these impacts and the prerequisites for conducting the work would help governments in designing more effective strategies for stimulating economic growth through global entrepreneurship.

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