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The internationalization process for an early-stage MedTech start-up in a highly competitive ecosystem

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Abstract

This paper examines the early internationalization process for a MedTech start-up in Boston. It investigates the specificity of the medical sector and sheds light on challenges arising when integrating an entrepreneurial ecosystem. It helps entrepreneurs understand which resources are crucial to succeed in a highly competitive market. Our results show the particularity of Boston as a platform of change if resources are adequately used by entrepreneurs. Findings demonstrate the importance of a network to overcome obstacles but also exposes the different perceptions of what entrepreneurs expect from a foreign ecosystem compared with what it actually has to offer. This paper presents an in-depth case study of a MedTech start-up looking to internationalize in Boston due to its reputation of being the region with the most to offer the medical device industry.

Key words: Internationalization, early-stage, start-up, entrepreneurial ecosystem, MedTech

INTRODUCTION

The early internationalization process of high-tech companies is a topic that has “attracted growing attention in the field of international entrepreneurship” (Neubert, 2017, p. 16) but the challenges specifically linked to the internationalization of the MedTech sector have not received enough attention (Laurell, Achtenhagen, & Andersson, 2010, p. 2). Integrating an entrepreneurial ecosystem is a common practice envisioned amongst young ventures but is sometimes under-valued. Start-ups looking to go global soon after inception face challenges and lack key resources compared to big, established companies. They have to adapt quickly when entering a dynamic market where conditions change rapidly (Melén & Rovira Nordman, 2009, p. p.245). The selection of location for the internationalization is crucial for the success of the start-up and requires acquiring internal and external knowledge to overcome obstacles (Neubert, 2015, p. 14). The first step for entrepreneurs when entering a new ecosystem is to acquire the first successful customers (Neubert, 2015, p. 16). However, in the MedTech field this step is quite challenging, as it involves convincing both hospitals and patients. For that, entrepreneurs need to rely on their network. The aim of this article is to address the challenges faced specifically by early-stage medical-technology start-ups. It outlines key resources arising in an international network and looks at opportunities for a born-global.

THEORETICAL BACKGROUND

Ecosystem

Stam and Spigel describe an EE as a “set of interdependent actors and factors coordinated in such a way that they enable productive entrepreneurship within a particular territory” (2016, p. 1). On the other hand, Vogel defines EE as the interaction of a community inside a geographical region. The system englobes different interdependent participants, such as institutions, organisations, entrepreneurs, and factors like markets, framework, and culture that evolve and interact together to advance the establishment of new companies (Vogel, 2013, p. 446).

Spigel explains the importance of fostering and supporting start-up growth. It is a consolidation of different elements, such as social, political, and cultural that together assist entrepreneurs and encourage them to take risks (Spigel, 2017, p. 50).

Internationalization of Born Globals

Internationalization is the process by which a firm progressively increases its presence in an international market (Johanson & Valne, 1977, p.23) because of attractive factors such as better opportunities, interesting market size or competitive advantage. Scholars have identified several types of internationalization model, but BG, or international new venture, are defined as “entrepreneurial start-ups that, from or near their founding, seek to derive a substantial proportion of their revenues from the sale of products in international markets” (Tanev, 2017, p. 7). Usually they go international soon after and within three years of birth. The factors triggering this early internationalization process are the “size of the firm’s home market, new market conditions in world markets (e.g. the emergence of global niche markets), technological developments in communications and production, emergence of global networks and alliances and organisational capabilities” (Cavusgil & Knight, 2015, p. 9).

METHODOLOGY

We conducted a qualitative case study approach to provide a description and derive new theory from the data (Eisenhardt K. , 1989, p. 535). In this article, we build a case around a MedTech start-up wanting to internationalize and explore the different integration processes and available resources in the international ecosystem. A structured questionnaire was carried out for the start-up in May 2018 that asked the founder about the company’s situation and expectations. Between May and July 2018, 14 semi-structured interviews with different stakeholders in the Greater Boston Area were conducted. Five categories were chosen to better classify the interviews. In each case, a high-level employee in the company was interviewed.

For the questions, we used a Likert-type scale to better analyse the results and to avoid redirecting the interviewees towards a wanted answer (Eisenhardt & Graebner, 2007, p. 28). The case-study is complemented with secondary data.

FINDINGS

The results show the importance for born-globals to integrate an entrepreneurial ecosystem that fosters entrepreneurship and innovation. The results provide more information on the availability of resources, such as mentoring, specific knowledge and access to network and support the need for born-globals to develop their own ties. The results show the probability of success in Boston for a born-global wanting to internationalize. However, they also outline the importance for actors to have an entrepreneur committed 100% to collaborating, adding that approaching hospitals and healthcare services gives access to the customers but also gives born-globals more trustworthiness. Connecting with key opinion leaders is key and helps convince the medical sector that the product has an impact. It brings both medical providers and patients on board. The difficulty lies in the challenges faced with regard to the regulations in the international ecosystem and requires start-ups to comply with local directives. Also, it is interesting to point out the difference of perception. Start-ups tend to go to Boston for financial support first, but it seems that this is not the first resource they can get there. Finally, entering a highly competitive ecosystem can be quite overwhelming, and forming the right ties demands a great deal of involvement for entrepreneurs.

MANAGERIAL IMPLICATIONS & CONCLUSION

This article provides early-stage MedTech start-ups with an overview of how to internationalize in an entrepreneurial ecosystem and the available resources to succeed. Entrepreneurs can also benefit from a number of relevant factors they should keep in mind when entering Boston's ecosystem.

The notion of “early-stage” is quite important in this research. The findings can therefore be applied to any other early-stage medical start-up. The implications are that the internationalization process requires a MedTech to go global quickly but gradually and carefully approach the right network. A local network tends to be as important as a global network. As the medical devices industry is quite specific, more research should be undertaken by scholars.

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