

## MASTER THESIS

### **Scaling in Africa: motives, modes and challenges of internationalisation within the inclusive fintech industry**

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## Abstract

Internationalisation as a growth strategy is acknowledged as a critical factor in business success (Felzensztein, 2016). While many theories of internationalisation have been presented in the literature, questions have been raised around the relevance and applicability of the Western-based internationalisation literature towards explaining the internationalisation behaviour of African firms (Ibeh et al., 2012). Knowledge, therefore, remains vague on the internationalisation behaviour, strategies and pathways utilised by African firms to venture into international markets (Mtigwe, 2005; Acquaah, 2009; Ibeh et al., 2012). This study explores factors that influence the internationalisation decision and market entry strategy of inclusive fintech MSMEs on their path to scale across Africa.

This paper draws on theories on internationalisation of firms within the Africa financial service industry and digital INV internationalisation. The internationalisation of five MSME inclusive fintech in Africa are explored through qualitative research consisting of in-depth semi-structured interviews to create a case study analysis. The findings indicate two main drivers of internationalisation for INV. Firstly, INV internationalise in order to meet incoming demand which is largely a result of serendipitous events. Secondly, investor expectations are a major influence on an INV's decision to enter into foreign markets. INV mainly follow an opportunistic, ad-hoc internationalisation method that does not pay much attention to the type of country and market conditions and furthermore, the importance of partner selection supersedes market selection. Partner selection is critical to INV internationalisation as INV typically choose to enter markets with a local partner as it lower-resource, lower-risk entry mode than establishing a wholly-owned subsidiary. Challenges of internationalisation for INV within the African fintech context include regulation and market heterogeneity. The findings reveal a trade-off between the internationalisation scale and speed of fintechs and lastly, that the internationalisation process is heavily impacted by investor expectations and influence.

## Keywords

Internationalisation, INV, SME, fintech, Africa

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## List of Abbreviations of key terms

1. Fintech - Financial technology
2. FS - Financial Services
3. INV - International New Venture
4. VC - Venture Capital/Venture Capitalist
5. MFI - Microfinance Institution
6. Saas - Software as a Service
7. FSD Africa - Financial Sector Deepening Africa
8. B2C - Business to Consumer
9. B2B - Business to Business
10. B2B2C - Business to Business to Consumer
11. SSA - Sub-Saharan African

# 1. Introduction

## **Micro, Small, and Medium-sized Enterprises and the emergence of the International New Ventures**

Micro, Small, and Medium-sized Enterprises (MSMEs) are a significant driver of economic growth and job creation. This holds particularly true for African countries where the MSME sector accounts for nearly 90% of African economies (African Union, 2013) and creates around 80% of the region's employment (World Economic Forum, 2015). Indeed, even in developed countries such as Germany, MSMEs account for 54% contribution to national gross domestic product (GDP). Within the European Union, MSMEs account for 56.8% of GDP and 66.4% of employment with analysts predicting continued growth of 12% and 5.5%, respectively (European Commission, 2018). An emerging subset of MSMEs is International New Ventures (INVs), who are small, young firms who enter new, foreign markets within two to three years of inception.

Despite their significant contribution to national and local economies, MSMEs appear to be relatively underrepresented in the international economy (European Commission, 2015). Arguably, this is a result of disproportionate focus that both the public and private sector have traditionally placed on creating an ecosystem to encourage the formation of new business. Financial support, initiatives, and education to enable these new businesses to grow, scale, and expand internationally have often been largely ignored.

## **Firm growth and international expansion**

More recently, however, firm growth has become a central topic in the literature on entrepreneurship and small business, in addition to general strategic management and industrial organisation. For an individual entrepreneurial firm, growth is an evidence of the return of the entrepreneur's investment and self-fulfilment, while for small and young firms, growth is also a condition of survival, as firms that are growing are found to be more resistant to failure than non-growing firms (Audretsch, 1995; Phillips & Kirchhoff, 1989; Stam et al., 2006).

Additionally, firm expansion and growth have proved to be a condition for competitive advantage both at the level of individual firms and at the level of the economy at large within the global marketplace (Gancarczyk & Zabala-Iturriagagoitia, 2015). This is due to increased globalisation which has resulted in a higher degree of integration and interdependence between countries, with a clear increase in the volume of international businesses. New firms have, therefore, been forced to extend the scope of their business because they face a large number of international competitors in a much broader market. Furthermore, for small firms that have high-growth potential, internationalisation as a growth strategy is a critical factor in business success (Felzensztein, 2016).

One of the most widely acknowledged growth strategies is internationalisation—the geographical expansion of economic activities over a national country's border (Ruzzier et al., 2006). International expansion represents a multidimensional construct (Lu & Beamish, 2006), and several theories and frameworks have been developed to describe a firm's internationalisation process (Nakos & Brouthers, 2002). Most research and theories on internationalisation have focused on multinational corporations (MNCs) or multinational enterprises (MNEs) with limited insight into how smaller firms expand internationally. This is problematic as knowledge obtained in the context of large MNCs cannot simply be transferred to the context of smaller firms (Shuman & Seeger, 1986).

Over the last ten years, in response to calls to increase the body of knowledge on small firm internationalisation, a plethora of literature has been published, resulting in new insights into MSME and INV internationalisation. The role of CEO attributes (Santhosh, 2019; Saeed & Ziaulhaq, 2019; Loué, 2018) and entrepreneurial orientation (Dai et al., 2014; Javalgi & Todd, 2011; Zhang et al. (2012) as both antecedents and moderators of MSME internationalisation have been largely investigated. Additionally, international entrepreneurship research has closely examined the links between innovation and internationalisation (Genc et. al., 2019; Martínez-Román et al., 2019; Ren et al., 2015; O'Cass & Weerawardena, 2009), and between ownership structures and SME internationalisation (Cho & Lee., 2017; Chen et al., 2014; Cerrato & Piva, 2012) while many scholars have explored the effect of networks on internationalisation (Ciravegna, et al., 2014; Tang, Y.K, 2011; Jeong et al., 2019).

Most internationalisation research on surrounding small firms has focused on the internationalisation process from one developed market to another with only limited research exploring entry modes of SMEs entering an emerging market from a domestic developed market (Jansson & Sandberg, 2008; José Álvarez-Gil, M. et al., 2003; Owusu & Habiyakare, 2011). This leaves a gap in understanding the internationalisation process of small and young firms from one emerging market into other emerging markets. Additionally, a comprehensive review of internationalisation and related studies in the African context questions the relevance and applicability of the Western-based internationalisation literature towards explaining the internationalisation behaviour of African firms (Ibeh et al., 2012). Knowledge, therefore, remains vague on the internationalisation behaviour, strategies and pathways utilised by African firms to venture into international markets (Mtigwe, 2005; Acquaah, 2009; Ibeh et al., 2012).

### **The growth and consolidation of the African financial services sector**

Over the past 15 years, the African financial services sector has seen immense growth with the rapid proliferation of foreign ownership of banking (World Bank, 2009), mainly spurred by the desire to reach the emerging middle class on the continent (African Development Bank Group, 2012). There are an estimated 100 cross-border banks on the continent and nearly two-thirds are African-owned (Beck et al., 2014). Mergers and acquisitions form an integral role in the international expansion of financial institutions, in contrast with INV's preference for lower commitment modes such as exporting or

licensing. Acquisition of external technologies is a common way for firms to increase technical capabilities, expand their products, and strengthen their market position (Agarwal & Helfat 2009; Gomes et al., 2013). First National Bank, among others, have acknowledged the need to “be innovative to unlock the new markets” (Oxford Business Group, 2008). Given the emergence of innovative high-technology fintechs, understanding these seemingly opposing internationalisation strategies may reveal insights that could assist in the development of the African financial services sector.

### **The importance of inclusive fintechs in Africa**

Globally, 2.7 billion people—nearly half the world’s population—live on less than \$2.5 a day. This socio-economic group is commonly referred to as the “base of the pyramid” or “bottom of the pyramid” (BoP) because of its condition of being at the bottom of the world economic pyramid (Prahalad & Hart, 2002; Prahalad, 2012). One of the most widely acknowledged contributing factors to the acceleration of economic growth and reduction of income inequality and poverty is financial services (Kunt & Klapper, 2012) and, more specifically, the provision of access to financial services to households and SMEs. However, in 2014, 2 billion adults—mostly within the BoP and 38% of the world’s population—reported not having a bank account (Demirguc-Kunt et al., 2015), prompting a drive towards global financial inclusion. Financial inclusion is defined as “the availability and equality of opportunities to access financial services” (Nanda & Kaur, 2016).

In 2015, The World Bank and the International Finance Committee launched the initiative Universal Financial Access by 2020 (UFA2020) to drive access to financial services for all and has invested more than USD8 billion to achieve this goal (World Bank Group, 2018). This, together with growing interest and funding from financial service industry leaders such as Equity Bank, Visa and MasterCard (World Bank Group, 2015), has led to the emergence of fintech as “a new financial industry that applies technology to improve financial activities” (Schueffel, 2017). A portmanteau of the words financial technology, ‘fintech’ originally referred to the industry as a whole, but is now commonly used to refer to a company that develops and provides technology to the financial services industry and includes companies that offer financial services themselves. An inclusive fintech refers to a fintech that serves the BoP.

The growth of the fintech industry is especially notable in emerging markets with traditionally low access to finance and formal banking services. The Sub-Saharan African (SSA) fintech landscape has experienced a Compound Annual Growth Rate of 24% over the past decade and ‘exhibits promising signs of accelerating growth, ample investment, and business opportunities.’ However, a noted barrier to business success in Africa is market heterogeneity and fragmentation. Indeed, small domestic markets and continental fragmentation translates into lack of scale economies (Hartzenberg, 2011). This is particularly relevant for the SSA fintech landscape, one of the fastest-growing yet most fragmented fintech industries in the world. The top prediction for 2019 in a global analysis of

investment in fintech by KPMG is the increasing levels of consolidation, as startups look to scale and fuel international growth. Consequently, decisions about how to internationalise are vital considerations for the inclusive fintech industry in SSA.

### **Research focus**

Therefore, this study intends to address the gap in research and answer calls to extend the current knowledge of MSME internationalisation (e.g., Burgel & Murray, 2000; Jones, 1999; Laufs & Schwens, 2014; Zacharakis, 1997), particularly in the African context. The research question of this paper asks 'What factors influence the internationalisation decision and market entry strategy of inclusive fintech MSMEs on their path to scale across Africa'?

In detail, this study explores the internationalisation process of INV inclusive fintechs to better understand the motives, entry strategy and internationalisation process of expanding across the African financial service sector. An additional focus is placed on revealing challenges specific to inclusive African fintechs. To answer the question, this paper draws on theories on internationalisation of firms within the Africa financial service industry and digital INV internationalisation. The internationalisation of five INV inclusive fintech in Africa are explored through qualitative research consisting of in-depth semi-structured interviews to create a case study analysis.

For research, this paper answers the call for further research on internationalisation behaviour, strategies and pathways utilised by African firms to venture into international markets (Mtigwe, 2005; Acquaah, 2009; Ibeh et al., 2012). Furthermore, this research adds to current literature by investigating the internationalisation process of small and young firms from one emerging market into other emerging markets. Additionally, while much research has focused on Born Globals or International New Ventures, this study investigates MSMEs for which international expansion was largely organic - in that it was not necessarily a strategic decision from the outset or formation of the business. This opens up more questions around how to shift strategies and how decisions are made within MSMEs because the answer is not simply 'that is what we set out to do'.

For industry, this research adds value to INV by helping to answer questions around how to scale in emerging markets. The findings provide insight into drivers, market selection, entry modes and particular challenges of expanding into new markets in Africa. This is of particular value to the fintech industry in SSA, one of the fastest growing, yet fragmented, fintech industries in the world.<sup>1</sup> This research adds practical insights into, and case study examples of, this increasingly important trend of internationalisation. Additionally, much research on internationalisation within the SSA fintech industry focuses almost exclusively on partnerships or strategic alliances between fintechs and traditional

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<sup>1</sup> [FinTechs in Sub-Saharan Africa: An Overview of Market Developments and Investment Opportunities. 2019. EY.](#)

financial institutions. This paper extends this research to internationalisation efforts of fintechs in general, regardless of partner within the fintech ecosystem, providing value for all players within the ecosystem. In particular, the operations, commercial, and strategic partnership departments of companies looking to expand internationally within the fragmented fintech industry in Africa can benefit from in-depth analysis of internationalisation case studies. More broadly, industry can gain insight through a summary of methods for internationalisation of MSMEs serving the BoP across emerging markets.

The remainder of the thesis is structured as follows: Chapter two presents the theoretical framework, in which concepts of internationalisation, international new ventures and digital new ventures are explained. Chapter four introduces and summarises the main results regarding the internationalisation journey of the interviewed firms. Moreover, a brief background of each firm and the current challenges they face are presenting. In Chapter five, an analysis of the findings is presented and discussed, before managerial and theoretical implications as well as limitations are given. Lastly, Chapter 6 closes with concluding remarks.

## 2. Theoretical background

In order to answer the research question, a review of the related academic literature was first conducted. The aim of a systematic review is to provide collective insights through theoretical synthesis into fields and sub-fields. A review process increases methodological rigour (Tranfield et al., 2003) and given the nature of this research, a structured or systematic *literature review* (SLR) was conducted.

The aim of the SLR was twofold: first, to provide a theoretical underpinning to the research question by understanding the theories that explain the phenomenon at hand; and second, to review the internationalisation processes of INVs to highlight models and common themes arising from current literature. The structured or systematic literature review (SLR) is key to research undertakings and conducted as a systematic review is "at the heart of a 'pragmatic' management research, which aims to serve both academic and practitioner communities" (Tranfield et al, 2003) which aligns with the purpose of this research. The methodology proposed by Tranfield et al. (2003) was used to guide the SLR. This methodology constitutes three main stages, namely: planning the review, conducting the review, and reporting and dissemination.

Within planning the SLR, an assessment of the size and relevance of the literature was conducted. As there is a large body of research pertaining to international growth, the subject area was limited to Business, Management and Accounting as per the Scopus Subject Area categories across all searches. Given the research question, a narrowing of focus on internationalisation literature regarding new

ventures, Africa and financial services dominated. Furthermore, results were in general limited to articles after the year 2000 with exceptions for earlier works of seminal influence, such as Oviatt & McDougall 1994 and 1995 papers. Studies that investigated the internationalisation of non-profit organisations were excluded. The SLR was conducted primarily by utilising Scopus and Web of Science. A keyword search approach was used to conduct the the SLR. A few key search words were used in combination to create key search terms (see Table 1). This returned a large body of literature (see Figure 1) and so further parameters were put in place to limit the number of articles, while simultaneously increasing the relevance. For each of the search terms below, results were further limited by searching within the initial results (Figure 1) to keywords 'internationalization', 'internationalisation', 'globalisation', 'entrepreneurship', and 'SME'. This returned more relevant and more manageable number of papers for the literature review (see Figure 2). Appendix A shows a more comprehensive breakdown.

Table 1: Related search terms for 'Internationalisation'

Internationalisation and related search terms
New venture AND internationalisation
International new venture AND Africa
Digital AND international new venture
Fintech AND Africa

Literature search results for relevant key phrases

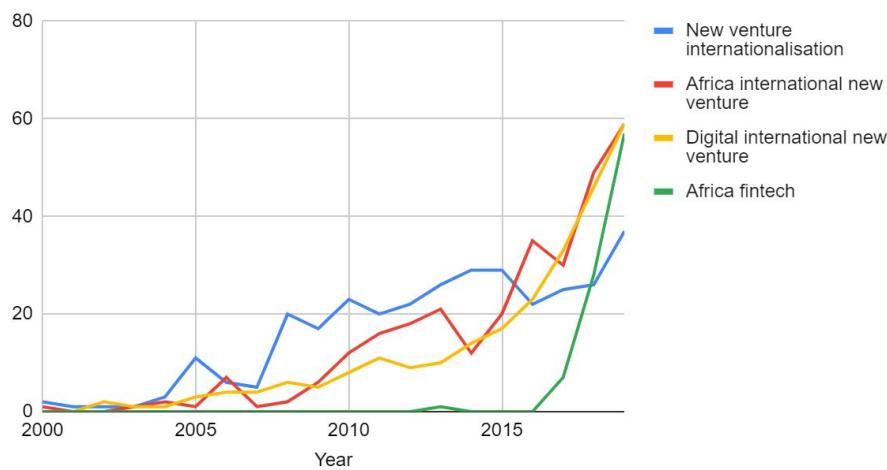


Figure 1: Number of publications per year that include key phrases related to African INV internationalisation (Own illustration based on search results on Scopus ([www.scopus.com](http://www.scopus.com)))

## Literature search results for relevant key phrases limited by keywords

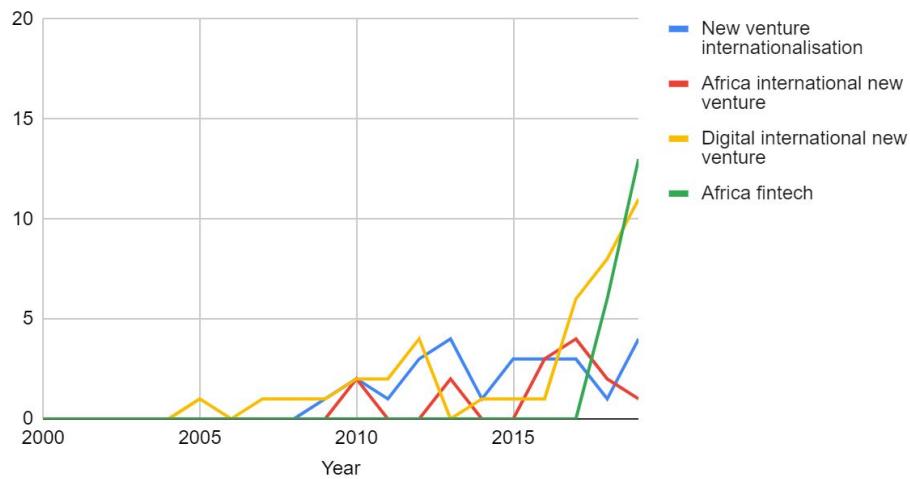


Figure 2: Number of publications per year that include key phrases related to African INV internationalisation with additional keyword limitations (Own illustration based on search results on Scopus) ([www.scopus.com](http://www.scopus.com))

The outline of the literature review is summarised as follows: In a first step, the concept of internationalisation is explored on a broad level in section 2.1, while section 2.2 provides an overview of drivers and motivation for internationalisation. Section 2.3 explores market entry mode. Section 2.4 delves into internationalisation within the African financial services sector and Section 2.5 follows by exploring internationalisation within the context of digital INVs. Lastly, section 2.5 provides a theoretical insight into the role of networks within the internationalisation process of international new ventures.

### 2.1 The concept of internationalisation

The concept of internationalisation within the business context is an evolutionary one, emerging at the end of imperialism in the mid-1910s. International expansion represents a multidimensional construct (Lu & Beamish, 2006), and several theories and frameworks have been developed to describe a firm's internationalisation process (Nakos & Brouthers, 2002). Some scholars use a process and operations focus to define internationalisation, for example, Calof and Beamish (1995) who state that "internationalisation is the process of increasing involvement in international operations". Others look through a relationship or network lens to define internationalisation as a "cumulative process, in which relationships are continually established, maintained, developed, broken and dissolved in order to achieve the objectives of the firm" (Johanson and Mattson, 1986). More generally, internationalisation is "the geographical expansion of economic activities over a national country's border" (Ruzzier et al., 2006). This is the definition of internationalisation used for the purpose of this paper. An examination

of these studies seems to suggest that there is no one universal theory of internationalisation, and, there are considerable differences in the patterns, pace and intensity of the internationalisation of firms irrespective of their contexts.

A firm's involvement in international business might stem from a firm selling its products or services to foreign markets, purchasing products or services from abroad or cooperating in some domain with a foreign firm. The implication is that international operations can be divided into "inward", "outward" and "cooperative" operations (Ruzzier et al., 2006), which demonstrates the "holistic nature of internationalisation" (Korhonen, 1999). Although internationalisation is a multidimensional phenomenon, this paper excludes inward internationalisation, i.e. the purchasing of services from foreign markets.

## 2.2. Drivers of internationalisation

Internationalisation scholars have long since been interested in investigating the drivers of internationalisation. Drivers can originate from various sources including entrepreneurial, technological, cultural, economic, and institutional (Schäfer et al., 2017). Entrepreneurial drivers are the drive, vision, experience and capabilities of the INV leadership team and are considered to be key drivers for the pace of internationalisation (Autio et al., 2000; Knight & Cavusgil, 2004). This is supported by Cannone et. al (2012) who highlight the importance of professional networks built by entrepreneurs before establishing the company. Technological drivers are technical innovations that enable more opportunity to easily interrelate with international customers, distributors, partners, and suppliers (McDougall & Oviatt, 2000). Cultural drivers include social change and cultural homogeneity of culturally distant markets (Luthans & Doh, 2012; Mathews, 2006; Oviatt & McDougall, 2005) which is particularly relevant in the fintech industry where social acceptance and trust of the financial sector and technology is are key considerations.

The economic drivers for INV firms are both internal and external in nature. Internally, the product or service may be designed or reveal features that allow global sales, enabling further economies of scale on an international base. Externally, increase in competition in domestic markets and changing market conditions may motivate firms to go abroad (Gabrielsson & Kirpalani, 2004; Knight, Bell & McNaughton, 2001; Cavusgil & Knight 2009; Madsen & Servais, 1997). These drivers go in hand with the technological, cultural, and institutional drivers and cannot be viewed apart from them (Oviatt & McDougall, 1994).

Institutional drivers such as changes to regulation, particularly in the financial services industry, which may force a firm out of a market to entice a firm to enter a new market . Further, Bell, McNaughton & Young (2001) argue that internationalisation may be triggered by particular events, such as new

business opportunities in foreign markets, favorable exchange rates or adverse economic conditions in the domestic market that may encourage firms to internationalise rapidly.

Generally, INV internationalisation is considered either proactive, reactive or serendipitous. Proactive is when a firm conducts a deliberate search for opportunities, while reactive is when a firm's decision to enter foreign markets is a result of external forces (Madsen & Servais, 1997; Oviatt & McDougall, 2005) such as those outlined above. Lastly, opportunities to internationalise may arise through serendipitous discoveries that are unexpected or have an element of surprise (Shane, 2000). Some scholars argue that internationalisation is unsystematic and originates from unsolicited orders, prior contacts and serendipitous events (Dimitratos et al., 2010).

## 2.3 Market entry mode

Market entry mode choice is a critical component of internationalisation strategy (Morschett et al., 2010) as it is a central factor that influences firms future performance (Rasheed, 2005). Given the many options of entry strategies available to the firm as outlined above in Section 2.3, the challenge of selecting the most appropriate entry mode has been under extensive investigation since the 1960s. Andersen (1997) states that "... the theoretical contributions have been more advanced in the area of foreign entry mode than in other topics of the firm's internationalisation process."

An entry mode can be defined as "a structural agreement that allows a firm to implement its product market strategy in a host country either by carrying out only the marketing operations (i.e., via export modes), or both production and marketing operations there by itself or in partnership with others (contractual modes, joint ventures, wholly-owned operations)" (Sharma and Erramilli, 2004).

Foreign market entry mode choice determines the level of resource commitment, risk, and control a firm undertakes in its foreign market activities (Anderson & Gatignon, 1986; Hill et al., 1990). Conversely, the level of resources a firm is able and willing to commit, the level of risk a firm is willing to absorb, and the level of control a firm desires in its foreign market activities can be used to determine the most appropriate entry mode. Figure 3 depicts various entry mode options as a function of the level of risk appetite, resource availability, and control desired by a firm.

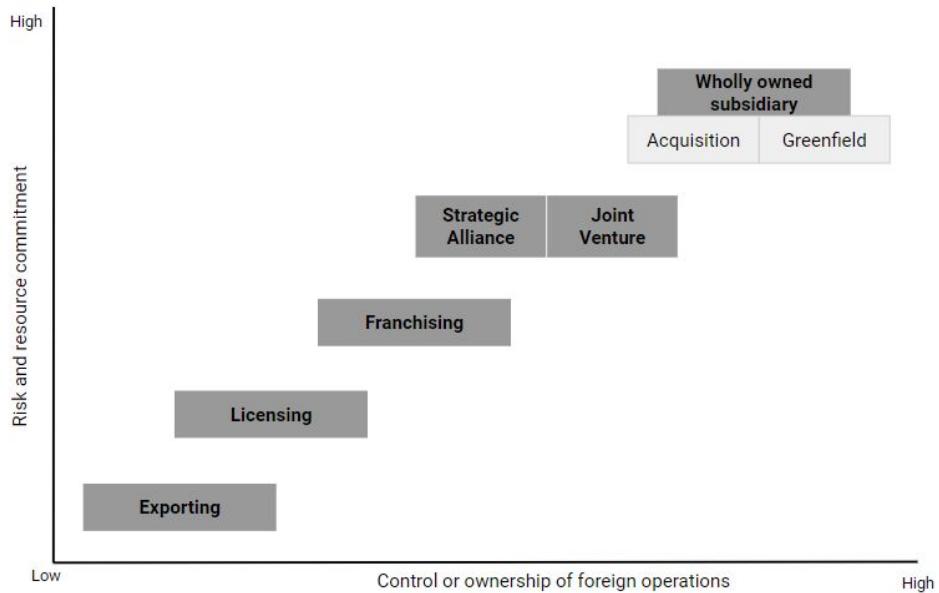


Figure 3: *Entry modes choices as a function of risk, commitment and control*

## 2.4 Internationalisation within the context of the African financial services industry

To date, the main body of research concerning internationalisation studies have focused primarily on the manufacturing sector, dominated by the Internationalisation Process Model. Also called the Uppsala internationalisation model, it is the earliest school of thought addressing the internationalisation process. However, more recent economic activity has lead to a growth in internationalisation within the service sector, both in developed and emerging countries, and particularly in financial services (Batten & Szilagyi, 2012; Parada, et al., 2009), leading to an increasing interest in the internationalisation of firms within various service industries.

The drivers of the cross border expansion in the African financial services industry are numerous and often inter-related, but common, factors include the declining opportunities in domestic markets and regulatory factors (Lukunga & Chung, 2010). This is supported by Kodongo et al. (2015) who find that East African banks are “pushed” into foreign markets by relatively competitive markets and weak market power at home. Singleton & Verhoef (2010) add that changes in regulation and the emergence of new technologies may induce banks to devise new competitive strategies.

For entry strategies, strategic alliances appear to be the popular mode used African banks, who then move on to investment banking subsidiaries (Boojihawon & Acholonu, 2003). Kabongo and Okpara (2019) similarly find that acquisitions and strategic alliances play a role in the international expansion of African banks and these market entry modes are particularly relevant to the speed of internationalisation. Additionally, in a 2010 evaluation of African banks exponential international

expansion between 1990 and 2009, Lukunga and Chung(2010) find that “banks, however, did not expand abroad as single entities, instead relying on a multitude contractual or partnership arrangements and exchanges to accommodate new clientele and penetrate new markets.” The authors prefer to describe African banks as “Large and Conglomerate Financial Institutions” (LCFIs). Within the East Africa region, banks prefer to enter through direct foreign investment (Kodongo et al., 2015). A review of foreign market entry modes reveals that financial service firms typically favour higher resource-commitment modes which grant a higher level of control over management and operations. This is congruent with the information-intensive nature of financial service firms products and services (Cardone-Riportella & Cazorla-Papis, 2001). Furthermore, analysts predict that M&As hold the next growth story in the sector (Bodo, 2019).

Furthermore, the challenges of internationalisation are heightened within the financial services industry by governments’ approaches to related regulation, which often further differentiates national markets (Parada et al., 2009).

## **2.5 Internationalisation within the context of digital international new ventures (INVs)**

The growing emergence of the early internationalisation of small and young firms has attracted academic attention within the realm of internationalisation theory, with much debate about whether the traditional view of incremental internationalisation is relevant for these international new ventures (Oviatt and McDougall, 2005).

International new ventures (INVs) are small to medium-sized companies (SMEs) that internationalise soon after inception typically within two or three years of its inception (Rennie, 1993; Knight & Cavusgil, 2004). The term INV is oftentimes used interchangeably with born globals (Knight and Cavusgil, 2004) and global start-ups (Oviatt and McDougall, 2005) with subtle differences in the definition. While born globals have a global vision from inception (Gabrielsson et al., 2005) and actively “seek superior international business performance” (Knight & Cavusgil, 2004), internationalisation is not necessarily a core strategy for INVs at the outset. However, across all these definitions are a few common and defining characteristics, most notably that of the accelerated internationalisation (Weerawardena et al., 2007). Other regularly cited characteristics are the entry into multiple (at least two) foreign markets within 2–3 years of inception (Oviatt and McDougall, 2005), the previous international experience of founders (Oviatt & McDougall, 2005) and a predominance of alliance and partnership internationalisation strategies (Freeman et al. 2006). Additionally, studies reveal that the majority of INVs are knowledge-intensive organisations (Gabrielsson & Kirpalani, 2004; Bell et al., 2003). Although INVs can be found across all industries, high-technology companies are more likely to be international new ventures (Kudina et al., 2008).

INVs are often located in small and open economies with a limited home market (Luostarinen & Gabrielsson, 2006). This, coupled with the typically limited financial, human and intangible resources which often characterise SMEs may drive INVs to seek opportunities within international markets.

Traditionally, internationalisation is viewed as an incremental process, where firms gradually expand their business into culturally and institutionally similar markets before progressing to more dissimilar foreign markets (Laufs & Schwens, 2014). This 'psychic distance' is defined by Vahlne & Wiedersheim-Paul (1973) as "factors that make it difficult to understand foreign environments." According to the incremental view, firms enter a foreign market with a low resource-commitment mode (e.g. exporting), followed by higher resource-commitment modes, such as joint ventures and lastly, the establishment of wholly-owned operations (Luostarinen, 1980).

Many authors argue that the traditional models are not applicable to the rapid internationalisation processes of INVs (Oviatt & McDougall, 1994; Moen & Servais, 2002; Moen, 2002), while others find that INVs do follow the traditional incremental model of internationalising, albeit at a faster pace (Coviello & Munro, 1997; Luostarinen & Gabrielsson, 2006). Luostarinen & Gabrielsson (2006) additionally purport that INVs often leapfrog stages in the traditional internationalisation process or progress in reverse order. Many scholars argue that within the internationalisation process, small firms tend to prefer non-equity foreign market entry modes due to resource constraints (Lu & Beamish, 2006; Zacharakis, 1997). Others, however, have challenged "the traditional portrayal of SMEs as best suited simply for exporting owing to their resource constraints; SMEs do have multiple other entry modes to choose from" (Prashantham, 2011, p. 4).

## 2.5 Networks in the context of INV internationalisation

Networks have long been acknowledged as an important aspect in the internationalisation process for born globals. Axelsson and Easton (1992) describes a network as "sets of two or more connected exchange relationships". Markets are described as a system of relationships among a number of players including customers, suppliers, competitors and private and public support agencies (Axelsson and Easton, 1992). In other words, for a company, a network can consist of both direct and indirect actors that the company interacts with in a specific market. According to the network perspective, the nature of relationships established between various parties will influence strategic decisions and involve resource exchange among its different members (Sharma, 1993). Coviello & Munro (1997) and Sharma & Blomstermo (2003) emphasise the importance of collaborating, cooperating and networking with partners for international new ventures. Networks are particularly helpful for INVs to access knowledge and overcome scarcity of resources. Several authors argue that INV's limited resources and capabilities make them more likely to depend on networks as the embeddedness in a network can lead to accessing key resources from key network partners (Madsen & Servais, 1997; Johanson and Vahlne,

2009; Weerawardena et al, 2007). Further, network relationships have a strong influence on various phases of internationalisation, including the identification and exploitation of market opportunities and market entry modes (Johanson and Vahlne, 2009; Shirokova & McDougall-Covin, 2012; Coviello & Munro, 1997). In summary, networks can help digital INVs identify international opportunities, establish credibility and develop strategic alliances (Oviatt & McDougall, 2005).

### **3. Methodology**

The exploratory nature of the research question calls for a qualitative approach, the preferred method when a study seeks to investigate “what is happening; to seek new insights; to ask questions and to assess phenomena in a new light” (Robson, 2002). It is used to gain an understanding of underlying reasons, opinions, and motivations and provides insights to develop ideas or hypotheses for potential quantitative research. Under the theme of qualitative research, a *case study approach* was selected as “You would use the case study method because you deliberately wanted to cover contextual conditions - believing that they might be highly pertinent to your phenomenon of study” (Yin 2003, p. 13).

The study was based on a multiple-case study approach which provides insights and rich context to the specific phenomenon studied (Yin, 1994). An interview protocol was designed (see Appendix B) based on insights from the literature review. Individual semi-structured interviews were conducted with five INV fintech's to gain insights into their internationalisation processes, strategies and challenges. In addition to interviews, secondary data was gathered to provide supporting and additional information. Secondary data was collected from various sources. The researched fintechs company websites, including blogs written by the CEOs, numerous downloadable company presentations, brochures and case-studies, as well as their LinkedIn pages were the dominant sources of information. High-profile interviews and profiles of the CEOs and firms in both print and video media such as Forbes, CNBC Africa, Quartz Africa were also used to gain further insight. Lastly, online business databases such as Crunchbase and VC4Africa provided valuable information for cross referencing.

The research methodology chapter consists of four sections. In the first and second sections, the empirical data collection and data analysis methods are introduced respectively. Ethical considerations of the research design are addressed in section three, while section four outlines verification methods.

#### **3.1 Empirical data collection**

Given that this study is based primarily on a qualitative inductive approach, semi-structured interviews were chosen to collect primary data. Interviews are particularly suitable for “descriptive, explanatory, and exploratory purposes” (Babbie, 2016, p.247). Within the fields of management and business

studies, in particular, interviewing is a common and appreciated data collection methodology. It allows the researcher to “gain insights or understandings of opinions, attitudes, experiences, processes, behaviours, or predictions” (Rowley, 2012). Semi-structured interviews are especially relevant for “exploring new areas or ones in which the researcher has limited knowledge” (Bryman, 2001). The researcher is able to rely on an interview guide which offers “flexibility in the questions asked, the extent of probing, and question order” (Rowley, 2012). As such, semi-structured interviews can be defined as a “managed conversation” (Cachia & Millward, 2011).

### 3.1.1 Interview sample

The sampling process was done through desktop research and interviews with industry leaders to identify *for-profit inclusive fintech firms operating in at least three countries in Africa*. The rationale behind using Africa as a sample criterion is two-fold. Firstly, it aligns with fulfilling a gap in emerging market internationalisation research, as all countries in Africa are considered emerging markets. Secondly, the *African fintech industry* is a particularly exciting region/industry combination to study, given the recent growth of the industry and consolidation phase within the market.

The ‘three-country’ criterion has been selected in an attempt to negate, to some degree, the potential bias of a company’s “default” scaling method. Additionally, it makes room to more broadly assess and compare factors and challenges influencing internationalisation across Africa’s heterogeneous markets. This adds more depth and potential value to the study, while matching a key characteristic of INVs - multiple market entry (Oviatt & McDougall, 2005).

For-profit companies have been selected over non-profit organisations as the primary unit of study for this research. Practically, this gives a larger sample size as the vast majority of fintech players in Africa are for-profit. From a theoretical perspective, for-profit businesses have been more extensively researched, providing more defined theoretical frameworks for data analysis. In particular, this paper focuses on ‘scale-up’ fintech innovators, as opposed to startups or traditional multinational financial institutions. A scale-up is essentially a more established startup and can be defined as ‘revenue-generating startups that have raised institutional or private funds and have a dedicated C-suite team’.

An additional parameter is companies who have expanded internationally in the last five years. This increases the relevance of the research reflecting the current state of the art within emerging INV internationalisation literature. Furthermore, is an attempt to decrease the dependency on long-term memory of interview respondents, the reliability of which has been questioned by psychology researchers (Huffman et al., 1997; Oxburgh & Dando, 2011). Respondents are executive-level individuals who have been employed at the respective companies for at least five years. Executive-level

employees were selected as they are likely to have been directly involved in the scaling process at a decision-making level. All interviewees were either founders or co-founders of the firm.

Initial sampling was conducted through reviewing online databases such as Crunchbase and award listings for the African Fintech Awards, Inclusive Fintech 50, and the MIT Inclusive Innovation Challenge fintech category. Online search tools were then used to confirm firms had been founded in Africa and assess how many African countries each firm had a presence in to meet the criteria.

Table 2 summarises the interviews conducted, including the job position of interviewees and markets of operation and entry as discussed by the interviewees relevant for this research.

*Table 2. Interview sample summary*

<b>Firm</b>	<b>Respondent number</b>	<b>Job position</b>	<b>Type of interview</b>
Firm A	Respondent 1	Co-founder, CEO	Video call
Firm A	Respondent 2	Co-founder, CTO	Video call
Firm B	Respondent 3	Co-founder, CEO	Video call
Firm C	Respondent 4	Co-founder, CEO	Video call
Firm D	Respondent 5	Co-founder, CTO	Video call
Firm E	Respondent 6	Co-founder, CIO	Video call

### **3.1.2 Interview protocol and process**

In order to conduct the first set of interviews, an interview guide (Appendix B) of closed and open-ended questions were drafted based on the emerging themes from the literature review. The interviews primarily investigated the drivers of internationalisation, the market and entry mode choice as well as influencing factors such as the nature of the firm and the markets they enter. Additionally, challenges and opportunities facing the African fintech sector and the firms were explored. A background paper, outlining information on the purpose and context for the interview research project was sent to each interviewee ahead of the interview, in line with recommendations by Brinkmann and Kvale (2008). The semi-structured interview consisted of a predefined set of questions (cf. Appendix B), and probing was used where applicable during the interviews to obtain more detailed answers and build up a rapport as recommended by Ayres (2008).

Face-to-face interviews usually offer more detailed input since they allow researchers to “note characteristics of the respondents or the quality of their interaction with the respondents” (Babbie, 2016). However, phone interviews allow for sensitive issues to be more easily addressed as “respondents will be more honest in giving socially disapproved answers if they don’t have to look [the

researcher] in the eye" (Babbie, 2016). Therefore, telephone interviews have the potential to avoid biased answers, but the "rapport and richness of the interaction may be lost" (Rowley, 2012). Video call interviews were chosen as they allow the inclusion of more participants in the absence of geographical barriers (Cachia & Millward, 2011), an essential consideration in the context of this research focusing on firms based in Africa.

### **3.2 Data analysis**

The primary data analysis method chosen for this research is content analysis and, more specifically, directed content analysis. A directed content analysis can provide predictions about the variables of interest or the relationships among variables, thus helping to determine the initial coding scheme or relationships between codes (Hsieh & Shannon, 2005). Content analysis using a directed approach proves useful as it is a structured process (Hickey & Kipping, 1996). An initial deductive approach was used, where, using existing theory, key concepts or variables were identified as initial coding categories as recommended by Potter & Levine-Donnerstein (1999). Initial categories determined from the literature follow the general process of internationalisation, i.e, drivers of internationalisation, market selection, entry mode choice, and internationalisation process and strategy. Various codes for each category were determined (see Appendix C) in order to categorise, group and analyse the data. An inductive approach followed, where themes and codes within the data emerged, within the initial categories. The transcripts were read multiple times, and themes within the predetermined broad categories were used to identify and extract relevant information. The collected data was analysed further for any additional insights outside of the original scope.

### **3.3 Ethical considerations**

Ethical considerations such as confidentiality and informed consent have been considered as it relates the data collection, analysis and interpretation. Respondents were explicitly informed via email that their personal data would not be disclosed. Additionally, respondents were informed both via email and in the call introduction that the interview would be recorded for transcription purposes. They were thereby explicitly asked for their informed consent. As many respondents expressed the wish for their involvement not to be made public, the transcriptions have been submitted as a separate document to this report.

### **3.4 Verification**

In line with recommendations from academic literature on research methodology, a pilot survey was submitted to non-participants first (Rowley, 2012). This allows the researcher to improve the interview questions and detect possible misunderstandings and biases (Babbie, 2016). The interview guide was reviewed by two pan-African INVs, one fintech and one operating in the transport industry. In addition,

after transcription, the full transcripts of the interviews were sent back to respondents for verification before coding to ensure high validity of data.

## **4. Empirical findings**

In this section, the empirical findings from interviews with the sampled firms is presented. For each firm, the findings are grouped into four categories, namely: background, internationalisation status, internationalisation strategy and process, and challenges. The data is further summarised in Table 3 at the end of the section. Note that all quotes included in this section are from Appendix E, unless otherwise stated.

### **4.1 Firm A**

#### **4.1.1 Background**

Firm A is a B2B payments platform provider founded and based in South Africa. Formerly a B2C company that built custom hardware in tandem with software, it now offers a Software as a Service (SaaS) to financial institutions. Its technology enables banks to provide MSME banking services to informal retail merchants across Africa for the first time. While it no longer serves clients in South Africa, Firm A is still headquartered in South Africa, and its 22 employees serve its international clients and partners remotely from offices in Johannesburg (commercial operations centre) and Cape Town (product and engineering centre). It recently opened offices in Lusaka, Zambia as part of a strategic alliance with Standard Bank, Africa's biggest bank.

#### **4.1.2 Internationalisation status**

Firm A is currently operating in four countries. Although it has operated in eight in total, it has exited markets after failed attempts to scale within markets such as Kenya, Ghana, Namibia and Nigeria. Just after it began shifting towards a B2B model domestically, it received interest from Kenya. Firm A took the decision to move forward with international expansion through a licensing agreement. Last year, Firm A partnered with Standard Bank with an agreement to provide its technology to 14 of Standard Bank's markets in Africa. They have implemented the solution in four countries to date and plan to roll out four more this year. Due to limited capacity, Firm A has effectively terminated other contracts to focus on the partnership with Standard Bank. However, the agreement is not exclusive, and Firm A is looking to sign similar contracts with other pan-African banks to mitigate concentration risk.

#### **4.1.3 Internationalisation strategy and process**

Firm A's international expansion has very much been due to incoming interest and demand, evidence that it was pulled into new markets through a network effect, rather than pursuing a push international

growth strategy. Respondent 1 explained that, “when we entered Mozambique our strategy was mostly based on pull. We would broadcast what we doing and then would be pulled into the market and we would qualify opportunities that emerged across the region and one then emerged in Mozambique. The client was highly qualified and that's why we entered Mozambique”. Respondent 2, from the same firm, confirmed this further, stating that “It was mainly opportunistic because we had a client who was willing to pay us to be there who happened to be there. It easily could have been any country”. Its initial entry into Zambia followed the same format where a potential client “had seen us through our operations in Kenya and then he got hold of us and said he wanted to replicate that in Zambia and he was our first client there”. Entering Ghana was opportunistic and part of a project funded by social impact money. Respondent 1 explained, “The money came first and then we started targeting Ghana”.

Its strategy focused mainly on licensing to sell to “a very experienced partner who had loads of capabilities in the domain that we were in and who were properly resourced”. Up until its entry into Ghana, the dominant mode of market entry was licensing, a low cost entry mode. However, the firm entered Ghana through a strategic alliance, a higher cost mode, “with a partner that was much more experienced with agency banking”. Due to the project requirements, it sent its Chief Commercial Officer to live there full-time for nine months. Once the project was complete, it exited the market because the partnership was no longer holding it there and it “didn't really have the money to set up a big office and hire the right people”.

#### 4.1.4 Challenges

Both Respondent 1 and 2 reported that a core challenge is Africa being a “heterogeneous, fragmented market”. Therefore, “The legislative regime that they operate under are different so how the regulation applies will be different. In some cases language is different and currencies are different”. This means that “how you go to market in each one is different”. Fragmented government regulation can also be a challenge and is notably linked this to ‘market readiness’. As Respondent 2 explained, “Government regulations, especially around finance, is strong in lots of countries and also somewhat old school. For example, in Mozambique we were facing a big technical challenge that they want to run all of their technology in-country. If you are trying to replicate that across multiple countries you have to have a data centre and backup data centres and people on the ground to maintain everything and run things and have operations people in each country and that's not particularly scalable”.

The geographic size of the total market served was highlighted as a challenge. Africa is a vast continent and “market proximity is probably one of the most important operational considerations. It's important to meet with the partners on a fairly regular basis means several flights away can be very problematic”. Market size can also be a challenge, especially when coupled with limited resources. As Respondent 2 explained, “A lot of the countries are quite small relative to world standards of GDP and so the effort to get into a small country like Lesotho or Eswatini is just about as much as it is to enter a

*larger market like Kenya or Tanzania or Zambia. So you end up focusing on the larger countries because you only have limited energy and resources”.*

Firm A noted that limited resources was a constraining factor in its internationalisation. That is one of the reasons why it looks to work with partners who have resources, experience, and capabilities they may lack. Its partner in Ghana “*not only helped with regulations but also with research as well. They already had a lot of the technical skills to conduct some of the research, and that was helpful for them and for us to be able to deploy the project in-country readily*”. However as Respondent 1 ultimately stated, “*when your organisational infrastructure is very limited as a small company and your organisation experience in terms of working on projects is limited much less working on projects at a distance - that was one of the reasons why going to Ghana for us failed.*”

## **4.2 Firm B**

### **4.2.1 Background**

Firm B was founded in 2011 with the idea “*to do [credit] scoring based on mobile data in partnership with telcos*” (telecommunication companies). Since then, it has expanded to work with lenders more generally. It is a B2B SaaS lending platform for telecommunications companies, banks, P2P (Peer-to-peer) lending platforms, microfinance institutions and other fintechs to help them digitise and automate credit, particularly to underserved people in emerging markets. While the firm is incorporated in the United States, the product was developed in its home market of Tanzania, where it set up an operational and sale office. It has since moved its headquarters back to the US and outsources its sales and support to an office in Nigeria.

### **4.2.2 Internationalisation status**

Firm B is currently in three markets in Africa and working towards signing a licensing agreement with a pan-African financial institution. It currently has four full time employees, after “*challenges with one of our investors that was creating this really complex financing and operating issue for us, that meant that we had to downsize our team a lot.*” Respondent 3 notes that “*we actually ended up outsourcing. We were doing client support in Tanzania first, and we closed that. And one of those people had moved to Uganda and was working out of Uganda for a little while. But then we had to downsize, and we moved those functions to a team in Nigeria instead.*” Firm B has five outsourced sales and client support staff through a “*publicly-traded, 30-something years old*” technology company in Nigeria.

### **4.2.3 Internationalisation strategy and process**

To date, Firm B’s internationalisation strategy has been very much experimental and incremental, entering markets through the low cost, low risk exporting of its technology. Respondent 3 explains “*we ran something like 27 pilots in six or seven countries over a six-month period, and there were certain*

ones that stuck." These pilots were managed predominantly from Tanzania, with one team member in the various markets for parts of the sales and implementation process.

While some countries like Kenya, Uganda, Ethiopia are culturally similar to Tanzania, others like Nigeria and Ghana are more dissimilar. Selecting countries with low psychic distance was not part of Firm B's strategy. However, it instead followed incoming demand as highlighted by Respondent 3, "*we had some incoming demand from them—some might be via word of mouth and conferences and things like that—and just saw opportunities.*" As demand grew in Uganda, Firm B invested more resources by hiring a sales and support person in-country. Similarly, when demand emerged and grew in Nigeria, it selected a regional sales and support partner in Lagos, who is now the sole sales and support office for the full Africa region.

Firm B has moved towards a licensing strategy as noted by Respondent 3, who stated its current model is "*just direct sales to financial institutions. So now we're trying to grow by licensing to credit bureaus that then do sales.*"

#### 4.2.4 Challenges

Firm B notes that its limited resources mean limited opportunities for scale: "*We would like to have the platform available everywhere but we can't set up teams everywhere to sell it directly. We can't finance doing that with the pricing of our product because we can't afford to raise the prices because we'll just price ourselves out of the market.*" This is a key motivation for shifting to licensing. Another motive is the traditionally slow sales cycle for financial institutions. As Respondent 3 mentioned, "*a lot of financial institutions need to be able to start at a really low cost and it takes a long time to build trust with them and to push adoption in a given country and so we just can't afford to do it through a direct model.*"

In parallel with the challenge of scaling is the pressure from investors to scale rapidly. Respondent 3 commented that there is "*so much emphasis right now from investors to growing tech companies at all costs. International investors push to achieve a level of growth that is very, very difficult in the African context*". Furthermore, they note that "*I think everyone just gets a little drunk on somewhat easy access to venture capital and everybody always wants to say that they have a silver bullet. And we just know that in the context of emerging markets, including a lot of Sub-Saharan African countries, that does not exist*".

Geographic distance and capability is another challenge Firm B faces as noted by Respondent 3, "*we ran pilots in Kenya, in Ethiopia, one in the Philippines, one in Mexico, and a couple of others. But the ones that were more remote, because we weren't there, it was hard to get them implemented the way we wanted to.*"

More broadly, the lack of regulation around the fast-moving credit and microloan sector is a challenge. Respondent 3 explains that *"the current trend is trying to offer digital credit with no human intervention, often to consumers with low financial literacy"*. Additionally, due to high competition in the market and investor expectations, there is a *"very aggressive customer acquisition and collections behaviours that are creating a huge credit bubble, particularly in Kenya."* Many low-income people are over-indebted due to fintechs *"offering tiny loans that are really convenient with super-high interest rates and really onerous terms where if you don't repay it within the initial time period of the loan maturity, then it sort of rolls over and the interest that you owe gets multiplied."* There is a need *"for regulation that fosters innovation but still protects consumers."*

Lastly, Firm B identified a shortage in skilled workforce. Small technology businesses in Africa *"are trying to overcome the fact that it's tough for them to hire skilled employees because skilled employees are scooped up by a small number of large or local companies. I don't want to call it a talent challenge because I don't think it's talent, I think it's really like an education and skill gap."*

## 4.3 Firm C

### 4.3.1 Background

Established initially as a microfinance institution (MFI) in Kenya in 2009, Firm C's core business is now offering microfinance SaaS core banking systems to MFI's across the globe. Firm C founded the world's first 100% mobile microfinance institution in the world in Kenya. The innovative technology gained recognition through various awards and other MFI's expressed interest in purchasing the underlying technology developed. Firm C spun off a 'Systems' firm, devoted to the development and sale of its software to MFI's, while still operating as a Microfinance firm in Kenya.

### 4.3.2 Internationalisation status

The firm operates in 16 markets, predominantly in Africa and serves over 1.4 million end-clients, primarily in rural areas where the majority of unbanked people live. Its largest market in terms of number of clients is Zimbabwe, followed closely by Myanmar. Respondent 4 notes that because of the collapse of the Zimbabwean economy in 2014/2015 *"we have therefore made substantially less money out of Zimbabwe than we would have expected in 2015."* In terms of revenue, Myanmar is by far its biggest market. Firm C currently employs 30 people across both its MFI and Systems firms. Firm C Systems' management and technical development teams are predominantly located in Amsterdam, The Netherlands with one salesperson working from Harare, Zimbabwe and a sales team in Nairobi, Kenya. Firm C Systems currently serves over 100 MFI'S and Savings and Credit Co-operative Societies (SACCOS) across 16 markets, 12 of which are in Africa. All further reference to Firm C reference the 'Systems' firm.

#### 4.3.3 Internationalisation strategy and process

Firm C has entered its initial foreign markets through exporting (direct sales). It was proactively seeking to enter Uganda and Tanzania “because it’s all of East Africa.” Respondent 4 points about that “*that’s where we had the knowledge and we will look for any interested micro-finance organisations in those markets and we will see if we can basically generate enough interest to see if we can sign a contract. We have a modicum, a very small amount of success with that.*” At around the same time, it met the Zimbabwe Association of Micro-Finance Organisations at a big micro-finance conference. “*They were looking for a core banking provider across all of their MFI’s basically. They wanted to, at an association level, pick a core banking system that would then be offered at a good price to all their MFI’s. And we thought that this was a very interesting opportunity,*” explained Respondent 4. “*So Zimbabwe, almost by a bit of fluke really, became our biggest market*”. This indicates that the referral program was not initially an explicit strategy, but rather emerged through external interest.

They tried to replicate this model by taking “*very much a shotgun approach. And where there was interest we would follow up on it. Because from our perspective, it doesn’t make a huge difference whether it’s Nigeria or Uganda actually.*” This indicates what while initially looking into culturally similar foreign markets, Firm C no longer bases its internationalisation strategy on following similar markets to that of its home market. It continues to try to replicate the referral model as an entry mode into new markets. It failed to replicate in Nigeria, but has “*a local partner ready to go for Francophone Africa.*” Firm C has licensing agreements in Myanmar and would like to “*repeat that in Africa*” but “*just haven’t found it yet.*”

#### 4.3.4 Challenges

Heterogeneity of markets was highlighted as a challenge by Respondent 4, who states that, “*the difficulty in all of these markets is that every one of them is still very different. You need to know who the local competition is. You need to know how to sell to a Nigerian MFI and what the Nigerian market looks like compared to a Ugandan MFI or a Zambian one.*” This leads to various other challenges like language barriers and difference in regulations. The African countries Firm C operates in are largely Anglophone, therefore, “*a lot of them were obviously based under British law, so the general regulatory framework for banking tends to be broadly quite similar.*”

Additionally, regulation, particularly within financial services can be difficult to navigate. Although Ethiopia a huge market with many microfinance organisations, Respondent 4 reported, “*we wouldn’t go near Ethiopia at the moment. They don’t allow cloud computing [for financial services].*”

Finally, the long sales cycle typical of the financial services industry is a challenge. Respondent 4 notes that Firm C does not have regional offices across Africa as it cannot afford to because “*sales in micro-finance are so uncertain and you have long sales cycles*”. Fronting the immediate upfront costs of

hiring a sales team, finding the office, and training everyone with “*no guarantee of any income in a best-case situation for 6 to 9 months or so because it takes that long for an MFI to sign up*” does not makes financial sense.

## 4.4. Firm D

### 4.4.1 Background

Firm D is a B2B2C insurance technology (insuretech), that focuses on designing, building, and operating digital insurance businesses in emerging markets. The firm’s infrastructure—a platform called ASPin—supports the end-to-end insurance value chain. It partners with companies such as mobile network operators, banks and others to distribute products, and with local insurance companies to underwrite the risk. The firm helps both the distributor and the insurer find solutions tailored within each market. Firm D offers a range of products including simple life protection, hospital cash, personal accident, small business asset protection and education savings. Products are delivered by mobile phone, and Firm D helps distribution partners collect premiums through channels such as M-Pesa, and local insurers settle claims.

The firm was founded in South Africa in 2015 and the product was developed by teams in South Africa. However, although no operations have been launched in South Africa and therefore Firm D considers their home market to be Uganda.

### 4.4.2 Internationalisation status

Since its initial launch in Uganda in 2017, Firm D has entered four countries across Africa, namely: Rwanda, Kenya, Cote d'Ivoire and Zambia. Together, Firm D serves over 600,000 low-income customers. Firm D has 17 employees working across offices in South Africa, Kenya, Rwanda and Cote d'Ivoire. It has a subsidiary in Uganda, although Firm D no longer operates in that particular market. It does not have offices in Rwanda as “*Rwanda legally requires if we have a subsidiary in Rwanda that would require a staff of Rwandan on our board which seems to be a bit overkill. So again, it's too challenging set up a subsidiary because of those excessive requirements.*” In mid-2019 Firm D, received another round of funding to scale its footprint “*in other emerging markets in Eastern Europe, Asia and Latin America.*” RGAX, a subsidiary of Reinsurance Group of America with presence in over 26 countries, participated in the investment round as part of a strategic investment.

### 4.4.3 Internationalisation strategy and process

Firm D typically uses a direct sales model to enter markets, where it only enters a market once a sales partnership agreement has been signed. Entering markets through distributors was a strategic market entry mode decision “*because going direct is extremely expensive to build a brand*” in every market. Additionally, distributors negate the need for Firm D to obtain financial service distribution permit. As

Respondent 5 explained, “we focused on looking for telecoms to partner, particularly to leverage their brand and footprint and then payment capabilities on the ground.”

Firm D was proactively looking for new markets and initially focused on “*basically the big blue-chip companies*”. However, it spent “*a lot of time going nowhere*” and therefore “*decided to start looking at second tier, saying let's look for some smaller companies who are more hungry and maybe more kind of agile. And that led us to Uganda Telecoms, in Uganda as a pre-point.*” In Uganda, Firm D was introduced to a partner by FSD Uganda. Financial Sector Deepening (FSD) Africa is a market facilitator with a mandate to transform financial markets across sub-Saharan Africa and works across 28 countries in Africa. As Respondent 5 pointed out, “*we have good relationships with the FSDs and they introduced us to a distribution partner at Uganda Telecoms.*” The launch went well and “*relatively fast. We got like 7,000 policies up kind of running relatively quickly.*” However, after about nine months, Uganda Telecoms got into financial challenges and went bankrupt, which resulted in Firm D looking for alternative opportunities.

Respondent 5 stated, “*we weren't so focused on particular countries, but it was obviously part of the filter that we use*”, indicating that its internationalisation process was driven primarily by partner opportunities and selection, rather than market selection. Cote d'Ivoire was its first international expansion, followed by Rwanda. Firm D entered both of these markets through partnerships with mobile networks to whom they were introduced by industry associations GSMA (Global Systems for Mobile Association) and AFR (Access to Finance Rwanda). Firm D then entered Kenya with a bank partnership as they “*were approached by Equity Bank.*”

#### **4.4.4 Challenges**

A challenge particularly for the insurance sector is the ‘payment uncertainty,’ i.e. the uncertainty of recurring revenue. Respondent 5 explained, “*unlike electricity or credit, there's no immediate repercussion if you don't pay. So with electricity, if you don't pay, you get your electricity cut off, if you don't repay your credit, you're blacklisted, while insurance, you lose out the benefits of a cover which can have a positive impact on your life. But obviously, there's a big discounting about our future in the market.*” Linked to this is the technological and regulatory systems surrounding payments where “*particularly in the markets we're operating when you look at mobile money and the payment side, most of these payment systems are set up on a push payment basis. Mobile money is predicated on push payment. The client initiates the payment themselves and that doesn't work with insurance.*”

Respondent 5 also highlights the challenges of lack of trust and long sales cycles in the financial services industry. “*There's a lack of trust*” which impacts the internationalisation strategy as Firm D feels it needs “*to go through a trusted brand because insurance is generally not trusted.*” The choice of entry mode can have consequences for the speed of market entry as “*you're stuck with these big*

*corporates which are incredibly challenging and slow to move. So you have this massive business development cycle, which is incredibly painful.” Furthermore, the slow implementation cycle is an additional challenge. “Secondly, even once you’ve secured a partner, you have a significant implementation cycle because it has to go through the PMO, project management office, of all these companies and that can take anything from nine months to a year to more to even do minor changes, which is a challenge.”*

## **4.4. Firm E**

### **4.5.1 Background**

Founded in Ghana in 2016, Firm E is a combined fintech and edtech (educational technology) firm. It is building what it called ‘the MBA for the rising billions of Africa’, bringing business-focused and financial literacy e-learning to the phones of people working in the underserved and informal sectors of Africa. Financial institutions use data insights from the users’ learning journeys to conduct credit scoring and more confidently and efficiently provide financial services such as credit and savings to MSME business owners such as petty traders and informal retailers and gig economy workers. The firm has since exited Ghana and is now headquartered in Sierra Leone, although it holds its domicile in the United States of America.

### **4.5.2 Internationalisation status**

Firm E is currently operating in Sierra Leone and Senegal. It has previously entered Ghana, Kenya, Mali, Liberia and Paraguay, but since exited those markets. Firm E has recently signed a contract with a Pan-Africa bank and is preparing to launch in Zambia and Malawi by June this year.

### **4.5.3 Internationalisation strategy and process**

Firm E typically employed an opportunistic approach to internationalisation, by entering competitions and applying for *“inclusive finance sector programs or initiatives that seek to incubate innovation.”* The pilots in Senegal, Mali and Liberia, were all launched as a result of winning various competitions and initiatives. Pilots are an exploratory, low resource commitment, low-risk entry mode which allowed Firm E to *“quickly build up a lean, but very sort of immersed local team”* with *“the support of the local ministry of finance, the central bank, a local bank, and with UNCDF”*. These pilots were used as a springboard for deeper commitment within the market as Respondent 6 explained, *“this initial pilot structure helped lead to a future open-ended live launch in country.”* Firm E’s internationalisation process has evolved to a more *“traditional business development process”* as noted by Respondent 6. It now secures long-term contracts and partnerships before officially launching in country. In these instances, Firm E opens small offices in-country. In Zambia, the team will be headed by its director of field operations and *“we’ll hire a local country manager and perhaps one or two other people to manage those local operations”*. It

uses the same mode in Malawi, but on a smaller scale where it will “probably hire just one person there to manage things.”

#### 4.5.4 Challenges

Firm E outlined various challenges it is facing within the African fintech industry. Regulation is highlighted from both a general financial services systems perspective and from a consumer protection perspective. Regulatory can hinder the speed of market entry as Respondent 6 explains, “*every country seems to treat it a little differently, so understanding those regulatory constraints and building them into a model for scaling is a big challenge.*” In terms for regulation for consumer protection, Respondent 6 noted that it is difficult for regulators, “*to keep tabs and properly supervise the sector when that pace [of growth and innovation] is so rapid-fire. So the temptation for too many companies is too great to just rush products to market and expand and grow without really being responsible for the related issues of client protection.*”

The pressure to scale quickly comes from investor expectations and high levels of competition. Respondent 6 notes that, “*the biggest determinant for whether a company will get external investment or not is metrics on reach and growth and numbers. So there's tremendous pressure to hit those numbers to become attractive to investors.*” Furthermore, there is “*a snowball effect where then once the investment is there, those investors have mandates to drive additional growth, to increase the value of their investments, etc.*” While investor expectations are a consideration for INVs globally, Respondent 6 adds, “*I think that those pressures are at a scale in Africa that are much different than other markets.*”

Lastly, “*being able to differentiate your brand and your offering and what you're doing and deal with those competitive pressures is very difficult.*”

### 4.5 Summary of empirical findings

The findings show a sample of five inclusive fintech firms working across financial services verticals including payments, lending, insurance and core banking systems. Firms are all B2B, with one further identifying as B2B2C (Business to Business to Customer) and originate from Southern, East and West Africa. All firms internationalised within the first three years of incorporation, evidence of their categorisation as an INV (Gabrielsson et al. 2005; Rennie, 1993) and have entered a new market within the last two years. All firms have entered multiple markets, with two firms expanding to regions outside of Africa. This further confirms their status as an INV (Oviatt & McDougall, 2005). The findings show no pattern to initial internationalisation, with firms first foreign market entry occurring both to neighbouring markets and to markets across the continent. The empirical findings summarised in Table 3 below, providing an overview of the case firms in this study.

Table 3: Summary of case firms

	Firm A	Firm B	Firm C	Firm D	Firm E
<b>Industry</b>	Fintech	Fintech	Fintech	Fintech	Fintech/Edtech
<b>Sub industry</b>	Payments	Lending	Core banking	Micro-insurance	Lending
<b>Customer</b>	B2B	B2B	B2B	B2B	B2B/B2B2C
<b>Founded date</b>	2011	2011	2013	2015	2016
<b>First internationalisation</b>	2014	2012	2014	2017	2017
<b>Home market</b>	South Africa	Tanzania	Kenya	Uganda	Ghana
<b>First foreign market entry</b>	Kenya	Uganda	Uganda, Tanzania	Cote d'Ivoire	Senegal
<b>Foreign market entries (beyond pilot phase)</b>	Zambia Mozambique Lesotho Eswatini Ghana Namibia Kenya Nigeria	Uganda Ethiopia Nigeria	Lesotho Mozambique Zimbabwe Tanzania Uganda Malawi Zambia Congo Nigeria Cote d'Ivoire Sierra Leone Myanmar Philippines China Afghanistan	Cote d'Ivoire, Rwanda, Kenya, Zambia	Senegal Kenya Mali Liberia Paraguay

## 5. Analysis and discussion

This section is presented in three parts. Firstly, Table 4 provides a summary of the cross-case analysis of the empirical findings. A discussion of the findings follows, where main findings are examined in relation to theories outlined in the literature introduced in the theoretical background. Lastly, findings that emerged outside of the literature review reference are presented and discussed.

The summary of the cross-case analysis found in Table 4 has been organised into four categories. The first three categories, i.e. drivers of internationalisation, the market selection decision, and market entry process and strategy were selected as it became apparent from the literature that they are the three broad stages of the internationalisation process. Networks emerged as an essential factor for INVs internationalisation choice and process and have therefore been included as a category for analysis.

Category	Sub category	Description	Firm A	Firm B	Firm C	Firm D	Firm E
Internationalisation drivers	Driving factors	The internationalisation strategy was driven by internal forces and planned (Proactive) or circumstances and external factors forced the firm to expand (Reactive) or by serendipitous, unexpected events (Serendipitous)	Serendipitous, Proactive, Reactive	Proactive	Proactive, Serendipitous, Reactive	Proactive, Serendipitous, Reactive	Proactive
	Specific drivers	Firms expanded to new markets when they felt that their domestic market was too small and believed in growth and better opportunities abroad (A), pressure from investors (B) or to meet incoming demand (C).	C, A	B, A, C	A, C	A, C	B, A
Market selection	Selection decision	The market selection decision was made solely by the firm (A) or strongly influenced by a partner or client (B).	B	A, B	A, B	B	A, B
	Psychic distance	The firm expanded to nearby countries with low psychic distance compared to its home market (Low). The firm expanded to countries with a great psychic distance compared to its home market (High).	Low	Low	Low, High	Low	Low, High
Entry process and strategy	Entry mode	The company entered a new market by remote entry (A), physical entry (B) or a combination of both (C).	C	C	A	C	C
	Multiple entry	The company entered multiple markets at the same time.	N	Y	Y	N	Y
	Market commitment	The firm entered the market directly and targeted new customers (Active). The firm tested the market by piloting first (Passive). The firm did a combination (Both).	Both	Passive	Active	Active	Passive
	Long term commitment	After entering remotely into a market, the firm has physical presence in the country	Y	Y	Y	Y	Y
Network	Partnership importance	Partnerships, (e.g. merchants, service-providers, investors) were important in the internationalisation process.	Y	Y	Y	Y	Y
	Partnership security	The firm signed partnerships before expanding to a new market (Pre-entry). The firm signed partnerships after entering a country (Post-entry) or a combination of both (Pre/Post).	Pre-entry	Pre/post	Pre-entry	Pre-entry	Pre-entry
	Acquisitions	The firm acquired firms as part of their internationalisation strategy (A), the firm was acquired by other companies (B) or no acquisition activity (N/A)	B	N/A	N/A	B	N/A
	Investments	The firm received investments from investors	Y	Y	Y	Y	Y

Table 4: Cross-case analysis summary

## 5.1 Drivers of internationalisation for fintech INVs

As identified in the literature review, a firm may decide to enter foreign markets due to proactive activity, reactive measures (Madsen & Servais, 1997; Oviatt et al., 1995) or serendipitous opportunities (Shane, 2000). The research shows all firms engaged in proactive internationalisation activities with a split between reactive and serendipitous drivers. The analysis highlights learning opportunities, investor expectation, economic pressure, incoming demand and serendipitous events as the primary drivers of internationalisation.

### 5.1.1 Experimentation and learning opportunities

Firms were highly motivated to engage in internationalisation to take advantage of learning opportunities. All firms called out the opportunity to learn, experiment and trial its product in various markets as a driver of internationalisation. This is interesting as Firm A, C, D and E also all ensure they have signed contracts with at least one client or organisation before entering a market. This indicates that although firms desire to experiment and test new foreign markets, they do so in a prearranged agreement with local parties, ensuring lower resource outlays and risk if they fail. This 'partnership security' therefore makes sense in the context of INVs traditionally having lower resources and capabilities than larger, more established firms. It also displays the importance of networks and partner selection within the internationalisation process of INVs.

Furthermore, the operating context of the firms researched may provide insight into the strong illustration of opportunism as a driver of internationalisation. Because of the significant emphasis on increasing financial inclusion on the continent, there are a plethora of grant funding opportunities for fintech pilot projects as well as competitions and initiatives that offer pilots to the shortlisted or winning fintechs. Firm A mentioned it was steered to enter Ghana by "*social impact money that had a mandate to operate in two territories and Ghana was one of them,*" which allowed it to "*experiment and learn*" and "*try to build opportunities there*". Likewise, Firm D entered Ghana with a pilot project "*sponsored by the World Bank that partnered local market finance companies with innovative fintechs to do a pilot and test innovations together.*" In addition to grant funding, competitions and initiatives hosted by banks such as the Visa Everywhere Initiative, Ecobank Fintech Challenge, and the Société Générale Accelerator Program, provide opportunities for fintechs to internationalise with larger, better-resourced firms, albeit on a smaller scale initially.

### 5.1.2 Growth and Investor expectations

Interestingly, investor expectations emerged as a key driver of internationalisation for both Firm B and D. Both firms felt pressure from investors to grow into new markets and prove the business model internationally. While some literature does cover investor expectations on INVs, perhaps an explanation in the context of this research lies in the oft unreasonable growth expectations of African INVs due to mismatched business cultures between US and European VC's and African-led INVs, as well as investors lack of understanding of business operations in the African region.

VC's from developed nations—in particular the United States of America where the concept of VC emerged (Zider, 1998) and who largely set the norms for VC culture—primarily pursue a 'growth-at-all-costs' strategy that may influence the international growth strategy of INVs. Respondent 3 commented that there is, "*so much emphasis right now from investors of growing tech companies at*

*all costs.*" Respondent 6 agreed that there is a high level of pressure to scale quickly in order to be attractive to investors. Therefore, in order to meet the expectations of these investors to secure ongoing financial support, INVs may feel pressured to enter new markets faster than they are ready. The research shows that investor expectations and influence was not a particular driving force for the internationalisation of Firms A, C and D. Interestingly, these three firms' majority VC shareholder is an Africa-based impact investment firm focusing primarily on the financial inclusion sector on the continent, which may go some way toward explaining the difference in investor expectations between the firms.

### 5.1.3 Economic pressures

Both Firm A and D noted they were forced to look to new foreign markets due to economic pressures. In the case of Firm A, "*while the partner in Mozambique was good, the economy unwound and the macroeconomic pressure put a lot of strain on this partners existence*" and the partner ultimately closed its doors. Since the partner accounted for over 80% of revenue at the time, the firm was forced to very quickly enter new markets to gain new revenue streams and continue operations. Similarly with Firm D, its partner in Uganda went bankrupt, forcing it to look for alternative internationalisation opportunities. This highlights the dangers of concentration risk for INVs within the context of Africa's fragile economies and the importance of due diligence when selecting a partner. Sub-Saharan Africa is home to many of the worlds fastest growing economies, making it attractive for growing INVs, emphasised by Mahnke & Venzin (2003) finding that digital firms favour being an early market entrant despite the associated risks. However, there are reports of a looming debt crisis in Africa (Adegoke, 2019; Hill & Mitimingi, 2018) that makes entering these new markets risky for typically under-resourced firms like INVs. Firm A and C have both fallen victim to macroeconomic crises in Mozambique and Zimbabwe respectively with Respondent 4 acknowledging "*[Zimbabwe] would be our biggest market in terms of income if the Zimbabwe economy had not completely collapsed. It is part and parcel of the risk of focusing on just specific countries in Africa*". Additionally Firm A and D's concentration on only one partner in Mozambique and Uganda respectively serve as a lesson to INVs to diversify not only its market presence but also clients and partners within those markets.

### 5.1.4 Incoming demand

Interestingly, all of the firms interviewed noted that entering at least one foreign market was due to incoming interest and demand, evidence that they were pulled into new markets through a network effect, rather than pursuing a push international growth strategy. Firm A entered Kenya, Zambia and Mozambique in response to incoming demand and Firm B entered Uganda also to meet incoming demand. Firm C entered Myanmar in response to a request from a client, Firm D was motivated by

incoming demand to enter Kenya, and Firm E entered Paraguay due to interest from a banking client in the country.

### 5.1.5 Serendipitous events

The opportunity and decision to enter foreign markets may also arise serendipitously (Crick & Spence, 2005; Meyer & Skak, 2002), with some scholars arguing that internationalisation of INVs is influenced more by serendipitous opportunities than proactive entrepreneurial mindset (Freeman & Cavusgil, 2007). Serendipitous events were drivers for at least one internationalisation activity for Firm A, C and D. Firm A's partnership with Standard Bank and subsequent agreement to enter fourteen markets, came about after a senior member of Standard Bank Group read about the firm in an award announcement. Firm C explained it met a Zimbabwean micro-finance association at an event who expressed interest and therefore, by chance, it entered Zimbabwe which went on to become its biggest market. Firm D entered Uganda after being introduced to Uganda Telecoms by a connection at FSD Africa.

## 5.2 Market selection in the context of digital innovation

Much internationalisation research, both broadly and specific to INVs has investigated various theories and methods of market selection with several frameworks developed for selecting the most attractive market. Conventional internationalisation theory argues that firms first assess the attractiveness of foreign markets through the evaluation of factors such as location, industry competitiveness, political risk, culture and market readiness, infrastructure, language, and regulation. The result is typically a list of the most attractive future markets and based on this analysis; the most attractive market is selected. The most appropriate market entry mode is then decided upon in relation to the specific market chosen (market attractiveness) and internal organisational factors.

Market selection for all firms was to a high degree, determined by, or made in tandem with, the client or partner. This aligns with the finding that firms were largely driven (pulled) into markets to meet incoming demand. When Firm D entered Kenya, it was because it was "*approached by Equity Bank*". It moved forward with entering Kenya because of Equity Banks reach within Kenya, its strong reputation and regional market presence. Firm C noted that their market selection is ultimately "*determined entirely by the countries where partners have a presence already*". Furthermore, Firm E's entry into Zambia and Malawi was guided by its partnership with Societe Generale, while Firm A's market selection is guided by its partnership with Standard Bank. Further evidence is the finding that all firms had partnership agreements in place before entering into at least one market.

Additionally, the research suggests partner selection supersedes market selection in importance. This may be due to the digital nature of fintech firms, where software can relatively easily be adapted to local requirements such as language, and market factors like location and import/export duties are not particularly constraining. Firm C indicated that country selection was secondary to partner selection and opportunities. Firm A shared a similar stance, commenting on its decision to enter Mozambique, “*we had a client who was willing to pay us to be there who happened to be there. It easily could have been any country.*” Firm D’s decision for internationalisation was made by asking the following questions, in order of importance, “*What is the opportunity? Is this the right partner? Is this the right market? What model will we use?*”, supporting the evidence that partner selection is more important than market selection for INVs scaling across Africa. Firm A, B and E additionally noted that they select partners with regional or continental reach in order to scale faster. Although the sales cycle can be long (as highlighted by Firm C and D), if the agreement is made at the Group level of an organisation, the long term benefits of entering multiple markets through one established and well-resourced partner can outweigh the long sales cycle.

However, the research shows that the firms do consider various market factors when selecting a market. All the firms followed an incremental internationalisation process, first entering markets with a low psychic distance, before graduating to markets with a high psychic distance. This indicates the firms initially chose culturally and institutionally similar markets, whether strategically or unintentionally. Three of the firms intentionally limited its internationalisation efforts to Africa, while two firms expanded beyond Africa’s borders: one into South America and the other into various Middle Eastern and Asian markets. Firm C has entered sixteen markets in just over four years, supporting theories that note the ability of digital firms to expand quickly across culturally and institutionally dissimilar foreign markets (Ojala et al. 2018).

The overarching theme of market selection is the *fragmentation* of the markets across Africa. Factors such as market size and regulation are important resulting indicators of this fragmentation. As Respondent 1 points out, “*Africa is quite a fragmented market*” and therefore the “*legislative regimes that they operate under are different*”. With regard to market size, Firm A notes that many African markets are small in terms of GDP. Additionally, while some countries are attractive markets, “*it would be particularly difficult to build a significant business case in those countries because of their small size in terms of population.*” Therefore INVs, that typically have limited capacity and resources, tend to focus on larger markets that provide larger economies of scale. Respondent 2 adds that many African countries “*are quite small and so the effort to get into a small country like the Lesotho or Eswatini is just about as much as it is to enter a larger market like Kenya or Tanzania or Zambia.*” This leads to firms disregarding countries altogether as Firm D indicates, “*we've discarded Swaziland and Lesotho because their markets are so small.*” This means that certain markets may get “left behind” because they do not offer attractive enough economic returns.

Within market selection considerations, regulatory considerations seem to be the most important. Regulators have “widely differing approaches across jurisdictions” (Didenko; 2018). Additionally, while for regulators the wait-and-see approach is attractive given the incomplete information available about new technologies (Didenko, 2018), it poses a risk for INVs’ internationalisation efforts. A fintech INV may select a market based on an attractive regulatory landscape, but be forced to drastically adapt its product to conform to changes in regulation or have to exit a market if it cannot. Similar to market size, some market regulations mean that firms choose not to enter. Firm D noted that it would not enter Ethiopia due to strict regulations that do not allow hosting financial services in the cloud. Government regulations around finance are typically strong and, in some markets across Africa, and indeed the globe, regulations do now allow for cloud-based financial services. PwC reports that the financial services industry has been slow to adopt cloud computing for core operations which is “not surprising given the vast and uncertain regulatory landscape” (PwC, 2017). This is currently the case in Ethiopia. Firm A faced the same challenge in Mozambique, where it is “*facing a big technical challenge that they want to run all of their technology in country*” (i.e. not cloud-based). “*If you trying to replicate that across multiple countries [...] that's not particularly scalable.*”

Factors like language seem to have marginal influence on market selection. Language seemed to guide some market selection decisions because it eases business development, rather than concerns about market uptake. For example, Firm C noted that it largely focused on Anglophone countries in Africa as its team was primarily English speaking and Firm A pointed out they had not expanded into West Africa as yet, “*because the primary business language is French and nobody on our team speaks or understands French.*” Given the digital nature of fintech, localising the language of the firms’ products for end-users is relatively easy as Firm A, C and D explained. Firm C noted that it “*can effectively copy and paste the banking system, even from Kenya to Myanmar. The only thing that we had to change from the first time we did that was the language*”, while Firm D adds it has gone as far as “*local tribal language localisation.*” However, all firms have entered into multiple countries across the region which may be because language as a market barrier has been decreasing gradually as English becomes the primary business language (Erem et al., 1998).

In summary, while market factors such as psychic distance, market size and regulations are considered, these are secondary to partner selection. Where there was interest from a client in Myanmar, Firm C engaged the services of a partner to help facilitate the sales process as it “*didn't speak the language*”. Respondent 1 pointed out, “*We looked at the cost of everything from flights to hotels to staff costs and withholding taxes but it was a check, not how we would prioritise the market.*”

## 5.3 Market entry modes and internationalisation strategy

### 5.3.1 Low commitment, low-risk entry, passive entry mode

The research reveals the dominance of low-commitment, low-risk exporting and licensing entry modes for fintech INV internationalisation. Firms entered markets predominantly through remote, direct sales (i.e. exporting) of its technology, supporting literature that argues INVs prefer low-cost, low-commitment entry modes (Lu & Beamish, 2006; Zacharakis, 1997). Interestingly, all firms indicated a shift in preference towards licensing agreements entry modes, but not high-commitment, high-control entry modes such as wholly-owned subsidiaries.

The implications of market entry mode choices are further revealed in the finding of a preference for passive market entry modes. Although Firm A acknowledges the *"dangers of trying to kind of work remotely on a project"* and Firm B noted *"because we weren't there, it was hard to get [the projects] implemented the way we wanted to"*, both firms indicated that remote entry is not only a function of limited capital, but also a strategic choice. Out of its nine market entries, Firm A has only entered one physically, while Firm D has entered one of its four markets physically. Firm C is the best illustration of this with its 16 market entries; it has also entered only one physically. However, Firm C did note that it *"would prefer to have a team in place in regional hubs - to manage the different regions."* Firm E, however, demonstrated the opposite, stating *"the model we see is sort of quickly scaling on a very lean model those local teams rather than "opening" an East Africa office or a South Africa office."*

The long business development cycle may provide an explanation for the dominance of remote entry modes. Firm C noted, *"just putting an office and a team and focusing on conferences and chatting with MFI's in one particular country doesn't immediately generate sales in that country. Otherwise, it'd be much easier. If I could see a straight line correlation, even if there was a time delay, between invest in this country and then we'd expect sales coming in after 5 months and then growing steadily over whatever period, but we never see that. So it's hard to make a business case for it"*. Firm E adds that it often has to contend with long sales cycles and Firm D noted that its entry into Cote d'Ivoire took two years. Additionally, due to the technical nature of the product, the implementation cycle can also take a substantially long time, where even minor changes can take up to a year to implement.

Another key finding is that where firms did enter markets physically initially, it was usually as part of a prearranged, limited-term pilot. Firm A sent a team member to Ghana for its pilot, and Firm E had teams in Senegal, Mali and Liberia during its pilots. Interestingly, after the pilot period, most firms subsequently did not open offices in those markets at all, or took a 'wait and see' approach before investing in permanent teams and office space in the country. While pilot projects offer a low-commitment, low-risk entry mode, INVs should be wary of using grant-funded pilot projects as the sole mode of market entry and becoming a "grantrepreneur." This is particularly relevant for the fintech

industry in Africa where so much grant funding is set aside for projects that increase financial inclusion across the region, for example, the IFC, Mastercard Foundation, Bill & Melinda Gates Foundation, UK AID/FSD Africa. Some experts argue the effectiveness of grant funding, asserting that it creates a dependency on governments (Lee, 2008).

### 5.3.2 Ownership structure and investor influence on INV internationalisation

All firms researched were predominantly funded through foreign venture capital (VC) mechanisms, while Firm A and D also received corporate venture capital investment. VC's play an important role in the development of new ventures and, as more young companies look to expand outside their domestic markets, the internationalisation of these firms (Fernhaber & McDougall-Covin, 2009; Fernhaber, et al., 2009; Reuber & Fischer, 1997). It is important to point out that in addition to acquiring an equity stake in the firm, both foreign and corporate VCs obtained a seat on the board of directors of each firm in this study and can, therefore, influence the firm's strategic decisions.

While studies have shown that knowledge plays a critical role in the internationalisation of new ventures (Autio, Sapienza, & Almeida, 2000), scholars also point out that the investors have different knowledge bases (Maula, Autio, & Murray, 2005). The mismatch between foreign investor knowledge of the business realities in Africa may help explain why investor expectations negatively influenced the internationalisation efforts of Firm B and E. Respondent 3 noted that often international investors push African firms to achieve a certain level of growth, not understanding that it may be more difficult to achieve than in a European or North American context. They add that the pressures "*are at a scale in Africa that are much different than other markets*". In order to meet the expectations of these investors to secure ongoing financial support, INVs may feel pressured to enter new markets faster than they are ready and opt for the quickest entry mode into the market and not necessarily the best-suited entry mode.

Conversely, foreign investors may limit international growth by being too risk-averse, a result of not fully understanding the operating environment within specific markets. This risk aversion pushes investors to push INVs to first prove the business model domestically before approving the new market entry. Firm E highlighted this with the statement, "*In Africa, you have to choose the growth first to then get the investments.*" Is this in line with Osano (2019), who finds that many SMEs in Kenya do not participate in the international market because they must first meet their domestic investor's expectations of short-term profit projections. The initial cost and higher transaction cost might dissuade an INV from entering any new markets as this may hurt its performance. It may also push INV to choose a suboptimal entry mode by considering cost factors disproportionately when compared to other factors such as market size or network strength.

### 5.3.3 Investor influence on corporate governance and internationalisation

Another way that investors may influence the market entry mode choice of an INV is through various corporate governance mechanisms through their positions on the board of directors. As Firm B explained, “*we had to go through this period of being really anaemic, which we’re just coming to the end of now—because of dealing with this governance issue with one of our main investors*”. That had ancillary effects which meant the firm “*had to focus down on the core group of customers and be less ambitious for a little while and in the meantime work out the plan for licensing and being able to have a pathway to much greater scale*”. This illustrates that although licensing may not have been the firm’s preferred choice strategically, due to bad corporate governance limiting available resources and the need to scale quickly, it was the market entry mode chosen at the time. A further consideration is that corporate investors may push for either lower-cost entry modes, or entry modes where its control within the firm does not have the potential to be diluted. Firms may be guided away from entry modes such as joint ventures and strategic alliances where investors may have to share control and, therefore, have less power and influence on strategic decisions in the future.

A further consideration within the African inclusive fintech industry is the ‘growth at all costs’ expectation of investors and the potential conflict this creates between acting in the best interests of both shareholders and end customers: typically low-income, underserved communities. Investments provided by different types of VCs may have a differential effect on venture conduct and performance (Bertoni, et al., 2013). INVs should, therefore, carefully consider investment options as Sahlman (1997, p. 107) points out, “*From whom you raise capital is often more important than the terms.*”

## 5.4 The importance of networks for the internationalisation of INV

All firms indicated that their networks and relationships significantly impact its internationalisation strategy. This confirms previous studies such as that of Covello and Munro (1995, 1997), who found that network relationships have an impact on foreign market selection and mode of entry. The parallels between this study and those of Covello and Munro are particularly interesting as both conduct empirical studies of the internationalisation of small software firms.

Network players include clients, investors, partners, industry associations and competitors. Firms indicated that providing knowledge and capability resources are the two primary ways in which network players aided their internationalisation process. As Respondent 1 pointed out, “*We know what we know and we know what we don’t know*” when explaining the need for partners. Firm A and Firm C indicate that the knowledge gained through network relationships are important in the context of internationalisation. Firm A acknowledged that a partner in Ghana “*helped with [navigating] regulations.*” Firms also highlighted the role of networks in providing additional capabilities. Firm A’s partner in Ghana had the “*technical skills to conduct some of the research*” and Firm D also mentioned the

assistance with research that its partner in Uganda provided. Firm B and C used its network to provide implementation and client support capabilities in foreign markets. Firm B has an outsourced client support team located in Nigeria and Firm C has agreements with partners to “*provide local support for implementation*” in Senegal and Myanmar, while Firm B and D were driven by personal contacts to enter Nigeria and Uganda, respectively. Firm B states it had a “*personal connection through one of our staff members who had been running one of the banks there*” and Firm D explained it has a good relationship with FSD Africa because members of its team “*had consulted to them in that space*”. This supports previous studies that argue the experience of the founding team has an influence on the internationalisation process of INVs (Cannone et al. 2012; Oviatt & McDougall, 2005).

The global emphasis on financial inclusion has spawned a number of events, organisations, institutions, foundations and think tanks dedicated to accelerating progress, vastly increasing the size and strength of networks within the industry. Firm C and E highlighted the importance of events and conferences in building their networks and ultimately securing partnerships. Firm C met its first Zimbabwean client at a conference, and Firm D entered Rwanda through the introduction to partners at a GSMA event. Firm E explains the impact of “*being very active*” in attending conference events more generally: “*being [...] involved in this dialogue about how the financial inclusion sector is moving forward because being in touch with those leaders, being involved in those conversations helps surface those best fit potential partnerships.*” Furthermore, organisations like FSD Africa, the Bankable Frontiers Association and AFR have strongly supported Firm A, D and E with their internationalisation process, highlighting the influence of networks to support INVs in the initial phase of their internationalisation

The network effect is also evident within the investment space. As discussed in Sections 5.3.2 and 5.3.3, the network relationship with investors heavily influenced the internationalisation of Firm A, C and D. All three firms received strategic investment from Pan-African financial institutions, who acquired a minority equity stake in the firm and therefore have influence over strategic direction of the firm. Interestingly, Firm A introduced both Firm B and D to its primary VC investor. The investor has subsequently invested in Firm D, while Firm C is currently in the last stage of due diligence.

Firm A’s description of its journey up a ‘ladder of credibility’ illustrates the extent to which networks can help INVs establish credibility and develop strategic alliances (Oviatt & McDougall 2005). Respondent 1 explained, “*Doing [a project] with the social impact partner in Ghana gave us enough credibility to work with a small bank in Mozambique which gave us a lot more experience, confidence and credibility to engage with Africa’s biggest bank. The ‘win’ necessarily isn’t making your business case. Sometimes you have these non-linear opportunities to go up a rung or two and that’s more important than necessarily winning in one of these markets.*”

In summary, the findings from this study regarding the importance of networks for INV internationalisation mirror Johanson and Vahlne's (2009) definition of internationalisation as the "process of developing networks of business relationships in other countries through extension, penetration, and integration".

## 5.5 Challenges specific to the inclusive African fintech

The findings of this study reveal certain challenges specific to the inclusive Africa fintech industry, which are discussed below.

### 5.5.1 Payment uncertainty

Two firms highlighted the uncertainty around payments and the effect this has on their revenue. This uncertainty can arise from the lack of infrastructure and understanding around B2B payments in Africa and the nature of insurance payments. Firm C explained it often cannot rely on payment from its clients, even those under contractual obligations. Interestingly, it is not (only) smaller firms who do not pay. Firm C notes that, *"My clients are banks and they don't pay us with credit cards, they pay with a wire. We've had them get 6 or 7 months behind because of confusion about accounting and how to send the transaction to the right place."* Firm D faces similar challenges around payment uncertainties, noting *"the payment issue is probably the critical issue for us"*. However, rather than being caused by a lack of infrastructure, it is due to the future discounting consumers in the market of insurance typically do. Respondent 5 explains the issue of the certainty of receiving insurance premiums, *"unlike electricity or credit, there's no immediate repercussion if you don't pay. So with electricity, if you don't pay, you get your electricity cut off, if you don't repay your credit, you're blacklisted, while insurance, you lose out the benefits of a cover which can have a positive impact on your life."* Without being able to rely on recurring revenues owed and stable cash flows, firms are unable to plan ahead and small, young firms are particularly vulnerable to having to exit partners and markets or bankruptcy, both in the short and long term.

### 5.5.2 Serving the underserved

Making the uncertainty of payment all the more difficult for inclusive fintechs is that the people using the services are typically low-income. Firm C noted that it *"can't switch off service/access because often vulnerable people rely on that service."* Firm A has also noted that, because its technology is used by informal traders, people rely on them to earn an income. There is a pressure for inclusive fintechs to continue providing a service even when it does not receive payment for doing so. Further research into this phenomenon could help uncover insights into the breadth of this issue and if it affects INV inclusive fintechs internationalisation and even survival rates.

### 5.5.3 Regulation and company structure

Another fascinating insight is that three of the five firms are domiciled outside of Africa. Two have holding companies in the United States of America and the other firm in The Netherlands. Firm E notes that it has “*a holding company in the United States in Delaware for fundraising.*” While Firm A is domiciled in South Africa, it does acknowledge that “*a lot of small companies spend a lot of time restructuring for a billing entity in Mauritius for example to minimise withholding taxes.*” Mauritius is attractive as it has no foreign exchange control, no withholding tax on dividends or interest. Also, capital gains realised in a Mauritius entity by a non-resident or resident shareholder on the disposition of its shares/units are not liable to tax in Mauritius. Reasons an African INVs may choose to incorporate its firm in the U.S. and Europe is that it is seen as less “risky” from an investor confidence and assurance standpoint. Additionally, many American incubators, angel investors and institutional investors require investees to be incorporated in the US as their mandates restrict them to investing in American companies because their Limited Partners are large American universities and pension funds. Interestingly, The State of Delaware is a leading domicile for U.S. and international business entities (Delaware State Government), due to the speed and low costs of incorporation. Therefore, to reduce costs, taxes and increase its attractiveness to investors, African new ventures are opting to incorporate their firms outside of Africa. This indicates that many African governments are not making their countries attractive enough to entice local, new ventures to incorporate locally, which may be an important topic for further research.

### 5.6 INV internationalisation process

Figure 4 outlines a high level traditional internationalisation process as explained in the Uppsala (Luostarinen, 1980), Transactional Cost (Williamson, 1975) and Eclectic paradigm theories of internationalisation (Dunning, 1988).

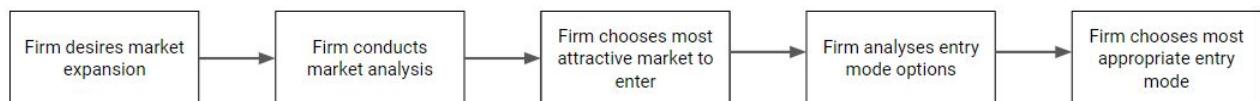


Figure 4. Traditional internationalisation process. Source: Various studies from literature review.

Figure 5 depicts the internationalisation process of INVs as it emerged from the data. The opportunistic, ad-hoc internationalisation method that does not pay much attention to the type of country and market conditions contradicts the general theory of internationalisation. Given that the challenges of internationalisation reveal that local challenges contribute to the internationalisation failure for some firms, this raises questions around the validity of this strategy. Some evidence suggests that firms may overestimate the applicability of its business to various markets because they

are technology-based and assume a 'copy and paste' model that is not realistic given heterogeneous markets. Additionally, given the emphasis on regulation within the fintech industry, firms may be tempted to use regulation as a singular measure of market attractiveness, disregarding other important factors which may influence its success. While using a partnership model of internationalisation where firms are pulled into the market is successful for many firms, INVs should remain cognisant of various market factors and ensure that market attractiveness evaluation is included in its internationalisation strategy.

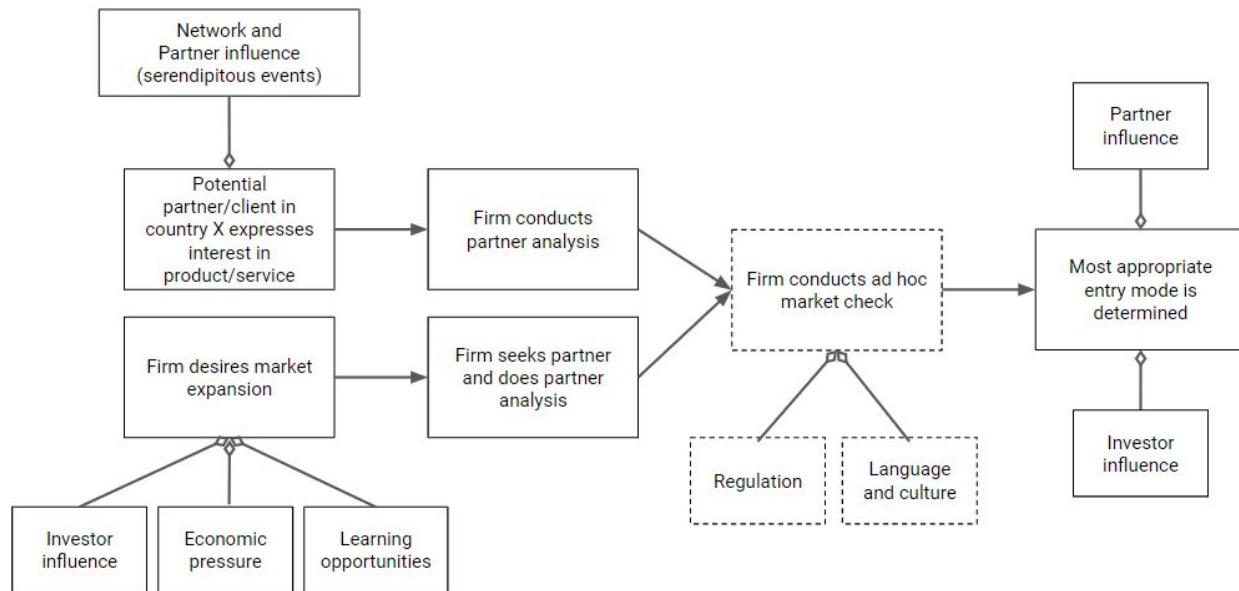


Figure 5. Internationalisation process of INVs. Source: Empirical data.

The influence of network players is consistent with Johanson and Vahlne (2009) inclusion of networks as an important consideration for entry mode choice. They define internationalisation as the "process of developing networks of business relationships in other countries through extension, penetration, and integration" (Johanson and Vahlne, 2009). *Relationships* (strength of ties) with *customers, distributors, suppliers*, and even *competitive relations* are therefore important factors of INVs to consider.

## 5.7 Limitations and further research

This research is not without limitations. First, due to the limited time frame, the number of case firms studied is limited. Therefore the findings cannot be generalised to the broader African fintech industry. A more comprehensive study of the internationalisation of African fintech firms should be conducted to gain a deeper understanding of this phenomenon. Secondly, although two firms had entered other emerging markets outside of Africa, this study focused on the internationalisation of firms within Africa. It, therefore, did not attempt to understand if and how the internationalisation process may differ across continents. As the African fintech industry evolves, a study on the intercontinental

internationalisation of fintechs to other emerging markets and, furthermore, to developed markets could add novel and significant findings to the current body of research focusing on the internationalisation of fintechs within developed countries. Another limitation is the lack of a formal decision-making process used by the firms in this study. The findings are based on the motivation and evaluation performed of an individual or team instead of data-driven evaluation. Therefore, objectivity is only given to a certain degree, and wrong interpretations or estimations by responsible employees might have negative impacts on the results. A more in-depth analysis is recommended in further research to negate the subjectivity of respondents within the case firms. Lastly, while this study focused on inclusive fintechs, there is space for further research into whether the internationalisation of inclusive fintechs differs from “traditional” fintechs and whether inclusive fintechs face different or additional challenges in their internationalisation efforts. Now that the study limitations have been addressed, it is useful also to mention how it contributes to both theory and practice.

## 5.8 Contributions

Within the literature, it is argued that SMEs tend to prefer non-equity entry modes, due to resource constraints (Lu & Beamish, 2006; Zacharakis, 1997). “Scholars who have called for further research into internationalising SMEs’ entry mode have challenged the traditional portrayal of SMEs as best suited simply for exporting owing to their resource constraints; SMEs do have multiple other entry modes to choose from” (Prashantham, 2011, p.4). Additionally, prevailing theories around market entry modes that emphasise exporting inherently classify exporting as the sales of products into a new host market. For example, the Uppsala model has been tested mainly in manufacturing industries. However, considering the growing importance of services in the world economy, it is questionable whether the model assumptions would also apply to services. With the rise of technology, many MSMEs businesses are service or software-based and these theories may no longer be completely applicable. This paper adds to the research by investigating technology-based MSMEs.

Within the current field of internationalisation literature on small firms, studies have primarily focused on the internationalisation process from one developed market to another with only limited research exploring internationalisation from a developed domestic market to an emerging market (Jansson & Sandberg, 2008; José Álavarez-Gil, M. et al., 2003; Owusu & Habiyyakare, 2011). This leaves a gap in understanding the internationalisation process of small and young firms whose domestic markets are emerging markets. Additionally, a comprehensive review of internationalisation and related studies in the African context questions the relevance and applicability of the Western-based internationalisation literature towards explaining the internationalisation behaviour of African firms (Ibeh et al., 2012). Knowledge, therefore, remains vague on the internationalisation behaviour, strategies and pathways utilised by African firms to venture into international markets (Mtigwe, 2005; Acquaah, 2009; Ibeh et al., 2012). This research addresses these gaps by exploring the internationalisation process of African

INVs. Lastly, the exploratory nature of this paper is in line with recent research is moving “away from an over-emphasis on categorisation, attempting to reduce the discrepancy between theory and practice while being more accepting of a less clear and distinct business reality” (Schellenberg et al, 2018).

For industry, this research adds value to INVs by helping to answer questions around how to scale in emerging markets. The findings provide insight into drivers, market selection and particular challenges of expanding into new markets in Africa. This is of particular value to the fintech industry in SSA, one of the fastest-growing, yet fragmented, fintech industries in the world. This research adds practical insights into, and case study examples of, this increasingly prominent trend of internationalisation within this growing sector. Additionally, much research on internationalisation within the SSA fintech industry focuses almost exclusively on mergers and acquisitions between traditional financial institutions and fintechs. This paper extends this research to internationalisation efforts of fintechs in general, regardless of partner within the fintech ecosystem, providing value for all players within the ecosystem. In particular, the operations, commercial, and strategic partnership departments of companies looking to expand internationally within the fragmented fintech industry in Africa can benefit from in-depth analysis of internationalisation case studies. More broadly, industry can gain insight through a summary of methods for internationalisation of INVs serving the BoP across emerging markets.

## 6. Conclusion

This study provides insight into how small, young, inclusive African fintechs scale across Africa. The motivation, market selection process, entry mode choice of five inclusive African fintechs are investigated and analysed, revealing insight into internationalisation process and strategy, as well as revealing the importance of networks and the challenges facing inclusive African fintechs. Interestingly, the macroeconomics of African markets drive inclusive fintechs in the region to expand into new markets, from both an opportunistic and defensive perspective. High poverty rates and the low level of financial inclusion is an opportunity for inclusive fintechs to enter multiple markets and serve the traditionally unserved and underserved. At the same time, the high number of ‘risky’, fragile economies on the continent motivate African fintechs to spread concentration risk by being present in multiple countries. Given the emphasis on partner selection over market selection, African INVs should ensure to internationalise into diverse markets with more than one anchor partner in order to avoid both market and revenue concentration risk.

The findings reveal a trade-off between the internationalisation scale and speed of fintechs. While Pan-African financial institutions offer fintechs the opportunity to internationalise into multiple markets, the business development and implementation processes to finalise deals and get to market can take

between one to years, where INVs may not be able to survive in the meantime. More work needs to be done within the financial services sector to address the long business development cycles to ensure quicker partnerships and therefore broader reach of firms working towards financial inclusion - without compromising the due diligence process.

As the research reveals, a key challenge for African fintech INVs is investor expectations and influence. INVs need to be careful about accepting funds from investors who may push growth at the expense of the business and the underserved communities they serve. Future research into the impact that foreign, traditional venture capital investors compared to African-based impact investors have on the internationalisation process and performance of inclusive African INVs may reveal more insight into this important subject. The number of African fintechs with domiciles outside of the continent indicates that African governments need to work harder to make local countries more attractive to new firms.

Furthermore, specific challenges within the inclusive African fintech sector and serving BoP customers were identified. The remote nature of many inclusive fintechs means their clients often need to make cross border payments. Given the high exchange controls of many African countries, these payments can be cumbersome, confusing and slow. This creates an uncertainty of payment which is a concern for Africa fintech INVs as it affects their growth and survival. Again, this indicates that governments need to do more to adjust regulations and develop the infrastructure and systems to promote business within Africa.

Only then can inclusive fintechs in Africa flourish internationally to alleviate poverty through financial inclusion.

## Appendices

### Appendix A. Number of Search Results for Key Terms

In the following table, the number of search results for key phrases related to “International New Venture” and “African fintech” on the academic databases Scopus and Web of Science (database: core collection) are shown.

Scopus				
Year	New venture internationalisation	Africa international new venture	Digital international new venture	Africa fintech
2019	37	59	59	57
2018	26	49	46	28
2017	25	30	33	7
2016	22	35	23	0
2015	29	20	17	0
2014	29	12	14	0
2013	26	21	10	1
2012	22	18	9	0
2011	20	16	11	0
2010	23	12	8	0
2009	17	6	5	0
2008	20	2	6	0
2007	5	1	4	0
2006	6	7	4	0
2005	11	1	3	0
2004	3	2	1	0
2003	1	1	1	0
2002	1	0	2	0
2001	1	0	0	0
2000	2	1	0	0
Total	326	293	256	93

In the following table, the number of search results returned from the above table, with the addition limitation of papers that include ‘internationalisation’, ‘internationalization’, ‘globalisation’, ‘entrepreneurship’, and ‘SME’.

Scopus				
Year	New venture internationalisa- tion	Africa international new venture	Digital international new venture	Africa fintech
2019	4	1	11	13
2018	1	2	8	6
2017	3	4	6	0
2016	3	3	1	0
2015	3	0	1	0
2014	1	0	1	0
2013	4	2	0	0
2012	3	0	4	0
2011	1	0	2	0
2010	2	2	2	0
2009	1	0	1	0
2008	0	0	1	0
2007	0	0	1	0
2006	0	0	0	0
2005	0	0	1	0
2004	0	0	0	0
2003	0	0	0	0
2002	0	0	0	0
2001	0	0	0	0
2000	0	0	0	0
<b>Total</b>	<b>26</b>	<b>14</b>	<b>40</b>	<b>19</b>

## Appendix B. Interview Guide

1. How would you describe your company?
2. What are some of the opportunities in the African fintech industry at the moment?
3. What are some of the key challenges currently faced by players in the African fintech industry?
4. What is your home market/country?
5. Which countries have you expanded into?
6. Were you involved in the internationalisation process?
7. Why did you enter Country A?
8. How did you enter Country A?
9. What factors did you consider when entering Country A?
10. Why did you enter Country B?
11. How did you enter Country B?
12. What factors did you consider when entering Country B?
13. What does the market entry decision-making process look like within your company? Who is involved and how are decisions made?
14. Any other thoughts you'd like to add?

## Appendix C. Coding agenda

Category	Sub category	Codes
Internationalisation drives	Driving factors	Internal factors: planned, opportunity, strategy, growth
		External factors: economic pressure, crisis, decline, macroeconomic, regulation, government, law
		Serendipitous factors: fate, chance, meet, connection, network, introduce, relationship
	Specific drivers	Market size, opportunity, growth experimentation
		Investor,(s), investment, partner, pressure, expect, expectations, growth, scale, founders, venture capital, board, directors, influence
		incoming demand, through, contact, connection, meet, fate, fluke, approach
Market selection	Selection decision	determined, influence, steer, approach, interest, agreement, partner, client, opportunity, solely, connected, introduced, contract
	Psychic distance	Regulation, law, government
		Distance, remote, time, far, near, close
		Language, speak, English, French, Spanish, Portugese
		Miscellaneous
Entry process and strategy	Entry mode	Live, office, open, presence, work, move, hire, set up, branch, subsidiary, remote
	Multiple entry	many, concurrent, simultaneous, period, time, multiple, entry
	Market commitment	direct, sale, pilot, test, explore, client, first, launch, office
	Long term commitment	office, presence, work, hire, branch, subsidiary, invest, team, pilot, test, explore
Network	Partnership importance	Network, contact, connection, relationship, partner, partnership, friends, help, assist, benefit,
	Partnership security	Network, contact, connection, relationship, partner, partnership, friends, help, assist, benefit,
	Acquisitions	Acquire, acquisition, stake, investment, bought,
	Investments	Investment, investment, angel, VC, owner, funder, funding,

**Appendix D. Interviewee summary (separate document)**

**Appendix E. Interview transcripts (separate document)**

**Appendix F. Coding sheets (separate document)**

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