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THE RAPID INTERNATIONALISATION OF HIGH-TECH YOUNG FIRMS IN GERMANY AND THE UNITED KINGDOM

Executive Summary:

The purpose of both the quantitative and qualitative research elements of this project was to ascertain the incidence of internationalisation activity among independent German and UK high-tech young firms. The research charted the occurrence, degree and speed of internationalisation by comparison to a 'matched sample' of non-internationalising firms. Internationalisation characteristics were then related to the performance of the firms as measured by sales and employment growth.

Key findings

- The majority of UK and German high-tech young firms will have international sales. For the typical high-tech firm, it is not a question of whether, but when, to internationalise.
- German and British high-tech young firms internationalise quickly after formation. A quarter of the sample internationalised in their first year. 80% of the sample will have internationalised by the 10th anniversary of their founding.
- Internationally active firms are associated with higher performance than domestic-only firms when measured by sales and employment growth and labour productivity.
- Firm age, size at start-up, regular R&D activity, and founders with international experience prior to start-up are each strongly and positively linked with a greater likelihood of internationalisation.
- Firms with highly customised products or firms which specialise in software activities are each less likely to internationalise.
- UK high-tech start-ups have on average higher levels of international sales than their German counterparts despite the latter internationalising more quickly.
- The degree of internationalisation of a firm is influenced by its management's experience of internationalisation and by the firm's level of co-operation with foreign partners. A firm with more experience of international sales also has a greater level of international sales.
- Europe is the primary regional focus for exports from German and UK firms. However, America is the most popular destination for UK exports. France is the most popular country for German exports.

- The founder managers of German young high-tech firms are generally more risk averse than their UK counterparts. Their choice of export strategies is consistent with this greater risk aversion.
- Exporting directly or via a distributor are the two most common modes of internationalisation for German and UK high-tech young firms and represent over 70% of all contemporary market entries.
- Young firms experience a 'liability of alien ness' when trying to sell to major foreign buyers. By this term we mean that large firms are unwilling to purchase directly from young firms with little reputation or track record. This barrier tends to oblige young high-tech firms to use distributors despite this channel likely being a more costly alternative to direct sales activity.
- Venture capitalists are confirmed as good at spotting 'winners'. Their finance and advice raise the labour productivity of investee firms but do not significantly increase the rate of internationalisation or rapid growth unless the firm has already decided to internationalise. The positive effect of venture capital advice on performance is more evident in UK firms.
- Public grants or subsidies have little positive impacts on sales or employment measures of firm performance. There remains a wide disparity in the knowledge of, or interest in, available grant schemes among young high-tech firms.

-ENDS-

Contact

Nina Frentrop, AGF, 17 Bloomsbury Square, London WC1A 2NH, UK
 Tel: (0)20 7404 3137 Fax: (0)20 7405 2071 Email: nf@agf.org.uk
 Gordon Murray, London Business School, UK
 Tel: (0)20 7706 6772 Email: Gmurray@london.edu

Notes to the editor

The report 'The rapid internationalisation of high-tech young firms in Germany and the United Kingdom' (ISBN 1-900834-25-1), by Oliver Burgel, Andreas Fier, Georg Licht and Gordon Murray, published by the AGF, is available from YPS, 64 Hallfield Road, Layerthorpe, York YO31 7ZQ, Tel: (0)1904 431 213 or orders@yps.ymn.co.uk, £12.00 or alternatively through bookshops.

Notes to editors

1. The Anglo-German Foundation for the Study of Industrial Society was established in 1973. The Foundation is an independent bilateral body which funds comparative research and sponsors British-German events in the economic, environmental, industrial and social policy field in both countries.
2. Review and reference copies of the report are available from the Anglo-German Foundation.
3. Oliver Burgel and Gordon Murray are based at the Foundation for Entrepreneurial Management, London Business School, UK and Georg Licht and Andreas Fier are based at the Centre for European Economic Research (ZEW), Berlin, Germany.