

Using Social Media to Accelerate the Internationalization of Startups from Inception

Tony Maltby

“Power is knowledge + the ability to apply it.”

Victor Newman
Professor and author

A set of principles, processes, and tools that entrepreneurs can use to rapidly internationalize their technology startups from inception does not exist. This article discusses entrepreneurs' use of online social media networks to rapidly internationalize their startups from inception. The article was inspired by how the founders of Dewak S.A. rapidly internationalized their technology startup. Dewak was founded by five unemployed Colombians in June 2008. Two years later, foreign sales comprised 95% of the firm's revenue and provided the founders with full-time employment. Dewak's only channel to market was via online social media networks.

Recognizing that entrepreneurs can use social media to amplify their tacit knowledge and convert it into sellable products and services contributes to the development of a learning-based view of rapid internationalization from inception. The article provides entrepreneurs seeking to launch and grow global businesses with four recommendations that may save them time and money and increase the size of their addressable markets.

Introduction

The literature suggests that extensive use of the Internet and the establishment of trust relationships with large, well-known companies lead to a startup's rapid internationalization (Gabrielsson and Kirpalani, 2004; tinyurl.com/94wdjwo). However, little is known about the principles, processes, and tools that entrepreneurs can actually use to accelerate their startups' internationalization from inception.

Recent efforts to understand what factors drive rapid internationalization from inception focus on how a startup develops a mutual dependency with those foreign individuals and organizations that can most benefit from quickly solving a specific problem observed in various geographical locations (Bailetti, 2012; timreview.ca/article/614). Direct interactions due to this mutual dependency amplify the startup founders' tacit know-

ledge in directions that add significant value to those foreign customers who can most benefit from a solution to a problem.

Rapid internationalization is a knowledge-intensive activity that involves explicit and tacit knowledge. Explicit knowledge can be readily documented and explained. Tacit knowledge is difficult to articulate. Often, founders of technology startups are not aware of the knowledge they possess or how this knowledge can be of value to potential customers. Tacit knowledge can only be observed through practice in a given context and transmitted through social networks (Schmidt and Hunter, 1993; tinyurl.com/9jg2xtq).

This article contributes four recommendations to entrepreneurs who wish to use social media networks to accelerate the internationalization of their technology startups from inception. The recommendations are

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based on the author's examination of the rapid internationalization of Dewak S.A. from its inception. First, the concepts of tacit knowledge and social media are introduced. This is followed by a description of the Dewak case and a discussion of four recommendations on how entrepreneurs can use social media networks to rapidly internationalize their startups. Finally, the article offers conclusions and suggestions for future research.

Tacit Knowledge

The term "tacit knowledge" was introduced by Michael Polanyi (1966; tinyurl.com/9xm4lkp). Tacit knowledge refers to practical, action-oriented knowledge or "know-how" based on practice; it is acquired by personal experience, it is seldom expressed openly, and often resembles intuition (Smith, 2001; tinyurl.com/9q9w7e4). Describing tacit knowledge as a "thing" that is separate from the person who possesses it is difficult. Explicit knowledge refers to academic knowledge or "know-what" that is described in formal language, print or electronic media (Smith, 2001). For example, knowing the rules of the C programming language is an example of explicit knowledge. Knowing how to apply the rules of the C programming language to solve a customer problem is an example of tacit knowledge.

In the context of a startup, tacit knowledge of international markets and technology enables entrepreneurs to recognize and exploit global opportunities. Thus, potential customers, partners, and investors place a value on the tacit knowledge of entrepreneurs.

Social Media

Social media refers to mobile and web technologies through which individuals and communities share, co-create, discuss, and modify user-generated content (Kietzmann et al., 2011; tinyurl.com/6cszuuu). Many social media networks exist. For the purpose of this paper, the focus is on those networks where we can observe strong communities of interest or "communities of practice" (Wenger, 1998; tinyurl.com/8ptb78d), which are groups of people who use forums and blogs to discuss common interests or professional practices. These communities can also be found embedded within larger social networks, such as "circles" within Google+ (plus.google.com).

Communities that use online forums and blogs evolve much like conventional communities, complete with etiquette and normative rules of conduct. These communities develop formal or informal hierarchies that

are generally acknowledged across the membership. The contributions of some forum participants will be more widely acknowledged than others, based on their status in the social hierarchy. In this context, hierarchy represents the volume of a members "voice" in the community. Every member, by virtue of membership itself, begins with a volume setting which is adjusted over time depending on their contributions to the community and interactions with other community members.

Discussion forums populated by communities of users who are interested in a particular subject matter offer an opportunity for entrepreneurs to create and capture value. Membership affords an instant overlap between the entrepreneur and other community members. Membership confers a stakeholder status to entrepreneurs. An entrepreneur has the opportunity to demonstrate their tacit knowledge via contributions to the community. Establishing credibility through contribution confers status, which in a community of professional users, can lead to opportunities for value creation and capture.

Many professional communities occupy space in online social media. The majority of these communities have some sort of discussion forums where members share perspectives, ideas, advice, and tools relating to their professional interest in a particular field. Membership provides the entrepreneur with an immediate connection with the other members of the community. In effect, there is no such thing as a "cold call" in this type of environment. If customers recognize entrepreneurs as experts who can solve their problems, they will be more likely to buy from them.

Membership in a social media community made up of professional international users offers the entrepreneur the means to interact with potential customers, partners, and other stakeholders at little or no cost. Entrepreneurs demonstrate their tacit knowledge directly to community members through the contributions they make to the community. These contributions include solutions to pervasive problems, tools, or specialized services.

Dewak S.A.

Fuerst (2010; tinyurl.com/8ukyhtst) describes the rapid internationalization of Dewak S.A. (dewak.com), a Colombian startup founded in 2008. Dewak's five Colombian founders were able to quickly convert their tacit know-

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ledge of the Kayako help desk software (kayako.com) into a global firm that develops custom applications. By 2010, Kayako users accounted for about 80% of Dewak's revenue. Also, by that time, Dewak was working in partnership with Kayako and NTT Communications was one of its many international clients. In 2009, NTT Communications was a multinational corporation that ranked 44th in the Global Fortune 500 list (tinyurl.com/mltk9s). As of 2010, the source of 95% of Dewak's business was international.

Dewak's founders piggybacked on the success of an existing vendor, Kayako, and leveraged existing online social networks to first amplify their tacit knowledge and then convert it into products and services. Dewak's founders were able to directly demonstrate their value as experts of Kayako software by solving problems in real time with the community of users on the Kayako's forums. Through interactions in the forum, Dewak's founders were able to create collaborative and mutually beneficial relationships with potential customers, Kayako, and other partners.

The Dewak founders used online forums to engage with a community of professional users of the Kayako platform. These forums included those that Kayako operated to interact with its customers. The Dewak founders provided free advice and developed free tools for community members to demonstrate their tacit knowledge directly to potential customers and partners. The founders gained expert status within the community, created trust relationships with other community members, and earned them a reputation for being professional, effective, and efficient. As Dewak's business grew, its founders continued to use Kayako's forums and created their own forum to capture customer feedback about their work.

Lessons Learned

The author learned four important lessons from examining how Dewak's founders used social media networks to rapidly internationalize their startup from inception.

1. Leverage social media networks where international users seek to solve problems

At inception, a technology startup's most valuable asset is the tacit knowledge of its founders. Social media networks provide founders with immediate access to a large international community of potential customers, partners, employees, and competitors. The greater the

number of interactions entrepreneurs have with others, the greater the likelihood of significant amplification of their tacit knowledge.

Entrepreneurs should access social media networks where: i) a large number of international experts seek to solve problems and ii) their tacit knowledge can help solve these problems. Social network communities that focus on discussing a potpourri of issues offer fewer opportunities to entrepreneurs for value capture. Communities with few international users limit tacit-knowledge amplification. Dewak's use of Kayako's help forums gave them access to a global user community made up entirely of people looking for solutions towards which their tacit knowledge of the Kayako software could contribute.

Entrepreneurs can use social media networks to: i) locate foreign individuals and organizations that can most benefit from having a problem solved; ii) interact with foreign customers, partners, and other stakeholders to amplify their tacit knowledge and convert it into marketable products and services; iii) provide real-time evidence of the value provided by their solutions; iv) develop trust relationships with potential customers and partners; v) learn about other go-to-market channels; and vi) continuously innovate to meet the demands of customers.

2. Establish credibility

To establish credibility in a social media network, an entrepreneur must:

1. Be a good community member. Adherence to the rules and social etiquette of a community demonstrates respect. Such deference is essential to being accepted in the community and establishing credibility.

2. Leverage existing experts. Entrepreneurs need to locate the community members who are considered to be experts and secure access to their audiences. The entrepreneur can either complement the contributions of these experts or offer alternatives. The basic premise is that acceptance from the experts confers an expression of trust in the expertise of the entrepreneur.

3. Demonstrate expertise. The entrepreneur needs to identify the pervasive problems being discussed by community members and offer solutions to these problems. The Dewak founders provided solutions and tools to the Kayako user community at no charge. However, it is useful to distinguish between offering answers to

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questions from offering solutions to problems. Dewak's founders provided solutions to community members' problems, not just answers to their questions.

3. Focus on creating and capturing value early

Rapid internationalization requires that opportunities to create and capture value from interactions with foreign organizations via social media networks become available at a very early stage. Entrepreneurs need to remain focused on value creation and capture. It is very easy to squander resources when an entrepreneur views the interactions with users of social media networks as an end in itself instead of as a means to an end.

There are different expectations and rules for reciprocity associated with being a business rather than simply a community member. Entrepreneurs who wish to be paid by customers instead of being thanked by friends need to establish themselves as a professional enterprise from the outset. The Dewak founders leveraged Kayako's professional standards by creating a persistent thread on the Kayako help forum titled "Review of Dewak." In addition, they identified themselves to Kayako's staff early in the process and indicated their capabilities. This disclosure started a complementary relationship with Kayako. The founders also adhered to a set of their own professional standards regarding timeliness and accessibility for early value capture.

4. Categorize users, their value to the startup, and their problems

It is unclear from examining the Dewak case how the founders categorized their customers. However, the sheer volume of postings on some forums suggests that some sort of customer or problem categorization is necessary. To ensure that a startup's limited resources are spent effectively, an entrepreneur can categorize users of social media networks as well as their values and problems. For example, users can be organized into categories such as customers, channel partners, complementors, and competitors. Value can be assigned to each user to help determine who to spend time and ef-

fort on. Problems can be organized into categories such as: problems that affect many users in different geographies that the startup can solve, problems for which there are no rewards to the startup for solving them, and problems the startup cannot solve.

Conclusion

Social media may be an important low-cost channel to the global market for technology startups. Entrepreneurs can use social media networks to develop mutual dependencies with customers and partners as well as amplify their tacit knowledge and quickly convert it into products and services for which customers are willing to pay. Customers can select suppliers based on their contributions to solving problems of interests to community members. Suppliers can reduce their marketing and sales costs by offering solutions to the problems discussed in the online forums and blogs.

Dewak grew its foreign sales rapidly by not following the conventional phased approach to internationalization. Dewak's founders interacted with customers and partners in a social media forum where problems and solutions were openly discussed. Dewak founders demonstrated the value of their tacit knowledge, which in turn established a trust relationship between Dewak and Kayako users.

From inception, Dewak founders used forum-enabled interactions to develop their products to meet the specific requirements of users. The forum reduced the barriers between the technology startup and its customers at a relatively low cost.

We are at an early stage of understanding how entrepreneurs can leverage social media networks to accelerate the internationalization of their technology startups from inception. This article contributes four important lessons about using social media to accelerate the internationalization of technology startups from inception derived from an in-depth analysis of one case study.

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About the Author

Tony Maltby is a Master's student in the Technology Innovation Management program at Carleton University in Ottawa, Canada, where he is developing his latest entrepreneurial venture. His research interests relate to the application of gamified platforms, social media, and open source concepts to support the global business ecosystem. He is an experienced communicator with a multi-disciplinary perspective. He received his BA in Anthropology from Carleton University in 2002 where he studied the formation and interaction of online communities. From 2006 to 2011, Tony lived in China studying the certification process of the Chinese university education system. Having been the founder of several technology companies and an entrepreneur since very early in his career, Tony now has more than 25 years of entrepreneurial experience.

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