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HAVE WE MADE IT? INVESTIGATING VALUE-CREATING STRATEGIES IN EARLY INTERNATIONALIZING VENTURES

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ABSTRACT

The extant research on early internationalizing ventures focuses primarily on these ventures' start-up phase or their initial internationalization. Scarce attention is paid to how these ventures grow, if at all, beyond their start-up phase or initial internationalization phase. This paper explores how international new ventures transition from internationalizing phase to being international phase and whether they actually *made-it* to that phase. Understanding whether and how these ventures reach their *made-it* point would contribute to our understanding of how early internationalization affect venture's survival and growth.

INTRODUCTION

The international entrepreneurship research was triggered by *atypical* behavior of international new ventures (INVs) that seek profits from international activities right from their inception or immediately after (Oviatt & McDougall, 1994). Since its inception, the research in international entrepreneurship has focused mainly on how and why INVs internationalize early on (Jones & Coviello, 2005; Jones, Coviello & Tang, 2011). To date, there has been hardly any research regarding the issue of continuing corporate growth in these INVs beyond their emergence phase or initial internationalization. The evolutionary patterns of INVs are not well understood (Bingham, 2009; Sleuwaegen & Onkelinx, 2014). Little is known as to how early internationalization affect organizational survival and growth (Zahra, 2005; Sapienza, Autio, George & Zahra, 2006), or how INVs transition from internationalizing phase to having internationalized phase or even whether they actually *made-it* to that phase.

In this paper we explore how and whether INVs *made-it* beyond their emergence phase, aiming to generate early theoretical constructs to guide international entrepreneurship research in this substantive area. We define *made-it* point in INVs as an entrepreneurial threshold whereby these INVs undergo "a transition from the emergence to the professional management stage" (Zahra & Filatotchev, 2004, p. 41). At the same time, we view *made-it* point as a process of emergence of entrepreneurial threshold – a process that implies "...the creation of a new conceptualization, not always conscious, within which the entrepreneur's organizing is re-contextualized" (Lichtenstein, Dooley & Lumpkin, 2006, p. 169).

Through an inductive theory building research, we investigate how and whether INVs *made-it* beyond the start-up phase or initial internationalization. The focus is on which value-creating activities entrepreneurs pursue that are aimed to achieve a threshold level of practiced activity – *made-it* point – possibly, leading up to a steady state of the venture for the first time. Understanding whether and how INVs reach their *made-it* points would contribute to our understanding of how early internationalization affect organizational survival and growth.

CONCEPTUAL BACKGROUND

Theoretically, we ground the paper within the dynamic capabilities view of the firm (Eisenhardt & Martin, 2000; Sapienza et al., 2006; Winter, 2003; Zahra, Sapienza & Davidsson, 2006). To get to a *made-it* point or pass the entrepreneurial threshold, entrepreneurs constantly construct, re-construct, and de-construct the way they conceptualize their ventures. Such iterations are "...punctuated, coordinated shift[s] in multiple modes of entrepreneurial organizing at virtually the same time, which generate a qualitatively different state – a new identity – within the nascent venture" (Lichtenstein et al., 2006, p. 154). These iterations are part of organizational and strategic routines – dynamic capabilities – by which entrepreneurs alter their ventures' organizational gestalt to generate new value-creating strategies (Eisenhardt & Martin, 2000). We define organizational gestalt consisting of mutually supportive organizational system elements combined with appropriate resources and behavioral patterns (Covin & Slevin, 1997).

The extant research on dynamic capabilities has focused chiefly on established companies, whereas research on post-entry dynamic capabilities in new ventures is relatively scant (Zahra et al. 2006; for exception see e.g., Autio, George & Alexy, 2011; Bingham, 2009; Lichtenstein et al., 2006). We view dynamic capabilities as a venture's capacity to reconfigure its organizational gestalt in order to adapt to its environment (Sapienza et al., 2006). The literature differentiates between two types of capabilities: substantive and dynamic (Winter, 2003; Zahra et al. 2006). Substantive capability refers to venture's ability to solve a problem or produce a desired output, be this tangible or intangible; whereas dynamic capability refers to venture's ability to change and reconfigure substantive capabilities. In the context of INVs, it could be expected for these ventures to have substantive capabilities, e.g., how to develop a software program, but rather lack dynamic capabilities, e.g., how to change the way this program is developed in order to meet new and constantly changing customers' needs. Consequently, Zahra et al. (2006) suggest linking these two types of capabilities to ability rather than performance, and further suggest making explicit the role of decision-makers in enacting and directing such capabilities.

For a capability, i.e., a routine, to become established, it must have reached some threshold level of practiced activity (Helfat & Peteraf 2003; Zahra & Filatotchev, 2004). The primary methods for discovering or developing dynamic capabilities are through trial-and-error, improvisation and imitation (Autio et al., 2010; Zahra et al., 2006). We define these methods as strategic experimentation that is "...a series of trial and error changes pursued along various dimensions of strategy, over a relatively short period of time, in an effort to identify and establish a viable basis for competing" (Nicholls-Nixon, Cooper & Woo, 2000, p. 496). Compared to established organizations that have well-established capabilities, which these organizations may modify, new ventures shall merely experiment with their organizational gestalt in order to create new dynamic capabilities for the first time (Autio et al., 2011). Entrepreneurs experiment with their ventures to create value at different levels of the venture by acquiring, shedding, integrating, and recombining resources to generate new value-creating strategies (Eisenhardt & Martin, 2000). Lichtenstein et al. (2006) found that in the process of emergence, entrepreneurs experiment with their young venture – organizational gestalt – at three levels: goal (vision), decision (strategic), and behavioral (tactical), and create, re-create, conceptualize and re-conceptualize, contextualize and re-contextualize respective activities at each level. An entrepreneur experiments: at the first level, with the concept of the venture that is organized around the opportunity s/he pursues; at the second level, with strategic and functional related decision, actions and interventions; and at the third level, with timing of enacting specific events.

For example, at the first level, entrepreneurs may improvise with opportunity selection to take advantage of various emerging foreign market entry opportunities (Bingham, 2009). However, as Bingham (2009) warns, more improvisation in opportunity selection may result in less successful country entries since it makes opportunity selection inefficient and incoherent. On the other hand, according to Bingham (2009), less improvisation mainly reduces distracting, short-term behavior; improves organizational learning; and simplifies complexities associated with accumulating heterogeneous experience. At the second level, entrepreneurs improvise with opportunity execution. Here, according to Bingham (2009), more improvisation is beneficial for opportunity execution as it allows for more flexibility to improvise and helps avoid failure traps and in turn escalation of commitment to a failing course of action. As for the timing of acquiring and enacting specific capabilities, Bingham (2009, p. 342) emphasizes the importance of sequencing as the two phases of improvisation are "...intimately interconnected". Entrepreneurs may also experiment with market-managing capabilities and market-creating capabilities (Holcomb, Hitt, Ireland, & Certo, 2007) in order to create value. Former value-creating strategies are value-enabling as they exploit existing product-market positions and affect current performance of the new venture by focusing on existing, known operating routines. The latter ones are value-enhancing as they are directed towards influencing the performance of a new venture in the future by altering new venture's scale and scope (e.g., developing new products and entering new geographic markets).

In new ventures such as INVs, dynamic capabilities are seen as simple, experiential, unstable processes that rely on quickly created knowledge and iterative execution to produce adaptive, but unpredictable outcomes (Eisenhardt & Martin, 2000). In a new venture, it will take several iterations for a dynamic capability to emerge, get established and create value. Zahra et al. (2006) cautions that high number of iterations to change and improve a dynamic capability inevitably result in high number of failed experiments that in turn may "...damage a new venture's credibility and even lead to its demise" (p. 950). In this regard, Zahra et al. (2006) suggest that the emergence and establishment of dynamic capabilities are not necessarily associated with higher performance, despite the fact that dynamic capabilities sustain a new venture's competitive advantage especially in complex, uncertain and volatile external environments. In the same vein, Bingham (2009) demonstrated that firms that decrease improvisation in opportunity selection but increase improvisation in opportunity execution are more successful in foreign market entries.

In the context of our research, (strategic) experimentation, as a theoretical construct, may explain the process of emergence and establishment of dynamic capabilities. As Zahra (2005, p. 24) argues, "Experimentation is essential for INVs to discover the winning business model and market recipe. Openness to this sort of experimentation is a must". In this paper, we are interested in exploring how and whether INVs *made-it* beyond their startup phase, which experiments entrepreneurs conduct in order to achieve a steady state of the venture, as well as in exploring critical events and incidents that contribute to this process.

METHOD

Given scarcity of theoretical understanding and empirical evidence in this substantive area of research, we adopted a multiple-case study methodology for the purpose of theory building (Dyer & Wilkins, 1991). Following the intensity sampling strategy, we purposefully selected information-rich, but not extreme cases (Miles & Huberman, 1994). We identified two case companies on the basis of developed selection criteria. The case companies are small, high-technology companies located in the Oulu ICT cluster in Finland. The companies started up sometime in 2006 or 2007, had internationalized rapidly, within 3 years after their inception, and

were in business at the time of the research. The emergence period is a five or six year period from the moment of the new venture inception (Cesinger, Fink, Madsen & Kraus, 2012; Coviello & Jones, 2004). In Table 1, we provide a summary of growth data of case companies.

Data Collection

We employed critical incident technique to collect and analyze the data. Critical incident technique has its origins in the research undertaken by Flanagan (1954), and we define it herein as "...a qualitative interview procedure that facilitates the investigation of significant occurrences (events, incidents, processes or issues) identified by respondents, the way they are managed, and the outcomes in terms of perceived effects" (Chell, 1998, p. 56). We consider an event or an incident as being critical when it deviates significantly, either positively or negatively, from what is normal or expected (Edvardsson, 1992). We initially collected unobtrusive data in the form of running records and mass-media news reports from the inception of case companies, and created respective databases. We interviewed in depth key decision makers of case companies, namely their co-founders and CEOs. The interviews were semi-structured in the form of guided conversations, lasted on average sixty minutes, were recorded with interviewees' permissions, and transcribed verbatim immediately after. For confidentiality reasons, interviewees' and companies' names are disguised throughout the paper.

Data Analysis

Data pertinent to each case were coded in an iterative manner, working back and forth between theory, emerging patterns and data. Quotes from interviews and examples from unobtrusive data are used extensively to illustrate the events, incidents, processes and issues that had, to various degrees, an impact on the process of emergence and establishment of *made-it* points (Pratt, 2008). We followed critical incident technique guidelines for data analysis. We initially identified and described critical incidents for the case companies. In Appendix 1 and 2, employing critical event chart (Miles & Huberman, 1994), we present the chronological flow of critical events of the case companies. We then focused on similarities and differences between the cases and chose a frame of reference to more accurately classify and analyze the data. *Made-it* point – whether achieved or not – was chosen as an initial frame of reference. Entrepreneur level and company level were the other frames of reference that emerged during data analysis. The next step in data analysis is category or concept formulation, which represents an induction of categories from the basic data in the form of incidents (Flanagan, 1954). During this process, we moved from open codes to theoretical codes. The last step in data analysis according to critical incident technique is to determine the most appropriate level of specificity-generality to use in reporting the data.

FINDINGS

In this section we present the emergent constructs related to value-creating strategies, which steer towards *made-it* points. Grounded in data, the following constructs emerged related to value creation: tensions, experimentation, and legitimacy lies. These findings are presented below.

Tensions

Our analysis suggests that tensions in the organizational gestalt fuel entrepreneurs' experimentation efforts. As part of theoretical coding, we defined *tension* as a relationship

between ideas or qualities with conflicting demands or implications (see e.g., Macmillan dictionary). We observed such tensions at the various levels of a venture, e.g., organizational, business model and operational. At organizational level, over the years, Soft-Kode owners were struggling to optimize the ownership structure of their venture: be this a partnership, joint venture, or a holding. As of today, however, just over 5 years after the creation of the holding, Soft-Kode owners have realized that such holding structure is not optimal and they consider changing the organizational ownership structure. As one of Soft-Kode owners explained:

“Was it wise to create that holding? Although it was fun at the beginning to build it, it actually cost us a lot of money. We are now thinking to break everything down – to simplify the companies, having shareholders as private persons rather companies or institutions – thus allowing us to make decisions lot easier, rather to have a too lengthy decision process” – Soft-Kode CEO/co-owner.

In the same vein, Soft-Med owners had conflicting views over the ownership structure when it came to decide to accept or not venture funding. The tension was between “...*freedom to do things*” as one of co-owners said, and the risk of getting bankrupt due to lack of funding. Given the nature of the tension, Soft-Med owners found themselves enslaved rather than in a happy marriage (Turcan, 2008). As Soft-Med CEO/co-owner mentioned:

“What I would change relates to how much power I keep to myself. Clearly, without an investment I would not be able to make it so fast and scale [our venture] up in those timelines. If I were more jealous when it came to power, nobody would have turned to me to scale [the venture] up” – Soft-Med CEO/co-owner.

At the business model level, the entrepreneurs of both ventures were struggling to identify their ventures’ business propositions to the market. It was interesting to observe that these tensions were persistent despite the existence of substantive capabilities such as experience and knowledge in project-based software development, R&D and prototyping; in the case of Soft-Kode, this tension is still there. As entrepreneurs explained:

“Nowadays we have not been able to define what we are doing: are we selling projects, or resources? We were never able to define which one is the way to go or should we do both and how to market them and how to differ in the market with these two products or these two ways of doing business and which one would be better” – Soft-Kode co-owner.

“First ideas we had were to sell via doctors and clinics. But we did understand this route is more time and money consuming... We decided to be quite unique and take our product straight to the customers. Actually, we not selling a product, we are selling a science” – Soft-Med CEO/co-owner.

At the operational level, entrepreneurs’ major concerns were how to ensure the quality of the process of the product development or how to scale up their businesses much faster. In this, they faced the dilemma for example between outsourcing and insourcing or between traditional marketing and social media marketing. These types of tensions are exemplified below:

“In Vietnam we hit the same tree [as in Bangladesh] when the partner there lost interest in us as they accepted orders from bigger companies. After such incidents, we decided that the only way to continue was to own the developers and thus control everything that

is related to the process of software development – otherwise it is hard to keep the deadlines whatever we promise to the customers. In order to ensure the quality of the product we have to control the whole process” – Soft-Kode CEO/co-owner.

“I even do not like the idea to make marketing with money; now with the current technology, our product could be very easily peer-reviewed by our and other customers, bloggers, and everybody. Anything marketed with money looks like a lie... you should be able to deliver your message without money as this is the message people will believe in”
– Soft-Med CEO/co-owner.

Experimentation

Experimentation was identified as a means that entrepreneurs employ to create value in their ventures. For the purpose of theoretical coding, building on Covin & Slevin (1997) and Nicholls-Nixon et al. (2000, p. 496) we defined *experimentation* as a “series of trial and error changes pursued along various dimensions of [organizational gestalt], over a relatively short period of time, in an effort to identify and establish a viable basis for competing”. Entrepreneurs were experimenting with the dimensions of organizational gestalt at various levels in order to reach a threshold of entrepreneurial activity – *made-it* point.

At the goal or vision level (Lichtenstein et al., 2006), entrepreneurs were improvising with opportunity selection (Bingham, 2009) in order to single out the most profitable opportunity to pursue and design a corresponding business model to take advantage of that opportunity. The difference in this process between the two ventures was timing of improvisation. The owners of Soft-Kode were experimenting with all identified opportunities concurrently. Whereas the owners of Soft-Med started improvising when they realized that their product is captive (Turcan, 2012) to a niche that “*is very small, with maximum penetration we can get*” – as Soft-Med CEO/co-owner explained. The quotes below exemplify the points just discussed:

“In addition to project-based software development, we were also trying to specialize on various technology platforms and this experiment lasted something like 6 or 9 months and after that we saw that there is a need to focus: let’s focus on one thing, build one big development unit and grow it to the size we want” – Soft-Kode CEO/co-owner.

“The product we currently have is not a breakthrough product – it deals with the problem, but does not cure. We aim to have a product that will cure as well, for example, cardio-vascular system. History will be when we really break in cure business” – Soft-Med CEO/co-owner.

Once an agreement is reached on which opportunity to pursue, entrepreneurs switch their attention to strategic and functional areas of their ventures (Lichtenstein et al., 2006) and improvise with opportunity execution (Bingham, 2009). It was interesting to observe that sales and marketing were not entrepreneurs’ primary concerns in this improvisation process; they were rather concerned and hence experimenting with R&D and product development processes (this might not be surprising given their engineering backgrounds). During this type of experimentation or improvisation with opportunity execution, entrepreneurs acquire dynamic capabilities that contribute to the attainment of a *made-it* point – be this an efficient product development process or an effective product launch.

“[To develop internal quality product development process] was a non-stop process as the company grew, as it was necessary to focus on quality, and process issues all the time. I think it was 2008 when I realized that the system that was put in place worked” – Soft-Kode CEO/co-owner.

“We started our sales quite early with a product that was very ugly by design – very rough, ugly prototype. In 2010, we sold 2500 units without making any marketing. The number of people who wanted to buy our product was increasing, even if you could not deliver it” - Soft-Med CEO/co-owner.

One of the main differences we observed between these two ventures in this improvisation process (opportunity execution) was that Soft-Kode was experimenting to seek efficiency, whereas Soft-Med – to seek efficacy. We term these two types of experimentation as efficiency-seeking and efficacy-seeking and argue that each type requires specific dynamic-capabilities: efficiency-seeking and efficacy-seeking. The above also suggests that there is difference in timing of efficiency-seeking experimentation and efficacy-seeking experimentation.

Further in our data analysis we observed that the process of experimentation or improvisation is moderated by the availability of funding, with contradicting signs of the relationship. In the case of Soft-Med, less funding available led to less improvisation with the opportunity selection and more improvisation with opportunity execution. In the case of Soft-Kode the opposite was observed: less funding led to more improvisation with opportunity selection and less improvisation with opportunity execution, as respective entrepreneurs explained:

“Less money you have you are hibernating, you have much more time to think about [your product] – you cannot do wrong things when you have less money. If we had more money, our concept would have been messier – maybe making mobile phone applications, etc. – or something else that would have hindered the process. Now we have to make it very raw, very simple and only one feature product” – Soft-Med CEO/owner.

“We got busy with other projects... We never started lifting the company – we need a little bit of hard working to lift it up. We can make it a profitable business” – Soft-Kode CEO/owner.

Legitimacy Lies

Our analysis reveals that entrepreneurs may mitigate their ventures' liabilities of newness, smallness and foreignness (Stinchcombe, 1965; Zaheer, 1995; Zimmerman & Zeitz, 2002) by telling legitimacy lies – another value-creating strategy. As a theoretical code, we defined *legitimacy lies* as “...intentional misrepresentations of the facts” (Rutherford, Buller & Stebbins, 2009, p. 950). For example, Soft-Kode founders were taking orders from customers when they did not have a proper product development process in place. As one of the co-owners explained that “we tried to hide ourselves and avoid proactive sales and marketing”. At the same time, in order to get orders from large companies, like Nokia, their venture had to be of certain size: no less than 50 employees. At one point, in order to get a large contract from a large company (as early customer), Soft-Kode had to demonstrate that it employed at least 50 employees, as explained by the CEO/co-owner:

“We were told that we need to have a 50 guys company, and only then we might get large projects from the large companies. That was our first level. At the end of 2008, beginning of 2009 we achieved this number - near 50 guys as we had to calculate all taxi drivers, and cleaning ladies – to look big” – Soft-Kode CEO/co-owner.

“When we reached 50 guys, something happened - we started getting good deals, large projects and better customers. Since then, we were getting more and more customers all the time” – Soft-Kode co-owner.

Legitimacy-lie – as a subjective construct – is indeed in the eye of the beholder. Some of Soft-Made’s stakeholders believed its products were not based on science and thus did not cure what they claimed to cure. This perception was mainly due to the unorthodox business model (for the medical sector) that Soft-Made adopted by selling their products directly to customers rather than via doctors and clinics. As a result, Soft-Made’s medical experiments and results were questioned, and Soft-Med ran into resistance and negative publicity in national mass media. The quotes below illustrate the above struggle:

“There are big pharmacy companies – they make look everything too scientific. But there is an alternative way – selling products over the counter straight to customers. Tricky problems with various magazines are inevitable when you break the rules” – Soft-Med CEO/co-owner.

“Soft-Med’s supporting evidence was made by non-medical outsiders, lacked basic research, with no single article ever written about the topic. Soft-Med had to make their products look like something scientific” – from mass-media publications.

Made-it or Not

Whether or not entrepreneurs and/or their ventures *made-it* is a matter of perception. The data point to two levels at which *made-it* concept applies: entrepreneurial level and venture level. At the personal level, entrepreneurs mentioned their own *made-it* point, highlighting their own learning experience as well as own financial performance:

“I have my own personal made-it point and I think I have achieved it. I have learned so much from this experience that is much better than any MBA course that you can take in any university... I do not consider myself as green anymore” – Soft-Kode co-owner.

“Indeed, I fulfilled my personal goal. My aim wasn’t to gain millions... Soft-Med product for me wasn’t very technically challenging product, and contributed to the launch of a new product to the market” – Soft-Med co-owner.

When asked whether their ventures *made-it*, entrepreneurs did not see their ventures achieving steady states:

“I was just thinking that probably we have not graduated yet – we did not stop being a startup; still entrepreneurial rather a professional company. Hopefully the made-it point is still to come; hopefully it is in the near future when we for example re-internationalize, and acquire professional management” – Soft-Kode co-owner.

“We have not made it – there is scientific resistance – mainly coming from amateur scientists – and you have to deal with them the best way you can – that is one of the reasons why I do not believe we have made it or are near the turning point” – Soft-Med CEO/co-owner.

Nonetheless, several relatively concrete made-it points emerged along organizational, business model, and operational dimensions of organizational gestalt, e.g., getting professional management, establishing optimal organizational structure, getting better projects from large customers, making profits and growing in number of employees (see Table 1), taking control over the whole product development process; developing own quality product development procedures; launching and selling the product; and getting VC funding, as the following quotes exemplify:

“Our new customer partnership-building program has 3 levels. We start with subcontracting, done by senior developers in Finland. Next step is to start building own development and move part of the work to Bangladesh. And finally everything moves to us, where there is no more subcontracting – we are actually product manager for that company” – Soft-Kode CEO/co-owner.

“In the winter of 2008-2009 we were doing our clinical trial and receiving our first results was a turning point for us... Another turning point for us was to get venture capital. In 2010, we sold our first 2500 units: that was a turning point for us as well” – Soft-Med CEO/co-owner.

DISCUSSION

In this paper we set to explore how and whether INVs *made-it* beyond their start-up phase or initial internationalization. To address these questions we focused our attention on value-creating strategies entrepreneurs pursue to get their ventures pass a threshold level of practiced activity – *made-it* point. We find entrepreneurs experiment (Zahra, 2005) with and reconfigure their venture at several levels: organizational, business model and operational in order to reach a threshold level of practiced activity (Helfat & Peteraf, 2003; Zahra & Filatotchev, 2004). We further find that entrepreneurs’ experimentation efforts are fueled by tensions that exist at these three levels of the organizational gestalt. We also find that during this experimentation process, entrepreneurs may tell legitimacy lies to legitimate their ventures in the eyes of their stakeholders.

At the organizational level, entrepreneurs’ primary concerns were to reach an optimal ownership structure of the venture, given the nature of the opportunity pursued. At the business model level, entrepreneurs struggled to identify his/her venture’s business proposition to the market. At the operational level, entrepreneurs’ major concerns were to ensure the quality of processes and operations within the venture. We observed that these tensions or concerns were persistent at each level, though for different periods of time. For example, at the operational level the tensions eased faster probably due to the existence of substantive capabilities such as experience and knowledge in project-based software development, R&D and prototyping, and product development, which in turn made it possible to acquire dynamic capabilities much faster. At the other two levels, the tensions were persistent over longer period due to the lack of substantive capabilities and/or capacity to acquire respective substantive capabilities. This deficiency we maintain in turn creates a barrier in acquiring much needed dynamic capabilities to get the venture to a *made-it* point.

To mitigate the above tensions, entrepreneurs experiment or improvise with the dimensions of organizational gestalt at various levels to reach a threshold of entrepreneurial activity – *made-it* point. Entrepreneurs improvise with opportunity selection and opportunity execution (Bingham, 2009). We find that entrepreneurs may improvise with all identified opportunities concurrently or may start improvising with new opportunity after realizing the initial opportunity identified and pursued did not turn out to be a real one. Once an agreement is reached on which opportunity to pursue, entrepreneurs switch their attention to strategic and functional areas of their ventures (Lichtenstein et al., 2006) and improvise with opportunity execution (Bingham, 2009). We find that entrepreneurs improvise with opportunity execution to seek efficiency or efficacy and observe that in order for this type of improvisation to be successful, entrepreneurs need to acquire respective dynamic capabilities: efficiency-seeking and efficacy-seeking dynamic capabilities. We maintain that entrepreneurs who seek efficacy will tend to improvise with opportunity selection consecutively, while those seeking efficiency will tend to improvise with opportunity selection simultaneously. We further maintain that respective dynamic capabilities will be acquired faster when seeking efficacy making it possible to reach a *made-it* point faster as well.

How dynamic capabilities come into existence is an enduring question (Zahra et al., 2006) and although this question was not the focus of our study, from our data we may infer that experimentation (improvisation) mediates between the exploitation and transformation of substantive capabilities and the acquisition and creation of dynamic capabilities. The plausibility of this conjecture shall be investigated in future studies, preferably in ethnographic research settings to capture the phenomenon in real time rather than post-hoc (Zahra et al., 2006). Further in our data we find that the process of experimentation (improvisation) is moderated by availability of (financial) resources. Future research is needed to identify the sign of this relationship since our findings are contradictory. In one case we find that less available resources lead to less improvisation with the opportunity selection and more improvisation with opportunity execution. In another, the opposite is observed: less available resources lead to more improvisation with opportunity selection and less improvisation with opportunity execution.

Legitimacy lies (Rutherford et al. 2009) emerged as another type of dynamic capability. We maintain that entrepreneurs tell legitimacy lies to compensate for the lack or inadequate quality of substantive capabilities. We view telling legitimacy lies as part of impression management that “...refers to the process by which individuals attempt to control the impressions others form of them” (Leary & Kowalski, 1990, p. 34). Employing this type of dynamic capability, entrepreneurs aim to gain legitimacy for their ventures faster (see e.g., Turcan, 2013), moving their ventures faster towards a steady state – *made-it* point. On the other hand, being a subjective construct, legitimacy lies may produce the opposite, negative effect whereby ventures’ stakeholders may view or perceive such activities illegitimate (Elsbach & Sutton, 1992) that clash with social norms or organizational goals (Scott, 1987).

We are cautious when it comes to discuss whether INVs *made-it* or not by creating and exploiting various substantive and dynamic capabilities. Here we side with Zahra et al. (2006), who warns that in post-hoc studies such as this one, it is difficult to separate the existence of dynamic capabilities from their effects. Indeed, despite a number of *made-it* points, we find that the transition from entrepreneurial to professional run organization did not take place (Mintzberg, 1973). This could be explained by the fact that entrepreneurs managed to develop substantive capabilities to produce desired outputs at various levels within the venture, including personal levels. However, they failed to create dynamic capabilities in order to change and reconfigure

existing substantive capabilities and eventually establish a dominant logic (Prahalad & Bettis, 1986) in the new venture during the emergence stage.

CONCLUSIONS

The central aim of this paper was to explore how and whether INVs *made-it* beyond their emergence phase. Given the instrument we employed to explore these questions, our results are limited in scope. However, we put forward a number of questions and conjectures to guide future research in this, currently under-researched area of international entrepreneurship (Zahra, 2005; Sapienza et al., 2006; Bingham, 2009; Sleuwaegen & Onkelinx, 2014). Understanding whether and how INVs reach their *made-it* points would contribute to our understanding of how early internationalization affect organizational survival and growth.

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Appendix 1: Soft-Kode critical event chart

Year	QI	QII	QIII	QIV
2004	The founder moved to Bangladesh Set-up Soft-Tech	Software development unit in Bangladesh was established (not owned by Soft-Tech)		
2005	Opportunity: “at that time everyone was doing project based software development” Two market opportunities have been identified: - Software development - 3D modeling Future co-founder quit Nokia and joined forces with the founder	The founder moved back to Finland Started Soft-Base (replacing Soft-Tech)		
2006	Soft-Vision became key customer for Soft-Base (later Soft-Kode) Tried to specialize on various technology platforms	Established a development team in Vietnam	A partner in Bangladesh did not continue its commitments A partner in Vietnam did not fulfill its commitments Decided “to control everything that is related to the process of software development”	Decided to - create a holding - create own development units - to focus A clear division of businesses was emerging: software development and 3D modeling Became profitable Grew up to 20 employees
2007	Soft-Base holding was created Started building own software unit in Bangladesh	Business was divided into 2 areas: - Soft-Kode (project-based software development) - 3D-Soft (3D modeling) New co-owner joins in		
2008				Grew up to 50 employees: “this was the level you need to have to get access to the large customers in Finland”
2011				Reached: - 2.1 million euros in revenue - 100 employees - 30 customers/month
2012		The aim is to grow up to a 250 employee venture		

Appendix 2: Soft-Med critical event chart

Year	QI	QII	QIII	QIV
2006			Product idea and idea to start a business emerged Received seed funding from the Finnish Innovation Institute Started prototype development	First prototype ready First patent applied based on the prototype
2007	Soft-Med was established Paid the patent by themselves (did not wait to get public funding)	Finnish Patent Authority accepted the patent application Tested the prototype with friends who had [malady symptoms] Started to seek resources for clinical trials		Found qualified medical doctors to do clinical trials But were too late to test the product against [malady symptoms] for seasonal reasons
2008		Received an offer from a psychologist who offered to do the clinical trials with reasonable price	One of the founders became a full-time CEO Decided to focus on medical device business through mass-markets (B2C) rather than through clinics (B2B) Started clinical trials to study the response of the product against [malady symptoms]	
2009	First research results received Received positive results from clinical trials The other founder became full-time employee at Soft-Med	Started the specifications of the product to understand its dynamics and its opportunities Raised first 'external' funding from friends and family		
2010	Received clinical permission from EU Two private investors and one company invested in Soft-Med	Launched first product to the Finnish market Opened a web-store Hired first fulltime employees New CMO hired Signed 1st sales contracts		2500 items sold mainly in Finland as a sign of customer need Got main VC investor who brought 0.4 million euros
2011	Investor become part of the management team CMO became CEO The two original founders stepped down from management and focused solely on R&D	Published two clinical trials in [malady symptoms] Signed delivery contract with health and welfare retail chain		
2012	New professional CEO was appointed by board			Received funding from the Finnish Funding Agency for Innovation
2013	One of the original founders leaves	Received next round of funding: 7.4 mln euros	Launched the second generation product	

Table 1: Growth data of case companies

		2009	2010	2011	2012	2013
Sof-Kode	Revenue (€, 000)	1004	1192	1071	2103	2438
	Profit (€, 000)	80	25	11	-69	-34
	Employees	14	46	28	30	31
Soft-Med	Revenue (€, 000)	15	7	495	1429	1941
	Profit (€, 000)	-4	-89	-571	-602	-289
	Employees	0	3	12	20	17