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What Happens To International New Ventures beyond Start-up

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What Happens To International New Ventures beyond Start-up: An Exploratory Study

Introduction

International entrepreneurship as a research paradigm began to emerge in mid 90s with the seminal paper by Oviatt and McDougall (1994) that received the 2004 Journal of International Business Studies Decade Award.[1] What triggered the international entrepreneurship research was the *a*typical behavior of so called international new ventures (INVs) that aim to derive profits from international activities right from their inception or immediately after (Oviatt and McDougall 1994). Since its inception, the research in international entrepreneurship has focused mainly on how and why INVs internationalize early on (Jones and Coviello 2005).[2]

To date, however, there has been hardly any research regarding the issue of continuing corporate growth in these INVs beyond their emergence phase or initial internationalization. For example, little is known as to how early internationalization affect organizational survival and growth (Zahra 2005; Sapienza et al., 2006), or as to how INVs transition from internationalizing phase to having internationalized phase or even whether they actually *made-it* to that phase. 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 and Filatotchev, 2004, p. 41). In this context, emergence implies "…the creation of a new conceptualization, not always conscious, within which the

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[1] For a detailed account of international entrepreneurship emergence as a field, please refer to Coviello et al. (2011).

[2] For comprehensive reviews of the emerging field of international entrepreneurship, please refer to Cesinger et al., 2012; Coombs et al. 2009; Coviello and Jones 2004; Jones et al. 2011; Keupp and Gassmann 2009; Kraus 2011; Rialp et al. 2005).

entrepreneur's organizing is re-contextualized" (Lichtenstein et al., 2006, p. 169). Through inductive theory building research 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.

Since there is limited theoretical understanding and evidence of how INVs grow beyond their emergence phase, we adopt a single case study strategy for the purpose of theory building (Dyer and Wilkins 1991). For the purpose of this exploratory study, we purposefully selected an information-rich case that manifests the phenomenon intensely (Miles and Huberman 1994). Following an event-based research method (Van de Ven and Engleman 2004), we employed critical-incident technique to collect, analyze and interpret the data (Flanagan 1954). Grounded in data, the following constructs emerged related to made-it points: strategic experimentation, tensions in organizational gestalt and legitimacy lies. To get to a made-it point, entrepreneurs experiment with their venture at several levels: organizational, business model and operational. These experimentation efforts are fueled by a number of tensions that exist in the organizational gestalt, such as ownership structure, business proposition to the market, and product development process. In the process to get there, entrepreneurs may tell legitimacy lies to legitimate their venture in the key stakeholders' eyes. We continue the paper by positioning it within the dynamic capabilities view of the firm. We then present the methodology and methods employed to address the research question. Findings are presented and discussed next. We conclude the paper by proposing an agenda for future research.

Theoretical Background

Theoretically, we ground our study within the dynamic capabilities view of the firm (Eisenhardt and Martin 2000; Sapienza et al. 2006; Winter 2003; Zahra et al. 2006).

Dynamic capabilities build, integrate, and reconfigure operational capabilities (Helfat and Peteraf 2003) and reflect "…firm's capacity to *reconfigure* its capabilities to adapt to its environment (Sapienza et al. 2006, p. 915, original emphasis). More specifically, dynamic capabilities could be viewed as organizational and strategic routines by which entrepreneurs alter their firms' organizational gestalt through acquiring, shedding, integrating, and recombining resources to generate new value-creating strategies (Eisenhardt and Martin 2000). We define organizational gestalt consisting of mutually supportive organizational system elements combined with appropriate resources and behavioral patterns (Covin and Slevin 1997). As venture growth leads to increased entrepreneurial complexity and increased tensions in various elements in the organizational gestalt, Covin and Slevin (1997, p. 107) argue that "reducing the tension that builds within the gestalt as a consequence of a less-than-perfect fit among the organizational elements is a primary challenge to the managers of growing firms".

To get to a made-it point or pass the entrepreneurial threshold, entrepreneurs constantly create, re-create, conceptualize and re-conceptualize, contextualize and re-contextualize the type and the state of elements in their ventures' organizational gestalt. 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 and Martin 2000). Although the extant research on dynamic capabilities has focused chiefly on established companies (e.g., Arthurs and Busenitz 2006), whereas research on dynamic capabilities in new ventures is relatively scant (Zahra et al. 2006; for exception see Lichtenstein et al. 2006), we believe the dynamic capabilities view of the firm can provide us with a set of guiding constructs for our exploratory study.

In new ventures, the actors developing the dynamic capabilities are the entrepreneurs or the entrepreneurial teams who productively change existing routines to exploit their perception of opportunity (March, 1991; Zahra et al. 2006). Dynamic capabilities are argued to sustain a firm's competitive advantage especially in complex, uncertain and volatile external environments (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 firm's ability to produce desired output, be this tangible or intangible; whereas dynamic capability refers to firm's ability to change and reconfigure substantive capabilities. Zahra et al. (2006) suggest linking these two types of capabilities to ability rather than performance, making explicit the role of decision-makers in enacting and directing such capabilities. For a capability to become established, i.e., a routine, it must have reached some threshold level of practiced activity (Helfat and Peteraf 2003; Zahra and Filatotchev 2004). The unique organizational context in which the routines emerge plays a crucial role (Zahra and Filatotchev 2004; Zahra et al. 2006). However, according to Helfat and Peteraf (2003), such threshold level of reliability (in our study: made-it point) does not imply that the capability has attained the highest possible level of functionality.

Since our research setting is defined by a new, emerging venture operating in a dynamic market, we infer from the literature that dynamic capabilities in such ventures are "…simple, experiential, unstable processes that rely on quickly created knowledge and iterative execution to produce adaptive, but unpredictable outcomes" (Eisenhardt and Martin 2000, p. 1106). Lichtenstein et al. (2006, p. 154) refer to such iterations as emergence events defined as "…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". Trial-and-error, improvisation, and imitation are seen as primary methods for discovering or developing dynamic capabilities (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 et al. 2000, p. 496). Compared to established organizations that may alter and redirect their international business strategies, new ventures merely experiment with elements of organizational gestalt to find the most appropriate strategic course of action for the first time to exploit international business opportunities (Nicholls-Nixon et al. 2000). Experimentation emerges as a construct that may explain the process of discovering and developing dynamic capabilities, leading to a made-it point. As Zahra (2005, p. 24) suggests, "experimentation is essential for INVs to discover the winning business model and market recipe. Openness to this sort of experimentation is a must".

In new ventures, it may take several iterations before a threshold level of practiced activity – made-it point – is reached. At the venture level, such threshold is reached when a dominant logic is established, i.e., the way in which the venture is conceptualized and how critical resource allocations decisions are made (Prahalad and Bettis 1986). To operationalize made-it point or a threshold level of practiced activity, we turn to legitimacy theory. According to this theory, new ventures such INVs suffer liabilities of newness, smallness and foreignness (Stinchcombe 1965; Zaheer 1995; Zimmerman and Zeitz 2002) and need to undertake activities to reach a legitimacy threshold "…below which the new venture struggles for existence and probably will perish and above which

the new venture can achieve further gains in legitimacy and resources" (Zimmerman and Zeitz 2002, p. 427). These activities – in our case, dynamic capabilities – are directed towards attaining thresholds at three levels of organizational gestalt: goal (vision), decision (strategic) and behavioral (tactical) (Lichtenstein et al. 2006). For example, at the vision level a threshold of practiced activity might be a better understanding of the opportunity pursuit and the target market; at the strategic level – validating the innovation/know-how and the product, establishing internal policy and operating procedures, signing first customer deal, attracting external funding, and hiring first employees; at the behavioral level – learning when (timing) enact specific events.

In the context of our research, we maintain that dynamic capabilities will contribute to the attainment of made-it points or thresholds of practiced activities at all levels of venture's organizational gestalt, enhance venture survival and its growth, and facilitate the transition from entrepreneurial to professional management stage (Mintzberg 1973). In this paper, we are interested in exploring how and whether INVs made-it beyond their emergence phase, which activities entrepreneurs pursue in order to achieve a made-it point or a threshold of practiced activity in the organizational gestalt, as well as in exploring critical events and incidents that contribute to this process.

Research Methodology

Given limited research regarding the issue of continuing corporate growth in INVs beyond their emergence phase or initial internationalization, we adopted a single-case study methodology for the purpose of theory building (Dyer and Wilkins 1991). We purposefully selected an information-rich case that manifest the phenomenon intensely (Miles and Huberman 1994). A number of sampling criteria were developed in order to select the case

company. We define the emergence period as a five or six year period from the moment of the new venture inception as six years appear to be the cut-off used to define an international new venture (Cesinger et al. 2012; Coviello and Jones 2004). The new venture would have been internationalized at or immediately right after their inception, and operational at the time of the research. For the purpose of this study we define internationalization as "…the process of increasing involvement in international operations" (Welch and Luostarinen 1988, p. 37). Since the research was conducted in 2012, the case company was supposed to be an INV that started-up in 2006 or 2007 and internationalized at or immediately after its inception. On the basis of the above sampling criteria, we identified a software small high-technology firm, Soft-Kode, which internationalized rapidly after the inception, and was in business at the moment of the research. Figure 1 provides a summary of growth data of the case company; for confidentiality reasons, interviewees' and company's names are disguised throughout the paper.

Insert Figure 1 about here

Data collection and triangulation

We employed critical incident technique (CIT) to collect and analyze the data (Chell 1998; Flanagan 1954). CIT has its origins in the research undertaken by Flanagan (1954), and is defined here 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). For the purpose of this study, we define an event or an incident as being critical when it deviates significantly, either positively or negatively, from what is normal or expected (Edvardsson 1992).

Three sources of data were identified. To prepare for the field work, we initially collected unobtrusive data in the form of running records and mass-media news reports from the inception of the case company, and created a data base for it. These data allowed us to learn as much as possible about the company and eventually prepare for the upcoming interviews, as well as to compare and cross-check written and published records with what interview respondents reported. As the research unfolded, primary data were added to the databases as well. Then we interviewed in depth key decision makers of the case company, namely two co-founders and the CEO. The average interview lasted approximately sixty minutes. All interviews were recorded with interviewee's permission, and transcribed verbatim immediately after. The interviews were semi-structured in the form of guided conversations. Critical incident technique method guidelines were followed; namely, the interviewee was allowed to do most of the talking; leading questions were avoided; open-ended questions were employed, followed by appropriately worded probing questions; and it was clearly stated that an incident and/or actual behavior is desired. To ensure some comparativeness between the responses and to allow sufficient control over the interview to ensure that the research objectives were met, an interview guide was designed (Appendix 1).

Data analysis

An important feature of qualitative research is that there is significant overlap between data collection and analysis phases (Glaser 1978). CIT guidelines for data analysis were followed. Initially, the critical incidents were described for the case company. As part of the within-case analysis, the exploration and description of the case company was centered on critical events and started from the inception of the company through the emergence process to subsequent company growth. Critical event chart (Miles and Huberman 1994) for the case company was

developed that helped mapping the chronological flow of critical events. Data pertinent to the case were coded in an iterative manner, working back and forth between theory, emerging patterns and data. We made use of NVivo software package to code, memo, analyze, and interpret the data (Appendix 2). Quotes from interviews and unobtrusive data are used extensively to illustrate the events, incidents, processes and issues that had, to various degrees, an impact on the process of the emergence of Soft-Kode during the emergence period leading to the made-it point. Then, a frame of reference was chosen making it easier and more accurately to classify and analyze the data. The initial frame of reference was made-it point (whether achieved or not). Several other frames of references emerged, these being entrepreneur level and company level. Category formulation followed next, which represents an induction of categories from the basic data in the form of incidents (Flanagan 1954). During this process, the analysis moved from open (substantive) codes to theoretical codes; the emerged codes and their definitions are provided in Table 1. The last step in data analysis according to CIT is to determine the most appropriate level of specificity-generality to use in reporting the data.

Insert table 1 about here

Research Findings

The research questions that guided the field work centered on exploring how and whether INVs made-it beyond their emergence phase, aiming to generate early theoretical constructs to guide international entrepreneurship research in this substantive research area. We were interested in exploring the activities which an entrepreneur pursues in order to develop the firm and its position in an attempt to achieve a steady state of the venture for the first time, and how an INV for example transitions from internationalizing to having internationalized

stage. We were also interested in exploring critical events and incidents that contributed to this process. The following concepts related to made-it points emerged during the coding process: tensions in organizational gestalt, experimentation, and legitimacy lies defined as "…intentional misrepresentations of the facts" (Rutherford et al. 2009, p. 950).

Entrepreneurs experiment with organizational system elements of the venture, its resources and behavioral patterns. The owners of Soft-Kode were experimenting with their venture at various levels: organizational, business model, or operational levels. For example, at *organizational level*, over the years, the owners were struggling to optimize the ownership structure of the venture, moving from partnerships and joint ventures, and eventually to a holding structure. As of today, however, just over 5 years after the creation of the holding, the owners have realized that such holding structure is not optimal and they consider changing the organizational ownership structure. As one of the 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*" – CEO/co-owner.

At *business model level*, the owners were struggling to identify their business proposition to the market, although both owners had experience and knowledge in project-based software development. The tensions in understanding the business proposition is still there, as the following quotes explain:

> "*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*" – Co-owner.

> *"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"* – CEO/co-owner.

At *operational level*, the owners' major concern was how to ensure the quality of the process of the product development. From the very start, the owners had the same view regarding the need to outsource the development process. Since one of the co-owners had a partnership with a team of developers in Bangladesh, the decision was reached to continue outsourcing in Bangladesh. They also tried to speed up the growth process by expanding in Vietnam the outsourcing base. However, as the venture began to grow, they soon realized that the partnership and joint-venture arrangements with developers in Bangladesh and Vietnam were not viable and more importantly reliable options, as their partners were refusing to execute the orders from Soft-Kode in favor of larger, better paid orders:

> *"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"* – CEO/co-owner

Given the behavior of INVs, such as of Soft-Kode, is shaped substantially by liabilities of newness, smallness and foreignness in the early years of their existence, legitimacy plays a key role in overcoming such liabilities and concerns (Aldrich and Fiol 1994; Drori et al. 2009; Stinchcombe 1965; Turcan 2012; Zaheer 1995; Zimmerman and Zeitz 2002). The data suggest that entrepreneurs may mitigate the above liabilities by telling *legitimacy lies*. Indeed,

to legitimate, entrepreneurs may employ a number of legitimation strategies,[3] for example anchoring legitimation strategy (Turcan 2013) in the form of legitimacy lies (Rutherford et al. 2009) whereby entrepreneurs tend to misrepresent intentionally the facts about their venture. At the operational level, the owners were aware of the need to legitimate their new venture, especially in the eyes of potential customers, as the owners mentioned:

"*We had no credibility whatsoever in [customers'] eyes*" – co-owner.

"*In the beginning especially it is quite difficult to earn customers' trust*" – CEO/co-owner.

At the same time, Soft-Kode was taking orders from the customers when it 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*". To get orders from large companies, like Nokia, a venture has to be of certain size, e.g., 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 employs 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*" – CEO/co-owner.

The above tensions and related experimentation efforts were aimed to let the venture to the point where it reaches a made-it point. The data suggest several levels at which made-it concept applies. The owners clearly mentioned their own made-it point/feeling, pointing to their own learning experience as well as own financial performance:

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[3] For review of legitimation strategies in international business, see Turcan et al. (2012).

"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" – co-owner.

"As an entrepreneur you do not always get salary for yourself from the very beginning. I remember in 2006 there was a date when I decided that after this date I will always get salary for myself. For me personally I believe I can say I made it" – CEO/co-owner.

It was interesting to observe how entrepreneurs react to the question whether their venture made-it after 5 years of operations. Initial response was "*yes, we have made it*", while an hour later in the interview the reaction was:

"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" – co-owner.

"I think we probably have not made it yet – maybe because in the future there will be a different company that it is now. I am not there yet; I am pretty sure we will be there, but not there yet" – CEO/co-owner.

The above not-made-it feeling relates more to the vision (Lichtenstein et al. 2006) the owners have in relation to where and how they see their venture evolving as the following quote exemplifies:

"When I said we have not made it yet at the company level it means that my goals are bigger. We know the level where we need to be – achieve profitability higher than the industry average that is 8%. Hence, we are not there yet; maybe in 2 years" – CEO/co-owner.

Nonetheless, several made-it points emerged, e.g., when the company started getting better projects from large customers, when the company started making profits and also growing in

number of employees (see Figure 1), including hiring developers in Finland, when the company took the control over the whole product development process and developed own quality product development procedures, as the following quotes exemplify:

> "*We focused on a small number of projects, received good feedback from the customers – especially in the areas where we had to improve. Then 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*" – CEO/co-owner.

> "*[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*" – CEO/co-owner.

Given the nature of their business proposition to the market, one of the major concerns was to get permanent, long term customers and to lock-in the customers in a long-term partnership. Over the years, a customer relationship dominant logic has been established in the company as the CEO/co-owner explains:

> "*Our 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, there is no more subcontracting – we are actually product manager for that company*" – CEO/co-owner.

As shown above, the owners of Soft-Kode have a vision to get their venture bigger and more profitable. To achieve that, they intend to apply for ISO certification and other certifications pertinent to the software sector. The owners also realize that their venture after more than 5 years of operations is still in the entrepreneurial decision-making mode (Mintzberg 1973), and more importantly they appreciate that they shall do something about it:

"Soft-Kode should be very fast moving and decisions are to be made also fast and new directions taken if needed. However, the biggest problem is when you do everything and you can't let go off these things, even though you have hired a lot of talented people to work for you... it is very important to trust the people that you have hired to take the company into a new level" – co-owner.

"I am putting quite a lot of efforts into the company growth. We are growing quite rapidly and you need to be aware that you need to change things all the time and understand you have a big company and different management responsibilities; that you are not running the company by yourself anymore – you have to share responsibilities to the guys who can take it" – CEO/co-owner.

Realizing the need to make changes to take the venture to the next level is crucially important, however not sufficient. For the growth transitions to be successful (e.g., in our case from an entrepreneurial decision-making venture to a professional decision-making venture), the owners shall also be willing and able to instill those changes.

Discussion

The extant research in international entrepreneurship focuses mainly on how and why INVs internationalize early on, paying little attention to the issue of continuing corporate growth in these INVs beyond their emergence phase or initial internationalization. With this paper we fill in this gap by exploring how INVs transition from internationalizing phase to having internationalized phase or even whether they actually made-it to that phase. Given limited extant research, we employed inductive theory building single-case study research, aiming to generate early theoretical constructs to guide international entrepreneurship research in this substantive area.

Grounded in data, it emerged that in order to get to a made-it point and transition from the emergence to the professional management stage 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). Such experimentation, trial-and-error efforts are fueled by a number of tensions that exist in the organizational gestalt (Covin & Slevin 1997. For example, at the organizational level, entrepreneur's primary concern is to reach an optimal ownership structure of the venture. At the business model level, the entrepreneur strives to identify venture's business proposition to the market. At the operational level, entrepreneur' major concern was to ensure the quality of processes and operations within the venture. In addition to personal, entrepreneur made-it points, data point to several made-it points that emerged at the venture level, e.g., when the company starts getting better projects from large customers, when the company starts making profits and growing in number of employees, when the company takes full control over the product development process or when it develops customer partnership-building procedures.

Our data also suggest that in order to mitigate the above tensions entrepreneurs may tell legitimacy lies (Rutherford et al. 2009) and eventually legitimate themselves and their venture in stakeholders' eyes. Legitimacy lies – as a type of dynamic capability - could be linked to 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 may gain legitimacy for their ventures faster (see e.g., Turcan 2013). At the same, data suggest that entrepreneurs may also ease the above tensions by improvising (Bingham 2009) with the dimensions of organizational gestalt at various levels to reach a threshold of entrepreneurial activity – made-it point. For example, Soft-Kode owners improvised a lot with opportunity selection (Bingham 2009) until they actually decided to focus on one opportunity. They also improvised a lot with opportunity execution

(Bingham 2009), e.g., it took some time until an agreeable ownership structure was in place or an efficient product development process was developed or a preference over outsourcing was reached.

It was interesting to observe though that despite a number of made-it points reached at various levels, the venture was still in the entrepreneurial decision-making mode after more than 5 years of operations, i.e., the transition to professional run organization did not take place. This could be explained by the fact that entrepreneurs managed to develop substantive capabilities to produce desired outputs at various levels within the venture. However, they failed to acquire dynamic capabilities in order to change and reconfigure existing substantive capabilities and eventually establish a dominant logic in the new venture during the emergence stage. Not being able to pass the entrepreneurship threshold could be also explained by the high number of iterations entrepreneurs undertook in order to change and improve dynamic capabilities as such frequent iterations may "…damage a new venture's credibility and even lead to its demise" (Zahra at al. 2006, p. 950). In this regard, Zahra at al. (2006) caution that the emergence and establishment of dynamic capabilities are not necessarily associated with higher performance. The challenge of dynamic capabilities lies in the lack of immediate positive outcomes and entrepreneurs may not have a sense of upcoming outcomes that are evolving from the previously developed dynamic capabilities (Zahra et al. 2006). Therefore, the causal relationships between outcomes and the dynamic capabilities may not be that easy to notice which makes it easier to rely on substantive capabilities.

Conclusions

The central theme of the paper was to explore how and whether INVs made-it beyond their start-up phase or initial internationalization. This paper should be seen as among the first

attempts to generate early theoretical constructs to guide international entrepreneurship research in this, under-searched substantive area (Sapienza et al. 2006; Zahra 2005). As with all studies, there are certain limitations. Since we adopted a single-case study methodology, our results are limited in scope. Whether our results and conjectures apply beyond INVs operating in dynamic markets is a question future research needs to address. More exploratory, inductive theory building research is needed in this area to enrich our theoretical understanding of how INVs continue corporate growth beyond their emergence phase or initial internationalization. To capture the role of dynamic capabilities in this process, we advocate for ethnographic research that would allow capturing the phenomenon in real time rather than post-hoc (Zahra et al. 2006). Understanding whether and how INVs reach their made-it points would enhance our understanding of how early internationalization affect organizational survival and growth (Zahra 2005; Sapienza et al. 2006), how young ventures transition from entrepreneurial decision making mode to managerial, professional decision making mode (Mintzberg 1973) and evolutionary patterns of young ventures in general (Bingham 2009).

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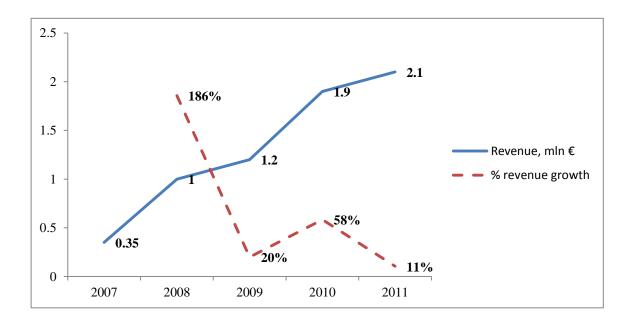Bingham

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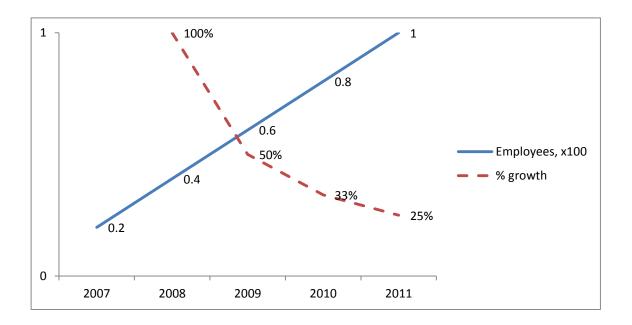
Figure 1. Soft-Kode growth data

Table 1. Substantive and theoretical coding

Substantive coding (examples)	Theoretical coding	Definition
I feel my other partners never understood what could have been the benefit of having these people around. And in that sense, we never got out of that maybe startup phase where you actually have external people in the board and that you can actually use in your benefit. But we always kept all the things in our hand and that is the biggest, in my opinion that is the biggest sort of startup disease. (Co-owner)	Tensions	A relationship between ideas or qualities with conflicting demands or implications (Macmillan and Oxford dictionaries).
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. (CEO/co-owner).	Experimentation	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 (Covin and Slevin, 1997; Nicholls-Nixon et al., 2000).
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. (CEO/co-owner)	Legitimacy lies	Intentional misrepresentations of the facts (Rutherford et al. 2009)
There are still patterns that we follow in the decision making of the company that are not that professional. And there are sometimes some of us still think that we are still that 3-5 people company that we used to have development meetings in sauna and a bottle of beer Monday mornings, so… in a way as I was thinking about it... maybe we haven't made it at all. (CEO/co-owner)	Made-it point	An entrepreneurial threshold, a transition from the emergence to the professional management stage (Zahra and Filatotchev, 2004)

Appendix 1. Interview protocol

I. INTRODUCTION

To introduce:
- The project
- Research questions
- Research scope: pre-post start-up period
- Interview structure
- Ethical issues, i.e. confidentiality and permission to record

II. MAIN BODY

Brief introduction of interviewee and his/her company and his/her relationship to the company

When do you believe you had the so called 'made-it' feeling and why?

Could you please take us through the process of the start-up from the very beginning:

From the idea/opportunity identification through its pursuit?

How and why you started your business?

And if we were with you at that time, what we could observe you doing?

Based on your discussion, in your opinion, what were the critical events/decisions during this process that led to the 'made-it' point?

What are the major concerns *now* and why?

Could you elaborate on that?

What has changed from the date of 'made-it' point and *how* in relation to critical events identified above (during start-up period)

Could you elaborate on that?

What would you do differently during the start-up period prior to the made-it feeling; and why?

How in your opinion these (different critical actions) affect/impact current decisions/business/decision making.

III. CONCLUSION

In your view, what should we have asked you that I did not think to ask?

Ethical issues:
- Re-assure confidentiality of data

What happens after interview:
- Interview will be transcribed and analyzed
- Transcribed interview will be sent back to you for further comments;
- Follow-up interviews will be sought to gain further clarification, understanding, and explanations of particular areas of interest

Thanks a lot for your time and useful insights

Appendix 2. Adapted screenshot of theoretical codes in NVivo