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Have We Made It? Investigating Value-creating Strategies in Early Internationalizing Ventures

Introduction

In this paper we study how and whether international new ventures (INVs) made it beyond their start-up or internationalizing phase, aiming to generate early theoretical constructs to guide international entrepreneurship research in this substantive area. We define an INV as a new venture that seeks profits from international activities right from its inception or immediately after (Oviatt and McDougall, 1994). We define the *made-it* point as an entrepreneurial threshold at which point an INV undergoes “a transition from the emergence to the professional management stage” (Zahra and Filatotchev, 2004, p. 41). At the same time, we view the *made-it* point as a process of emergence of the 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 *et al.*, 2006, p. 169).

We position the paper at the intersection of international entrepreneurship and dynamic capabilities, aiming to address a number of gaps in these research fields. Despite numerous empirical studies (for review, see Jones *et al.*, 2011), the research in international entrepreneurship has focused mainly on how and why INVs internationalize from their inception (Jones and Coviello, 2005; Jones *et al.*, 2011). The evolutionary patterns of INVs (Bingham, 2009; Sleuwaegen and Onkelinx, 2014) as well as the effect of early internationalization on organizational survival and growth (Zahra, 2005; Sapienza *et al.*, 2006) are less understood (Almor *et al.*, 2014).

Given that empirical research in international entrepreneurship on continued corporate growth in INVs beyond their start-up phase or initial internationalization is scarce, we explore how INVs transition from the start-up or internationalizing phase to the phase of having internationalized, or even whether they actually *made-it* to that phase.

Within the dynamic capabilities view of the firm (Eisenhardt and Martin, 2000; Winter, 2003; Sapienza *et al.*, 2006; Zahra *et al.*, 2006; Teece, 2007), a general consensus emerges that “...the concept of dynamic capabilities is insufficiently underpinned by empirical data” (Easterby-Smith and Prieto, 2008, p. 237) and that “much remains to be learned about the underlying mechanisms, processes, and intermediate outcomes associated with dynamic capabilities” (Easterby-Smith *et al.*, 2009, p. S3). To the above, 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., Lichtenstein *et al.*, 2006; Bingham, 2009; Autio *et al.*, 2011). In this paper, we explore value-creating activities entrepreneurs pursue to achieve a threshold level of practiced activity – a *made-it* point – possibly leading up to a steady state of the venture for the first time. We argue that, by understanding whether and how INVs reach their *made-it* points, we would enhance our understanding of how early internationalization affects organizational survival and growth.

Conceptual Background

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’ state or organizational gestalt to generate new value-creating strategies (Eisenhardt and Martin, 2000). We define organizational gestalt as consisting of mutually supportive organizational system elements combined with appropriate resources and behavioral patterns (Covin and Slevin, 1997). 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 a venture’s ability to solve a problem or produce a desired output, be this tangible or intangible; whereas dynamic capability refers to a 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 to 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 and Peteraf 2003; Zahra and Filatotchev, 2004). The primary methods for discovering or developing dynamic capabilities are through trial-and-error, improvisation, and imitation (Zahra *et al.*, 2006; Autio *et al.*, 2010). 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.*, p. 496). Compared to established organizations that have well-established capabilities, which these organizations may modify, new ventures can 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 and Martin, 2000). Lichtenstein *et al.* (2006) found that, in the process of emergence, entrepreneurs experiment with their young venture – the 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 decisions, actions and interventions; and at the third level, with the 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 the 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, the 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 *et al.*, 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 the 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 and 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 a high number of iterations to change and improve a dynamic capability inevitably results in a 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 have 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 the 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 and Wilkins, 1991). Following the intensity sampling strategy, we purposefully selected information-rich, but not extreme cases (Miles and Huberman, 1994). We identified two case companies, Soft-Kode and Soft-Med, 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 (Coviello and Jones, 2004; Cesinger *et al.*, 2012). To control for the effect of the external environment on selected cases, such as legislation, market size, and regional location, we confined the study to a homogeneous empirical context, this being a remote region in the Northern Finland. The potential effect of resource bias was also controlled for by the size of the selected cases, i.e., both being small that is defined as less

than 100 employees (Storey, 1994). In Table 1, we provide a summary of growth data of the case companies.

"Insert Table 1 Here"

Soft-Kode (Appendix 1) is a software company with expertise that covers the whole lifecycle of software development, from requirement collection and project planning, to software implementation and testing, and all the way to maintenance and support services. Soft-Med (Appendix 2) is a health technology company that, through innovation and ongoing neurobiological research, aims to deepen the understanding of treating various types of disorders and neurological diseases and to manufacture and sell respective products. These comparative cases are interesting because they provide us with contrasting empirical contexts, allowing us to study, at various operating levels, the positive and negative effects dynamic capabilities have on these ventures' continuing corporate growth.

Data Collection and Analysis

We initially collected unobtrusive data in the form of running records and mass-media news reports from the inception of the case companies. We then conducted in depth interviews with key decision makers of the 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. The authors conducted the interviews in English and personally transcribed the interviews. Open questions were asked during the encounters, allowing the interviewees to do most of the talking. As these were retrospective questions, they were framed to clearly distinguish between the time contexts (Coviello, 2015), e.g., between a

start-up and adolescent venture (Turcan, 2006). We controlled the interviews by probing critical incidents and clarifying understanding, asking follow-up questions to ensure that a comprehensive and detailed account has been given, as well as by avoiding any leading questions. For confidentiality reasons, interviewees' and companies' names are disguised throughout the paper.

To uncover and analyze respective critical events and incidents, we employed critical incident technique guidelines for data analysis. 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).

As a first step, we initially identified and described critical incidents for the case companies. In Appendix 1 and 2, employing a critical event chart (Miles and 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. The *made-it* point – whether achieved or not – was chosen as an initial frame of reference alongside goal (vision), decision (strategic) and behavioral (tactical) levels (Lichtenstein et al., 2006). 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). 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. In this part of data analysis, we borrowed a coding technique from Grounded Theory methodology, namely theoretical coding (Glaser 2005). During data analysis process, we moved from open codes to theoretical codes; Table 2 exemplifies the coding process. 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 the *made-it* points (Pratt, 2008).

"Insert Table 2 Here"

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.

Gestalt tensions

Our analysis suggests that tensions in the organizational gestalt fuel entrepreneurs' experimentation efforts. As part of our theoretical coding (Table 2), we defined *tension* as a relationship between ideas or qualities with conflicting demands or implications (Tension, n.d.). We observed such tensions at the various levels of the organizational gestalt. Over the years, Soft-Kode owners were struggling to optimize the ownership structure of their venture: whether it should be a partnership, joint venture, or a holding. As of today, just over 5 years after the creation of the holding, the Soft-Kode owners have realized that such a holding

structure is not optimal and they are considering 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, the Soft-Med owners had conflicting views over the ownership structure when it came to deciding whether or not to accept venture funding. The tension was between “...*freedom to do things*” as one of co-owners said, and the risk of going bankrupt due to a lack of funding. Given the nature of the tension, the Soft-Med owners found themselves enslaved rather than in a happy marriage (Turcan, 2008). As the 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.

Having been the entrepreneurs of their respective ventures over six years, they were yet 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 the 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.

One of the entrepreneurs’ major concerns was how to ensure the quality of the process of product development and how to scale up their businesses much faster. In this, they faced the dilemma, for example, between outsourcing and insourcing, and 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.

Strategic experimentation

Experimentation was identified as a means that entrepreneurs employ to create value in their ventures. For the purpose of theoretical coding (Table 2), building on Covin and Slevin (1997) and Nicholls-Nixon *et al.* (2000, p. 496) we view *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 – the *made-it* point.

The entrepreneurs, six years after starting-up their ventures, were still 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 the timing and sequence 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 was captive (Turcan, 2012) to a niche that “*is very small, with maximum penetration we can get*”, as the 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 the strategic and functional areas of their ventures (Lichtenstein *et al.*, 2006) and improvise on 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 an 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 was experimenting 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 a difference in the timing of efficiency-seeking experimentation and efficacy-seeking experimentation.

Further in our data analysis we observed that the process of experimentation or improvisation (Fisher, 2012) 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 and Zeitz, 2002) by telling legitimacy lies: another value-creating strategy. As a theoretical code (Table 2), we defined *legitimacy lies* as "...intentional misrepresentations of the facts" (Rutherford *et al.*, 2009, p. 950). For example, the 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, "*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 a certain size: no less than 50 employees. At one point, in order to get a large contract from a large company (as an 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.

A legitimacy lie, as a subjective construct, is indeed in the eye of the beholder. Some of Soft-Med'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 route to market (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-Med's medical experiments

and results were questioned, and Soft-Med ran into resistance and negative publicity in the 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 the *made-it* concept applies: entrepreneur level and venture level. At the entrepreneur level, entrepreneurs mentioned their own *made-it* point, highlighting their own learning experience as well as their 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 it:

“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 the organizational gestalt, e.g., getting professional management, establishing an optimal organizational structure, getting better projects from large customers, making profits, growing in the number of employees (see Table 1), taking control over the whole product development process, developing their 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 out 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 to pass a threshold level of practiced activity, a *made-it* point. We find entrepreneurs experiment (Zahra, 2005) with and reconfigure their venture's organizational gestalt in order to reach a threshold level of practiced activity (Helfat and Peteraf, 2003; Zahra and Filatotchev, 2004). We further find that entrepreneurs' experimentation efforts are fueled by tensions that exist at goal (vision), decision (strategic) and behavioral (tactical) 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.

Entrepreneurs' primary concerns were to reach an optimal ownership structure of the venture, given the nature of the opportunity pursued; to identify his/her venture's business proposition to the market; and 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 behavioral (tactical) 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 a longer period due to the lack of substantive capabilities and/or capacity to acquire the respective substantive capabilities. This deficiency, we maintain, in turn creates a barrier in acquiring the 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: a *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 a single 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 the respective dynamic capabilities: efficiency-seeking and efficacy-seeking dynamic capabilities. These observations led us to posit that:

P1: Entrepreneurs who seek efficacy will tend to improvise with opportunity selection consecutively, while those seeking efficiency will tend to improvise with opportunity selection simultaneously.

P2: 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:

P3: 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:

P4: The process of experimentation (improvisation) is moderated by the availability of resources.

Future research is needed to identify the sign of the relationship in P4 since our findings are contradictory. In one case we find that less available resources leads to less improvisation with the opportunity selection and more improvisation with opportunity execution. In another, the opposite is observed: less availability of resources leads 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 view telling legitimacy lies as part of symbolic and impression management (Zott and Huy, 2007) that "...refers to the process by which individuals attempt to control the impressions others form of them" (Leary and Kowalski, 1990, p. 34). We maintain that entrepreneurs tell legitimacy lies to compensate for the lack or inadequate quality of substantive capabilities. Employing this type of dynamic capability, entrepreneurs aim to gain legitimacy for their ventures faster (Zott and Huy, 2007), moving their ventures faster towards a steady state, a *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 as illegitimate (Elsbach and Sutton, 1992) and as clashing with social norms or organizational goals (Scott, 1987).

We are cautious when it comes to discussing whether INVs have made it or not by creating and exploiting various substantive and dynamic capabilities. Here we side with Zahra *et al.* (2006), who warn 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 an entrepreneurial to a professionally-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 and Bettis, 1986) in the new venture during the emergence stage.

Further theorizing

We have introduced the concept of the *made-it* point in order to investigate how and whether INVs made it beyond their start-up phase or initial internationalization. On the one hand, we defined the *made-it* point as an entrepreneurial threshold, whereby an INV transitions from an entrepreneurial to a professionally-led organization. On the other hand, we viewed it as a process of emergence of the entrepreneurial threshold. To move the enquiry beyond this substantive area of research to get a better understanding of continued growth, evolutionary patterns, as well as organizational survival of young entrepreneurial ventures, further conceptualization of the *made-it* point is needed.

We turn to the concept of *turning point* for this purpose. As a concept, a turning point has a number of properties that allow us to advance our understanding of the dynamic capability view of the firm. A turning point is a process. As a process, it involves a course correction

(dynamic capability); it redirects the path (new routines or substantive capabilities are established), and requires certain strategies and choices (Hareven and Masaoka, 1988; Abbott, 2001). A turning point refers to two points in time (Abbott, 2001). For a turning point to exist, there should be a passage of sufficient time between the two points (between two substantive capabilities), making sure that the direction of the course (trajectory) has been changed either in direction or in nature (Abbott, 2001). A turning point can be defined only a posteriori. Following this hindsight property, the analysis of a turning point "...makes sense only after the fact, when a new trajectory or system state is clearly established" (Abbott, 2001, p. 250). This property has direct implications on the methodology and methods of researching dynamic capabilities in organizations (see also Zahra *et al.*, 2006). Uncertainty further defines a turning point; it defines the nature of trajectories or system states on either side of a turning point. An event that moves from uncertainty to a trajectory that is certain and directional is what Abbott (2001) calls focal turning point. A randomizing turning point, according to Abbott, is an event that moves from certainty (or a stable trajectory) to a trajectory that is uncertain (or random). For example, researchers may conceptualize the dynamic capability in young ventures as a focal turning point whereby steady states (routines or substantive capabilities) are sought for the first time at various levels in the organization.

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 and Onkelinx, 2014). Understanding whether and how INVs reach their *made-it* points would

contribute to our understanding of how early internationalization affects INVs' organizational survival and growth. We have also suggested employing the concept of turning point in future research to advance our understanding of the dynamic capability view of the firm.

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Table 1: Growth data of case companies

		2009	2010	2011	2012	2013
Soft-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

Table 2: Coding process exemplified

Substantive coding (example quotes)	Theoretical coding	Definition
<p>Previously we had freedom to do the things but when VCs come in, they start to build it to become a firm. It's not the same anymore. I felt that it's not my thing anymore and I was also in burn out and lost my motivation. (Co-owner, Soft-Med)</p> <p>If I would be more jealous when it comes to power, nobody would have turned to me and scaled it up. (CEO/Co-owner, Soft-Med)</p> <p>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, Soft-Kode)</p>	(Gestalt) tension	A relationship between ideas or qualities with conflicting demands or implications (Tension, n.d.).
<p>In fact we thought that it works also to [this state] in the very beginning, but we decided to start with a more limited [disease]...The markets were more clearly structured. (Co-owner, Soft-Med)</p> <p>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, Soft-Kode)</p>	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 <i>et al.</i> , 2000).
<p>Soft-Med aimed to produce supporting evidence, a challenge for an invention unknown to the scientific community, made by non-medical outsiders, with a complete lack of basic research, not a single article ever written about the topic. They had to make the thing look like something scientific. (A stakeholder of Soft-Med)</p> <p>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,</p>	Legitimacy lies	Intentional misrepresentations of the facts (Rutherford <i>et al.</i> , 2009)

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, Soft-Kode)

Of course completing all the big processes such as medical device approval and sales license have been nice ones. But the best moments were when some people, customers gave feedback, someone called and told how the product had helped. Even now, people come and tell me that our product has helped them. (Co-owner, Soft-Med)

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, Soft-Kode)

Made-it point

An entrepreneurial threshold, a transition from the emergence to the professional management stage (Zahra and Filatotchev, 2004)

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 Finish 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	