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Post-Entry Survival of Developing Economy International New Ventures: A Dynamic Capability Perspective

Zaheer Khan (✉)

Reader (Associate Professor) in International Business
Kent Business School, University of Kent, Parkwood Road, Canterbury CT2 7PE, UK
z.khan-53@kent.ac.uk

Yong Kyu Lew

Associate Professor of International Business
College of Business, Hankuk University of Foreign Studies, Seoul, Republic of Korea
yklew@hufs.ac.kr

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Abstract

Recent research suggests that the capabilities needed for the survival of international new ventures (INVs) may be at odds with the original aims that had brought them into the international markets. INV mortality is exacerbated by uncertainty and lack of familiarity with the host market environment, which elevates the liabilities of newness, smallness, and foreignness in the initiating companies. We investigate the key factors that determine the post-entry survival of developing economy INVs by analyzing in-depth seven software INVs originating in the developing economy of Pakistan. These INVs survived the 2000 dotcom crisis and the 2008 global financial crisis, and continue to grow. Based on a dynamic capability view on the INVs' internationalization and survival from sensing-seizing-reconfiguration angles, we find the founders' entrepreneurial orientations and network development capabilities (sensing), specialized product focus and niche market development (seizing), and transformation and renewal capabilities (reconfiguration) are the key capabilities that enhance the post-entry survival of these INVs. Importantly, we find that a stable leadership and the post-entry international experience of the leadership team continuously feed into facilitating the creation and maintenance of dynamic capabilities. This paper identifies key strategic aspects that determine the post-entry survival of the developing economy INVs.

Keywords: international new venture, internationalization, dynamic capability, post-entry survival, specialization, stable leadership

Introduction

In this paper, we investigate how developing economy international new ventures (INVs) survive after internationalization. The emergence of INVs that operate and serve internationally has been one of the key subjects of interest across the globe (e.g., Autio, George & Alexy, 2011; Coviello & Munro, 1997; McDougall, Shane & Oviatt, 1994; Oviatt & McDougall, 2005; Knight & Cavusgil, 2004; McDougall et al., 1994; Mudambi & Zahra, 2007).

Surprisingly, however, the impact of the early internationalization of developing economy INVs on their ‘*continued*’ growth and ‘*survival*’, and the strategic implications for start-ups are not well documented in the INVs literature (Cavusgil & Knight, 2015; Gerschewski et al., 2015; Mudambi & Zahra, 2007; Sapienza, Autio, George & Zahra, 2006; Zahra, 2005). Recent research on developing economy company internationalization has focused on large emerging multinational enterprises (EMNEs) (Aybar & Ficici, 2009; Contractor, Kumar & Kundu, 2007; Luo & Tung, 2007; Ramamurti & Singh, 2008).

Also, the majority of INV studies addressing the issues of internationalization deal with why and how INVs have internationalized from their inception, mainly focusing upon the early internationalization period (Autio, Sapienza & Almeida, 2000; Coviello, 2006; Jones & Coviello, 2005; Weerawardena, Mort, Liesch & Knight, 2007; Zhou et al., 2007). Although successful start-up small and medium-sized enterprises (SMEs) play a crucial role in today's global economy, little research has endeavoured to track their evolution over time (Jones et al., 2011; Knight, 2015; Zahra, 2004). Therefore, gaining a better understanding of the post-entry trajectory of internationalizing companies is important, as INVs from developing countries have not been sufficiently studied in the wider international business and organization literature (Gerschewski et al., 2015; Mudambi & Zahra, 2007). In the literature, it is widely suggested that, by entering into international markets, INVs increase their risk of

failure. For instance, the existing literature suggests that the failure rate for such companies is of 40% in the first year and of 90% over 10 years (Timmons, 1990).

Few studies on INVs have investigated their growth and survival after their initial international success (Gabrielsson & Gabrielsson, 2013; Prashantham & Young, 2011; Mudambi & Zahra, 2007; Sapienza et al., 2006; Zahra, 2005). However, the key interests of these studies are rather conceptual and much of this research has been carried out on developed economy INVs. Investigating the post-entry survival of developing economy INVs is critically important because the initiating companies are more subject to liabilities of foreignness, newness, smallness, and social connectedness (Brüderl & Schüssler, 1990; Stinchcombe, 1965; Zaheer & Mosakowski, 1997; Zahra, 2005). The developing economy context is especially important because of the accentuated need for capability development brought about by its adverse external conditions—Pakistan being a case in point. The country has been negatively affected by frequent changes in government, high political instability, lack of domestic finance for SMEs, underdeveloped entrepreneurial ecosystem and lack of policies focusing on SME development. Research on developing country INVs can benefit new international start-ups, as it is important to understand how these companies cope with pronounced domestic resource constraints; an understanding of their post entry trajectories is therefore crucial. Why do some INVs originating in developing economies succeed and survive while others fail? It would appear that not much is known about the factors determining the post-entry survival of these INVs, as they remain an under-explored topic (Gabrielsson & Gabrielsson, 2013; Keupp & Gassmann, 2009; Sapienza et al., 2006).

With regard to the above, Sapienza et al. (2006) argued that successfully growing INVs have experienced organizational shocks in their foreign market expansions. The survival of such INVs through those shocks might depend on whether the companies were capable of developing new streams of capabilities and improving their existing ones to overcome the

peculiarities of foreign markets (Hashai, 2011; Knight & Cavusgil, 2004). Thus, INV survival may require higher order capabilities (e.g., dynamic ones) which could somewhat differ from those (e.g., ordinary or functional ones) needed for daily base business operations in local markets (Agarwal & Helfat, 2009; Audretsch, 1995; Teece, 2014). Although research on dynamic capabilities is growing, Teece (2007: 1341) comprehensively conceptualized dynamic capabilities as being related to the sensing, seizing, and reconfiguring dimensions: *'The enterprise will need sensing, seizing, and transformational/reconfiguring capabilities to be simultaneously developed and applied for it to build and maintain competitive advantage'*.

In this paper, drawing on Teece's (2007, 2014) dynamic capabilities approach from the sensing, seizing, and reconfiguring perspectives, we examine what key capabilities are pivotal for the post-entry survival of developing economy INVs. By doing so, we firmly bring the dynamic capabilities perspective into the understanding of the survival of developing economy companies, as this facet had hitherto been neglected. Our units of analysis are INV software companies from Pakistan. In this way, we respond to calls to investigate INVs from developing economies (Knight, 2015).

Given the lack of prior research on the factors determining the survival of SMEs from developing economy contexts, we use multi-case, inductive methods to investigate seven software INVs originating from Pakistan that have survived and one that did not. By including both surviving and non-surviving companies, we respond to scholarly suggestions to include both instances (e.g., Gerschewski et al., 2015). The approach adopted in this paper is also in line with suggestions for an integrated and more qualitative approach, as recommended by Coviello & McAuley (1999) and Gabrielsson & Gabrielsson (2013). We conducted in-depth interviews with multiple key informants from the software INVs, which were founded prior to 2000, went through the dotcom and financial crises, and, in seven out of eight cases, are continuously growing and operating in the international market.

Our findings suggest that those INVs that have survived the environmental crises have a common set of operational capabilities that feed back to dynamic ones. Firstly, the case companies were increasingly specializing as they internationalized; e.g., by developing focused and specialized products. What is more, the INVs' development of dynamic capabilities was driven and supported by the individual entrepreneurs/founders' stable leadership. This indicates that the specific actions taken and decisions made by the entrepreneurs/founders laid the foundations for the INVs' post-entry survival (Gabrielsson & Gabrielsson, 2013; Knight, 2015; Teece, 2014).

Our study makes important contributions to the international business and entrepreneurship literature by linking a capability-based view of the SMEs to their survival in international markets. It demonstrates the importance and impact of dynamic capabilities in general—and of more specific-capabilities such as sensing, seizing, and transforming—on the post-entry survival of developing economy INVs. Furthermore, it extends the recent research on the role played by individual entrepreneurs in the dynamic capability framework of the developing economy INVs context. Lastly, we not only study survivors but also a non-survivor; by so doing, we provide a more fine grained view of the role played by dynamic capabilities in the survival of INVs.

Conceptual background

INV internationalization

INVs internationalize rapidly into foreign markets by utilizing their key resources and learning capabilities (Autio et al., 2000; McDougall et al., 1994). The previous internationalization process theory explains the risk adverse incremental internationalization of a company as being due to the psychic distance that exists between the foreign markets and the home countries (Johanson & Wiedersheim-Paul, 1975). An internationalizing company

experientially learns about overseas markets (Johanson & Vahlne, 1977, 1990). However, topical EMNE internationalization research explains how those companies aggressively invest in building capabilities in their internationalization processes based on their home-based learning and country-specific advantages (Luo & Tung, 2007; Ramamurti & Singh, 2008). Also, the recently revised internationalization process theory points at the liability of outsidership, thus highlighting the importance of developing business networks to learn about foreign markets (Forsgren, 2016; Johanson & Vahlne, 2009; Lew et al., 2016). INVs need to develop capabilities for their growth and survival in foreign markets in that they have to deal with their liabilities of smallness, newness, and foreignness (Zaheer & Mosakowski, 1997; Zahra, 2005; Sui & Baum, 2014).

Dynamic capability view and INVs Survival

The resource-based view of the firm suggests that its resources and its organizational capability to exploit them play an important role in its growth and survival (Mudambi & Zahra, 2007; Sapienza et al., 2006; Wernerfelt, 1984). The availability of valuable, inimitable, rare, and non-substitutable resources is crucial for INVs to sustain their competitive advantage in foreign markets (Barney, 2001). However, this view is rather static, and has limitations in explaining the dynamic development process of such resources through organizational capabilities. In the field of strategic entrepreneurship, the extant literature suggests that a company's heterogeneity is central to understanding the post-entry behavior of INVs as well as its effects on their survival (Hitt, Ireland, Camp & Sexton, 2001; Ireland, Hitt & Sirmon, 2003). This indicates the importance of identifying the value-creating process adopted by INVs to overcome their liabilities of foreignness and smallness in their internationalization progression and post-entry survival.

Based on the fact that INVs often suffer from resource constraints (McDougall et al., 1994), the key concerns of developing economy INVs' in relation to their growth and

survival in the international market could involve securing the necessary amount of resources, and developing and diversifying their capabilities (Autio et al., 2011; Mudambi & Zahra, 2007; Sui & Baum, 2014). The resources and capabilities needed for long-term competitive advantage could differ from the ordinary or operational capabilities needed to manage and tune the rather repetitive functional work relevant to local markets.

Resources themselves are not sufficient for growth; it has been shown that the capability of deploying any resources is necessary for company growth and survival (Verona, 1999). Recently, research in dynamic capability has flourished (e.g., Agarwal & Helfat, 2009; Helfat, 1997; Teece, 2014; Teece & Pisano, 1994; Zollo & Winter, 2002). Dynamic capability is represented by the organizational and strategic routines by which managers alter their companies' resource base through the acquisition, shedding, integration, and recombination of resources to generate new value creation (Autio et al., 2011; Eisenhardt & Martin, 2000). Such capabilities are embedded in a company's processes—such as those pertaining to coordination, learning, and reconfiguration—thus, it needs to develop dynamic capabilities to survive and grow (Teece, 1997). Dynamic capabilities therefore become the underlying source of competitive advantage. Capabilities are configurations of routines and resources that enable an organization to achieve its goals. Particularly, dynamic capabilities highlight a company's ability to reconfigure itself to adapt to its environment (Sapienza et al., 2006; Zott, 2003). As a company extends the scope of its activities beyond its national borders, it needs to adjust its resource configurations to support cross-border activities and overseas market environments (Hitt, Hoskisson & Hicheon, 1997).

In this paper, we aver that dynamic capabilities are more important than operational/functional ones to INVs, as the former represents the higher level of a company's competences that determine its ability to respond to changes in business environments by building, integrating, and reconfiguring both its internal and external resources and

competences (Teece, 2000; Teece & Pisano, 1994). Extant research has suggested that a company's general organizational-level capabilities contribute to its learning and innovation outcomes (Leonard-Barton, 1992) and to its financial performance and competitive advantage (Eisenhardt & Martin, 2000).

In particular, Teece's (2007, 2014) recent studies have conceptually structuralized such company competence processes as 'sensing-seizing-reconfiguring' capabilities (i.e., dynamic capabilities) in the rapidly changing industry sector¹. It is useful to hold such perspectives in the analysis of technological INV survival in an environment as turbulent as that of the software industry. First, the sensing capability enables the identification of opportunities and threats present in foreign markets, which helps to explain an entrepreneurial company's (e.g., an INV's) risk-taking or -avoiding behaviors as well as its learning ones (cf. Johanson & Vahlne, 1977). Next, the seizing capability explains a company's innovation-creating process through its 'seizure' of opportunities, benefitted by the development of capability and resource allocation mechanisms within company boundaries. Finally, the reconfiguring capability is related to a company's organizational value-capturing abilities, expressed by the re-alignment of resources, the re-designing of the organizational architecture, and their meshing, followed by seizing opportunities. A company's ability to add and (re-)configure resources into competences involves exploratory learning (Floyd & Lane, 2000; March, 1991). A company has to coordinate and interconnect multiple activities that are all aimed at a specific objective—for example, growth and adaptation to changing market environments (Helfat & Peteraf, 2003). Thus, the reconfiguring dimension can help in explaining INV survival and growth. In general, INVs need to develop dynamic capabilities for their survival even after their initial success in foreign market entry.

¹ In a sense, it is related to the strategic fit between the firm's internal organization and external 'dynamic' environments.

When INVs enter international markets, they need to develop the necessary capabilities and adapt them to their operations, as different host country markets present different institutional settings. Also, due to the liabilities of foreignness (Zaheer & Mosakowski, 1997), and newness (Brüderl & Schüssler, 1990), INVs arguably require substantial investment in the development of their dynamic capabilities. Furthermore, the time and investment required in developing such capabilities affect INV survival potential (Sapienza et al., 2006). It is in this context that Sapienza et al. (2006) suggested that internationalization decreases INV survival potential. The cost of developing capabilities may decrease over subsequent market entries, as companies develop their knowledge and learn from their prior experiences. Thus, companies gradually internationalize and reduce the risk linked to their liability of foreignness by developing experiential learning (Johanson & Vahlne, 1977). However, due to the high costs associated with the development of capabilities such as organizational routines in foreign markets, the rapid internationalization mode of INVs may involve significant risks (Shrader, Oviatt & McDougall, 2000). These two contrasting views of company internationalization also led us to investigate the problems related to INV post-entry survival. In this paper, from a conceptual perspective, we use Teece's (2007, 2014) notion of dynamic capabilities as a general framework on the basis of its potential for providing an explanation of how INVs develop the necessary capabilities to survive in dynamic foreign market environments (Zhou, Barnes & Lu, 2010).

Research Context and Methods

The research context is Pakistan's IT-software industry, which is growing fast, with a global share in the range of \$2.8 billion, \$1.6 billion of which is generated through global sales (Pakistan Software Export Promotion Board, various reports). Around 700-1000 companies operate in Pakistan's IT sector; of these, two are listed in the national Karachi Stock Exchange, two in NASDAQ, and one in the Dubai International Financial Exchange. The

Pakistani IT industry has been evolving over the years and is now positioning itself on the road to growth. The industry also offers good revenue potential and large MNCs (e.g., Microsoft) have also hired large numbers of qualified software and systems engineers from Pakistan. There have been some recent successful start-ups; one such is Groopic, which developed a state-of-the-art camera-based application for iPhone and Android Google. The industry has witnessed two of the major global crises; i.e., the dotcom burst and the financial crisis of 2008. Specifically, the financial crisis impacted not only Pakistan's software industry, but was felt by the global IT industry as a whole, and is still affecting the demand and growth prospects of software and IT related services across the globe. Thus, the industry's focus has been on consolidating its position in the existing markets rather than on geographical expansion. Pakistan is a relatively little studied context compared to other similar ones such as the BRICS economies. The country has also repeatedly witnessed domestic turmoil. In particular, before the financial crisis, there had been considerable optimism about Pakistan's economic prosperity, especially during President Musharraf's tenure and up to 2007-8. Pakistan has also experienced considerable geopolitical tensions with its neighbours, especially India, which have placed the international revenues of Pakistani software companies under considerable stress. In addition, the Pakistani Software industry lacks good entrepreneurial and venture capitalist ecosystems for new start-ups. Therefore, this context provides a scope for the understanding of the post-entry survival of INVs, particularly of those originating from such adverse environments. The article looks at how these companies have developed their capabilities in spite of their difficult domestic environment, and at how they renew their key capabilities during and following times of crisis. In such scenarios, we believe that the time is right to investigate the factors affecting the post entry survival of some software INVs from the developing economy of Pakistan.

Data collection

To study the factors affecting the survival of Pakistani INVs, we adopted an exploratory multiple-case approach. We selected this approach for a number of reasons; a case study approach gives a certain meaning to the research phenomenon because it provides useful insights about the context in which the cases are embedded (Yin, 2013). Furthermore, it is a good approach to researching under-explored issues, which can facilitate theory development (Eisenhardt & Graebner, 2007; Welch, Piekkari, Plakoyiannaki & Paavilainen-Mäntymäki, 2011). In this paper, we investigate the key factors affecting the continued survival of these INVs in international markets. We believe that a case study approach is the viable option to address this important question and, moreover, since our context is understudied, a qualitative case study approach would serve well to get useful insights from key informants such as the INVs' entrepreneurs/CEOs (Doz, 2011). Moreover qualitative studies on this topic are rare in the field of international management (Birkinshaw, Brannen & Tung, 2011; Cavusgil & Knight, 2015; Doz, 2011)

We chose a purposive sampling technique (Welch et al., 2011). A list of thirteen INVs that had internationalized from inception and were still operating in the international market was extracted from the Pakistan Software Export Board database. We also made sure that the companies were founded prior to 2000, and that they had at least generated 25% of their sales incomes through exports (Knight & Cavusgil, 1996), these criteria ensured that the selected case companies had endured a sufficient period of financial and dotcom crises in their growth patterns. The selection process also added confidence to our findings. When we contacted the thirteen companies, eight agreed to participate in this study. Out of those eight, seven were still operating in international markets, while one had de-internationalized and was currently focusing on the domestic market. We included this company in order to compare and contrast the findings of the seven companies in an '*etic*' perspective (Yang, Wang & Su, 2006). For

the sake of brevity, our interest and focus is on the seven ‘surviving’ companies. The characteristics of these companies are shown in Table 1.

Insert Table 1 about here

This sample falls within Eisenhardt’s (1989) recommendations for the appropriate number of cases—between four and ten—which is sufficient for generalization and relatively easy to deal with during the data analysis (Yin, 2004; 2013). Initially, we conducted pilot telephone interviews with two of these companies’ founders/CEOs and senior business development managers to clarify and seek their feedback on the interview guide. Following this process, we conducted semi-structured interviews with multiple key informants from these companies, including entrepreneurs/founders, CEOs, Owners, Vice Presidents, Presidents, VPs Marketing & Sales, and Business Development Managers who could provide rich information on the factors affecting the continuing growth of their companies after successful internationalization. The first phase interviews were conducted from November 2011 to February 2012, and the second round between June and September 2012. The interviews were conducted separately with each of the companies.

To conduct the interviews, we adopted an interview guide (Miles & Huberman, 1994) that included questions mainly related to the factors affecting the continued survival of these companies, motivation and process of internationalisation, home market support for internationalisation and capability development, role of the top management and founders prior experience during the pre and post internationalisation phase, product and service offerings in foreign markets, reasons behind the post-entry survival and performance, how have they navigated and overcame dot-com and financial crisis and their future internationalization and growth plans. However, the main focus remained on the factors behind the survival of these SMEs, as this was the main subject under investigation. Follow up prompt questions were also used as the interviews progressed. All the interviews were

conducted in English as the entrepreneurs felt comfortable with this approach. On average, each interview lasted for 60-75 minutes. All the interviews were tape recorded and subsequently transcribed. In order to minimize respondent bias (Miller, Cardinal & Glick, 1997), we also collected secondary source data about the success of these companies in the international market from both the case companies and leading Pakistani English language daily newspapers. For a period of one month, we also visited the companies' websites to check the products and services they were offering, their major clients, and to see whether any of the information had changed. The respondents were also promised confidentiality, encouraged to share their views as freely as possible, and to supply any other relevant information which could provide useful insights into the topic under investigation.

Data Analysis: cross-case analysis

We started the data analysis by transcribing individual cases. We used within and cross-case data analysis techniques as suggested by Eisenhardt (1989) and Miles and Huberman (1994). The within-case analysis was used to concentrate on the emergent themes related to the factors affecting the continued survival of these selected companies in the international market. The within-case analysis enabled us to proceed with the cross-case analysis of looking at the emergence of similar themes and relationships related to the factors affecting the survival of the seven companies in the case study.

In addition, we adopted data reduction techniques (i.e., selecting, summarizing, and coding) to draw conclusions and make verifications within and across cases (Miles & Huberman, 1994). In order to make the data analysis effective and efficient, we utilized computer-assisted qualitative data analysis software (CAQDAS) Nvivo 10 (Sinkovics, Penz & Ghauri, 2008). Nvivo was useful to record, sort, and divide the data into different topics according to keywords, which then enabled us to identify key themes and enact the subsequent data analysis. We also applied open, axial, and selective coding techniques for

data analysis (Strauss & Corbin, 1990). As patterns began to emerge from the data, we combined the codes into groups (e.g., specialization capability, niche market, focus, product specific knowledge, client relationships building, stable leadership, etc.) which formed categories. Once a category was identified through the pattern analysis (e.g., capability), it was further differentiated by breaking it down into subcategories (e.g., marketing, technological, or management capabilities). After several rounds of iterations and cross-case comparisons, we were able to narrow our focus down to a key set of capabilities that were sufficiently systematic to be acceptable. Through this approach, we focused on the key capabilities affecting the post-entry survival of the case companies, which are discussed in the following findings section.

Findings

The findings suggest that dynamic capabilities (e.g., sensing, seizing, and reconfiguring) and the role played by a stable leadership have been crucial in driving the capability development process and ensuring the ultimate survival of the studied companies. Below, we discuss these findings in detail.

Post-entry stability and international experience of the leadership team as a determinant of INV dynamic capabilities and survival

We find that the entrepreneurs' stable leadership and the international experience of the top management teams played an important role in the post-entry survival of the companies. Thus they are at the root of the dynamic capabilities for post-entry survival. Out of the seven companies, the CEOs and founders of five suggested that they had retained the same leadership teams that had been in place from their companies' inception. According to these entrepreneurs, a stable leadership sends positive signals to employees, clients, and other network partners. Our data indicate that founders/entrepreneurs play an important role in the

post-entry survival of their companies (see Table 2). In addition to these findings, it is notable that a stable leadership has a great effect on perspective product and service positioning decisions. Thus, a stable leadership drives survival processes because of the experience and reputation that the founders and CEOs have built with their clients. The data suggest that knowledge-creation and renewal capabilities were generally stronger in those companies that had a stable leadership.

The de-internationalized company (case company H) indicated that it had not survived in the international market as the original owner had returned to Pakistan to start a family and that his successor had limited experience in managing a company in the international market and had then sold the company on to one of his friends. Such frequent changes in the top management team had affected client management and the understanding of the needs of the market; the company had thus de-internationalized. Since then, the company has been focusing on the local Pakistani market. The company President suggested that it had been difficult to develop network relationships and generate revenues in the international market; it had thus been decided to focus only on the Pakistani market as it was better understood. This particular case shows how a stable leadership is important for these companies' survival. This could also provide insights into the particular context of Pakistan, as the country has seen frequent changes of government and political instability, which have affected its long-term economic growth. Thus, this highlights the crucial influence wielded by the entrepreneurs/founders on post- entry survival.

Sensing: Entrepreneurial initiatives and Network relationship development

The findings highlight several entrepreneurial initiatives that were important for the survival of the sample companies in foreign markets. The entrepreneurs suggested that, although focusing on a particular product or service was risky, they had been willing to take such risk rather than chase after fleeting opportunities. The founders of the seven surviving case

companies indicated that the management had realized early on that, to outperform their competitors and survive in the market, they would have to explore high risk and high reward product domains instead of taking on software bug fixing projects. For this purpose, once the companies had signed contracts to take on particular IT projects, the INV entrepreneurs had focused upon identifying those key areas in which their clients needed help and where they could offer their expertise. The findings suggest that the founders' expertise and experience were helpful in positioning their companies, focusing on specialized products vis-a-vis those of their competitors.

The entrepreneurs of the case INVs stated that potential product and service offerings had been proposed to foreign clients to ensure that their companies would own the operational capabilities and resources needed to serve all their focal customers' current and future needs. In addition to these findings, it is notable that a stable leadership had a crucial effect on perspective product and service positioning decisions. Thus, a stable leadership drives capability building processes due to the experience and reputation that leaders build with their clients. A strong belief in focusing on a niche product differentiation portfolio largely reflects the founders' entrepreneurial orientations and personal experience within a particular technological domain, but also derives from the renewing capability of sensing and seizing market opportunities. Founders/entrepreneurs have a history of actively scanning the market environment and spotting the needs of their clients. One case company CEO indicated: *"We actively explore new opportunities and focus on the current and future needs of our clients and on the general trends in our industry"* [Case company A].

The second capability was *maintaining network relationships*; the respondents indicated that their network relationships had been important for the initial internationalization of their companies, but had been far more important for their continued growth and post entry survival. All seven companies interviewed saw investing in and

maintaining network relationships as one of the key aspects of their ongoing growth and survival, as they had developed key products and gained knowledge through their networks. The entrepreneurs indicated that client relationships were one of the key areas upon which their companies had focused their energies. The following interviewees' quotes acknowledge the importance for growth and survival of maintaining network relationships.

During the early stage of our international operation, we might have been okay with so-so relationships; but, to grow, we believe in maintaining and sustaining partnerships with our clients, which bring repeated business for us and also act as a knowledge source, so we think that client relationships are most important during the growth and survival stages of our [company] and that, by maintaining these relationships, we are getting more business and key know-how from clients to develop new products [CEO case company A]

Similar views were expressed by other firms. For example, a case firm's founder suggested:

We build strong and deeper relationships with our clients and try to connect with potential clients through word of mouth; so, in a sense, deep relationships matter in our line of business [Founder case company D]

Thus, investing in and maintaining the relationships with clients and network partners were very helpful for the post-entry survival of the companies. This helped the companies not only to bring in repeated business but, through word of mouth, also brought in new clients for them. Also, some of the companies gained complementary capabilities, such as marketing and distribution, through these network alliances. The *de-internationalised* (company H) case also indicates that the company inability to develop strong network relationship played a vital role in the non-survival of the company. The President of the de-internationalized firm indicated the role of networks in the post-entry survival in a following way:

Network relationships are vital to businesses, especially when you are a small firm trying to navigate dynamic market environment, and in the process of establishing your business in an un-familiar [foreign] market.

These [network relationships and connections] also help you in getting timely business advice and valuable knowledge. In your home market you may know someone in the state machinery who can help you get more clients, however, establishing and continuously being part of the network in a foreign market is extremely important to not only stay in the business, but also get more customers which unfortunately we were unable to develop good network connections in our host market. The weak network formation ultimately affected our business [President case company H]

These views again highlight the importance for the development and maintenance of network relationship for the post-entry survival of INVs.

Seizing: Increasing Specialization—product and niche market development focus

The findings suggest that the case companies were increasingly specializing as they internationalized in order to survive. The results indicate that the development of proprietary and product specific knowledge, along with focusing on developing niche product portfolio differentiation capabilities, helped these ‘born global’ companies achieve post-entry survival. Our interviewees indicated that, after the successful internationalization of their companies, they placed lots of emphasis and effort in the development of proprietary and domain knowledge. The entrepreneurs suggested that the growth of their companies depended on having proprietary and domain-specific knowledge because their clients value this knowledge. The quotes in Table 2 suggest the importance for continued growth of having proprietary and domain knowledge. The entrepreneurs suggested that the founders’ previous experience was helpful in the development of specific product- and sector-related knowledge. Thus, once these companies became established in the foreign markets, they realized the importance of having specific proprietary and domain knowledge. The CEOs and managers of all seven INVs suggested the importance of developing proprietary knowledge, as the survival of their companies was down to the development of such knowledge. One of the case firm's President indicated:

It would have been difficult for us to sustain this long-term growth if we had decided to pay attention on a particular specialist domain during the initial internationalization process. It is vital for a small firm like us trying to establish its business in a foreign territory not to focus too much into a special domain area by declining the work that help you survive in a tough foreign marketplace like fixing minor programming bugs here and there. Experimenting with several domain areas is always helpful before selecting and deciding on your particular areas of interest and specialization [...][President case company E]

One of the important capabilities in which all of the seven INVs engaged was *specialization, focus and niche market*. All the cases studied indicated that, following their successful internationalization, their companies moved more towards specialization and focus. According to the entrepreneurs and managers, specialization and focus gave their companies an edge over their competitors as the industry is becoming ever more competitive and saturated. The entrepreneurs suggested that, during the early stages of internationalization, their companies mainly focused upon whatever business was coming their way and took advantage of it. The interviewees suggested that after the Y2K, they realized that, in order to survive, they had to focus on specialized product and service categories—niche product portfolio differentiation categories. The findings indicate that focusing on niche segments and having a greater specialization of products and services would ensure that their companies would reap the benefits. During the start of their internationalization processes, companies might get away without a well-defined focus and specialization; however, in order to survive in the foreign markets, ‘born global’ companies need specialization, focus, niche product portfolio differentiation, and strategies for serving their niche markets (see Table 2).

The entrepreneurs of all the case companies studied were of the view that, once their companies had established their presence in the market, in order to grow further and to become established, they needed to shift their focus more towards the refinement of their products and services. The managers also pointed out the important role played by the

founders in the survival of their companies. Thus, specialization, focus and serving niche markets helped the seven companies to survive once they had internationalized. In addition, differentiation can provide the basis for organizational survival. The President of the *de-internationalized company* said that it had not been able to develop a specialization in a particular product domain. He came to the conclusion that, with internationalization and to be successful in foreign markets—which greatly differs from operating from a home base—a company must quickly develop some form of specialization. The President of the de-internationalized firm stated:

I now strongly feel that survival of small firms in the host market depends on the ability of the firm to quickly find niche area to focus on and establishing specialization in a particular product category is important, otherwise clients will not know in which area your firm is good in and this can potentially created lot of problems for our company, as we are unable to focus on a particular product domain and develop specialization which significantly contributed towards our non-survival [President case company H]

This case further highlights the importance of increasing specialization to seize market opportunities under conditions of escalating internationalization.

Insert Table 2 about here

Reconfiguration: Transformation and renewal capabilities

The seven companies succeeded in creating new product portfolios by focusing on their customers' niche needs through the exploitation of their renewal capabilities (knowledge creation, new product development and the sensing and seizing of opportunities by actively engaging with their clients) and their regenerative ones (leveraging and reconfiguring their current product domains and resource bases). They indicated that, to support their product niche strategy, they had brought all the programming in-house instead of outsourcing the codes. The companies had also promoted diversity in their work force and incentivized their

employees with bonuses and stock options. The managers indicated that they actively supported employee-initiated innovations in their products, and that this had been helpful in establishing their domain niches. One President stated:

We encourage our employees to come up with innovative ideas aimed at improving our products and services portfolio. We actively promote diversity and try to improve communications and bonding amongst our employees and the top management [President case company C].

The seven companies indicated that they continue to bring innovation to their products and work practices. The entrepreneurs have taken on the role of boundary spanners and constantly engage with their clients to see whether additional clients can be located through word of mouth.

The companies also suggested that, after the dotcom and 2008 financial crisis, the demand for software had decreased; however, because of their sensing and seizing capabilities, the companies realized that they had to improve their operational capabilities to stay in the market. For example, an interviewee suggested:

We have spent a lot of time, energy and effort, especially after the dotcom crisis, to retain only those employees who were good in system integration and who were coming up with innovative ideas. We also restructured our internal company processes for generating new product development ideas and to provide one stop solutions to our clients; these have helped our company to secure long-term contracts with not only our existing clients but also in acquiring new clients through word of mouth [CEO case company A].

The companies also invested in launching a state-of-the-art past completed project repository knowledge management system to help their consultants to learn from past projects and apply best practices to existing and future ones. These process changes were important to identify client needs early on and act upon them to offer their clients better solutions. The President of the de-internationalized firm on the other hand stated that

reconfiguration and timely transforming products and internal processes are key in order to survive in foreign markets. The President of the de-internationalized firms highlighted the importance of transformation and renewal capabilities for improving the chance of survival in foreign markets in a following way:

Our firm got stuck in the legacy systems and only finding odds small software bug fixing projects. We were never really able to invest and improve our high end product development capabilities or shift the focus on enhancing relationship development and continuously engaging with our clients to adjust our capabilities for product development to the changing market realities, and relationship building which in hindsight I believe are important to survive in dynamic environment of host markets. We also did not investment much effort in nurturing talent who could spot changing clients needs or identify good projects [President case firm H]

These findings indicate the importance of reconfiguring, transforming and timely renewing capabilities in order to survive in foreign markets.

Discussion and Conclusion

In a response to the call to fill the gap in the literature and develop our understanding of INV post-entry survival, this study set out to investigate, from a dynamic capability perspective, how INVs cope and survive in international markets. Applying the dynamic capability perspective to INV post-entry survival issues, we studied the behavior of INVs originating from Pakistan. This perspective helps to better understand why and how INVs from developing economies survive in international markets; a topic that remains under-explored. We find the vital role played by top leadership actions in shaping company-level capabilities (Felin & Hesterly, 2007; Salvato & Rerup, 2011).

Unlike most previous studies focusing on INV motivations and their general process of internationalization (e.g., Jones & Coviello, 2005; Chetty & Campbell-Hunt, 2003; Coviello, 2006; Davidsson & Honig, 2003; Jones et al., 2011; Prashantham & Young, 2011;

Wright, Westhead & Ucbasaran, 2007) or on the role and characteristics of the founder entrepreneurs in the rapid internationalization of these companies (e.g., Cavusgil, 1984; Chetty, 1999), we focus on the issue of developing economy INV post-entry survival. In other words, this study explains why, against all odds, INVs originating in developing economies—for example, environments affected by specific geo-political situations and lacking home-based institutional support—have survived in foreign markets.

The research context was provided by INVs from Pakistan's software industry; this is relevant as, in addition to the limited domestic market base for software development and demand, the geopolitical tensions that exist between that country and its neighbours place additional stress on the revenue generation of Pakistani software companies. Additionally, the domestic environment is highly unfavourable to capability development and the local SMEs are highly fragmented, have limited financial support, and operate under conditions of high adversity. The survival in international markets of the case companies points at the role played by the development of important capabilities by companies originating from hostile environments. To overcome such weak institutional setting at home, the case companies' entrepreneurs and top management commit to internationalization and survive. This extrapolates institutional implications for the longevity of INVs. As such, the findings may shed light on how INVs emerging from an instable home base perhaps benefit from more stable host markets by adapting their capabilities for specializing products/services to the foreign market and survive.

We identified several entrepreneurial initiatives that were important for the survival of these companies. For example, the entrepreneurs were willing to take risks by focusing on high-end product domains rather than on turnkey software *bug fixing* projects, as most software companies had been doing since the Y2K related software glitches. The findings indicate that the entrepreneurs' prior experiences were instrumental in focusing on particular

product domains and their initiatives were the key for their INVs' post-entry survival by helping to overcome their liability of smallness and foreignness (Zaheer & Mosakowski, 1997).

The findings indicate that a *stable leadership (as well as the international experience of the leadership team)* played an important role in the post-entry survival of these companies (see Figure 1). The findings suggest that, out of the seven companies, five had retained the same leadership teams with international experience that had been in place from the day of inception. According to the entrepreneurs of these companies, a stable leadership and the top team's international experience sends positive signals to employees, clients and other network partners (Boeker & Wiltbank, 2005; Davis & Eisenhardt, 2011). Our findings highlight the importance of the stability and international experience of the leadership team, its actions, and its decisions for company survival and the development of capabilities (Andersson, 2011; Fleming & Waguespack, 2007; Gabrielsson & Gabrielsson, 2013; Hashai, 2011; Jones et al., 2011; Sarasvathy, 2001; Teece, 2012). Thus, INVs with stable leaderships and entrepreneurial orientations driving the development of dynamic capabilities are more likely to survive in international markets. The *de-internationalised* company case point out that it could not survive due to the change of leadership as well as the limited international experience of the new leadership thus indicating that both the stable leadership and international experience of the top management is vital for the post-entry survival of INVs.

The data suggest that *developing and maintaining network relationships* was the other key capability explaining the post entry survival of the case INVs. The findings suggest that having and maintaining network relationships is important for initial success in the internationalization of companies, but is far more important for their post-entry survival (Mort & Weerawardena, 2006). The *de-internationalised* company case further supports this

view, as the company was unable to develop and maintain strong network relationships at the post-entry stage and therefore exited the market. All seven companies interviewed saw maintaining network relationships as one of the key aspects of their ongoing survival in international markets.

Managing relationships with clients was one the key areas upon which the companies focused their energy during the post-entry stage, which resulted in their good positioning in the market. Our findings support the view held by previous studies that suggested the importance of network relationships during INV internationalization processes, but they indicate the importance of also maintaining these relationships into the post-entry survival stage (Chetty & Campbell-Hunt, 2003; Coviello & Munro, 1997; Davidsson & Honig, 2003; Prashantham & Dhanaraj, 2010). The importance of networking was highlighted by several scholars subscribing to a relational based view of companies, and by the international entrepreneurship literature (Dyer & Singh, 1998; Gulati, 1995; Hamel, 1991; Mort & Weerawardena, 2006; Oviatt & McDougall, 2005; Uzzi, 1996). Research has suggested that relationships are important for internationalization, and that the ability to maintain and develop them further is important for the essential dynamic capabilities of the INVs to survive past the entry stage (Chetty & Campbell-Hunt, 2003; Freeman & Cavusgil, 2007; Jones & Coviello, 2005).

Since INVs suffer from the liabilities of foreignness, newness, and smallness, and also from the limited domestic resources available in developing economies, it is even more important for them to rely on their network relationships, which may provide them with a number of benefits, including enhanced competitiveness and survival (Mort & Weerawardena, 2006; Sepulveda & Gabrielsson, 2013). Hence, the capability of INVs to network, and to exploit and enhance their own resources is important (Gabrielsson & Kirpalani, 2004). The domestic resource base in Pakistan is weak and local companies have limited opportunities to

benefit from local networks; hence, international networks further explain the survival of the case companies. As such, the development of networking capabilities positively influences the post-entry survival of INVs. This resonates with the importance of networking as a resource-picking mechanism that can be a key foundation of dynamic capability (Makadok, 2001; Zott, 2003; Jean et al., 2015), even for developing economy INVs. Thus, the development of networking capabilities serves to sense foreign market opportunities (Forsgren, 2016, Lew et al., 2016), and thus wields a critical influence upon the post-entry survival of INVs.

The findings suggest that *increasing specialization of product and greater focus on niche market development* is an important capability explaining the post-entry survival of INVs. After internationalization, the case companies moved towards offering specialized products and services geared to the needs of a particular niche market—for example, leasing and health related software—that enabled them to continue to grow beyond their successful internationalization. Interestingly, the previous experiences of their founders/CEOs were important in moving the companies towards greater specialization. This finding supports the view that the individual entrepreneur plays an important role in the development of a company's dynamic capabilities (see Figure 1) (Felin & Hesterly, 2007; Foss, 2007; Teece, 2014). The development of a specialization, focus, and niche market is one of the important capabilities that explain the post-entry survival of the sample companies (Eisenhardt & Martin, 2000; Helfat, 1997; Knight & Cavusgil, 2004; March, 1991; Sapienza et al., 2006; Weerawardena et al., 2007; Sui & Baum, 2014). Hence, the development of specialization capabilities positively influences INV post-entry survival.

Insert Figure 1 about here

The findings indicate that the case companies constantly bring improvements to their products and that their entrepreneurs take on boundary spanning roles to find new clients

through word of mouth advertising—i.e., effecting *renewal and transformation*. Some case companies invested in launching state-of-the-art knowledge repository management systems to store past completed projects and help their consultants to learn from them and apply best practices to existing and future projects. These process changes were important for the companies to identify their clients' needs early on and act upon them to offer better solutions. In this case, the transformative dynamic capabilities are embedded in the companies' specialized processes, such as those of knowledge acquisition, integration of experiential learning into state-of-the-art self-designed knowledge management system, and reconfiguration to address client problems. These INVs have renewed their previous knowledge and pursued specialization, pro-actively engaging with their clients, thus reconfiguring their current product domain and resource base. Hence, in spite of their adverse domestic environment, those INVs that own such reconfiguration capabilities would show a high propensity to survive during and after hard times, such as those of financial crisis and domestic market turmoil.

Managerial and Practical Implications

The findings of this study help managers of INVs identify key dynamic capabilities needed for the survival and growth of their companies. While the findings raise the awareness of the importance of capability development and upgrading for the continued growth of INVs, the paper also provides a detailed account of the importance of the ongoing development, maintenance and upgrading of capabilities for company survival. The findings suggest that capability development and upgrading are not just one off activities. Instead, managers of INVs may benefit from orchestrating and carefully managing the development, maintenance and upgrade of their company's capabilities in key areas, i.e., increasing specialization as their internationalization progresses and, at the same time, focusing on niche product

portfolio differentiation, networking, and management capabilities in order to survive after internationalization.

One of the important findings that emerge from this study is the stability of leadership and prior international experience of leadership teams were important in that they drive the development of dynamic capabilities and ultimately survival of INVs through various crisis such as the Y2K and global financial crisis. Usually during or post crisis situations, companies normally change their top leadership teams. However the findings of this study provide important insights that keeping the top management team may be in the long-term interest of the company. Thus these findings build onto the work of Jones et al. (2011: 643), noting that “we need a greater understanding of entrepreneurs and their teams as they relate to entrepreneurial internationalization”.

Overall, our study points at the important role played by the founders/entrepreneurs in orchestrating the capabilities needed during the INVs’ post-entry survival stage and the role played by dynamic capabilities in explaining INV post-entry survival (Teece, 2012; Wright et al., 2007). As Teece, Pisano & Shuen (1997: 515) suggested, “*winner in the global marketplace have been firms that can demonstrate timely responsiveness and rapid and flexible product innovation, coupled with the management capability to effectively coordinate and redeploy internal and external competences*”.

Limitations and Future Research

The study is subject to limitations. First, we studied only seven successful INVs and one non-survival from Pakistan’s software industry; such a small sample size and survivor bias may affect the overall generalization of the results. Future studies could build on this research and conduct a cross-country and industry comparative analysis to identify additional factors and capabilities which contribute to the survival of INVs. Second, the analysis of INV survival

relies exclusively on qualitative data obtained from the founders/entrepreneurs and CEOs of the case companies; therefore, the data lack objective measures for survival. By including year-on-year company growth and performance measures, future studies could benefit from developing quantitative measures based on identified capabilities their link to continued growth and survival of INVs. Third, in this study we did not focus on the host country characteristics that might also play a key role in the survival of INVs, for example the degree of corruption, presence of effective governance as well as host markets' overall business ecosystems. However, the findings of this article indicate how INVs coming from an instable political home country may actually benefit from more stable host country markets and improve the chance of survival. Without few exceptions (e.g., Dhanaraj & Beamish, 2009) extant conceptual frameworks in the dynamic capability literature are inclined to focus on the firm-level internal capability and process, thus often ignoring how the firm operates and functions in its environment. Therefore, future studies may also include both the host and home market institutional environments in order to fully understand the factors that contribute towards the survival of INVs in international markets. Lastly, it would be useful to include a large sample of non-surviving companies from different industrial settings that failed to develop such capabilities and compare it with that of surviving companies.

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Tables and Figure

Table 1. Interviewee information

Company	Interviewees	No. of Interviews*	Major International Markets	Year, founded	First foreign market entry	Sales in \$ mil	No. of employees
A	Founder Entrepreneur VP, Operations	5	USA, Western Europe, Asia, Australia	1996	1996	7.75	950
B	Owner President VP Marketing	3	USA, Asia, Middle East	1997	1997	6.25	860
C	CEO President Director	6	USA, Europe, Asia Pacific	1987	1988	5.45	645
D	CEO VP	4	USA, Middle East, Asia	1998	1998	4.75	560
E	Founder Chairman President	3	USA, Australia, Asia	1995	1995	4.45	625
F	Owner CEO Business Dev. Manager	7	USA, Middle East, Asia	1994	1994	4.60	785
G	CEO President VP Marketing & Sales	5	USA, Europe, Asia, Middle East	1996	1996	4.15	520
H	President	1	De-internationalized from USA, focusing on local Pakistani market	1998	1999	N/A	350

Note: a total number of 34 interviews were conducted.

Table 2. Illustrative quotes demonstrating dynamic capabilities

Dynamic capabilities	Illustrative Quotes
<i>Sensing</i>	<p>[Case company A] <i>We actively explore new opportunities and focus on the current and future needs of our clients and what are the general trends in our industry</i></p>
Entrepreneurial initiatives	<p>[Case company C] <i>Focusing too early on a particular product domain is risky but we were willing to try our luck and invest resources and this has paid off</i></p>
	<p>[Case company H- de-internalized] <i>In my view, we never really exploited our key capabilities and could have focus more on tapping into changing clients requirements for systems integration, instead of being stuck in doing minor quality assurance and bug fixing projects. You got to take risks and utilize you company's synergies in foreign markets in order to survive</i></p>
	<p>[Case company A] <i>During the early stage of our international operation we might be okay with so-so relationships but to grow we believe in maintaining and sustaining partnerships with our clients which bring repeated business for us and also act as knowledge source, so we think client relationship are most important at the growth and survival stage of our [company] and by maintaining these relationships we are getting more business and key know-how from clients. One of our clients has asked us to provide leasing software in their Europe region, this has come through by maintaining good relationship with the clients and we have also got several businesses through referrals</i></p>
Network development	<p>[Case company C] <i>IT related products and services are increasingly becoming a commodity business and we have built four areas to the way we approach our work: people, technology, processes, and client relationships. We are focusing on offering a creative ways to structure this package of product/service that can attract and retain a particular client. Through this approach we have got lot of word of mouth businesses which has been very helpful for our firm to expand in different parts of the world</i></p>
	<p>[Case company G] <i>Network relationships and clients relationship managements are important even during the early stage of foreign market entry, but they seems to be crucially important to stay and grow in any foreign country as your growth very much depend on harnessing the existing relationships and building newer ones on those basis. Networking with clients has been useful for our firm to acquire knowledge and develop our product portfolios. We aim to form alliances with key companies on the basis of [R&D] and gaining complementary [marketing & distribution] capabilities from our alliance partners</i></p>
	<p>[Case company H- de-internalized] <i>I would say that network development and continuously maintaining good network relationships in foreign markets are extremely important and beneficial for firms that are in the process of establishing foothold and even improving their post-entry performance. To put it in simple word either you have a network or you don't have and eventually suffer due to this</i></p>

Seizing

[Case company A] *In the early stage of foreign market entry we might get away without having much proprietary knowledge stock but as we established our trust and name we must have proprietary knowledge to sustain and grow in the host market as well as in other markets...this is one of the key ingredients of growth and survival. We have evolved in terms of proprietary knowledge and expertise and our founder experience has been helpful in taking the company towards special domain knowledge*

[Case company D] *Our founder previous experience and expertise with the particular product platform knowledge has been great help for us to refine and fine tune the domain knowledge. In our case the founder prior experience with a particular product and sector area was the turning point for our company to get into the niche product category..., as we recognized that we have the necessary skills to develop this particular product for the health sector*

*Product
development*

[Case company G] *We are continuously investing in our proprietary knowledge and to sustain and mature we have to separate our company from the crowd, and the development of this knowledge have served us well not only in the US market but in the Middle East market as well because our clients value this asset and it gives our firm a strong base to compete with our competitors*

[Case company E] *It would have been difficult for us to sustain this long-term growth if we had decided to pay attention on a particular specialist domain during the initial internationalization process. It is vital for a small firm like us trying to establish its business in a foreign territory not to focus too much into a special domain area by declining the work that help you survive in a tough foreign marketplace like fixing minor programming bugs here and there. Experimenting with several domain areas is always helpful before selecting and deciding on your particular areas of interest and specialization. Having domain knowledge is important but focusing on it too early might be dangerous for a small company. Over time, you only get one chance at getting it right. This is one of the key strategies which our firm has implemented and now we are getting the financial and market rewards*

[Case company A] *We have spent a lot of time, energy and efforts especially after the dot-com crisis to have only those employees who are good in system integration and coming up with innovative ideas. We have also restructure our inside company processes of generating new product development ideas and how we can provide one stop solutions to our clients and these have helped our company to secure long-term contracts with not only our existing clients but also in acquiring new clients through word of mouth*

*Niche market
development*

[Case company C] *Our firm encourages our employees to come up with innovative ideas for improving our products and services portfolio. We actively promote diversity and try to improve communications and bonding amongst our employees and the top management*

[Case company D] *We build strong and deeper relationship with our clients and try to connect with potential clients through word of mouth, so in a sense deep relationships matter in our line of business*

[Case company H- de-internationalized] *The way this [IT and software industry] has evolved, the odds of survival are against you*

unless you have very focused and niche market strategy. I don't think, we appropriately reorganize our resources and focus enough on niche market which negatively affected our growth and survival

Reconfiguration

[Case company B] *It keeps changing as initially the focus was on software development then marketing sales and relationship building with our clients but again the focus is on high end software development and system integration capabilities*

[Case company A] *We have also restructure our inside company processes of generating new product development ideas and how we can provide one stop solutions to our clients and these have helped our company to secure long-term contracts*

*Transforming &
renewing
capabilities*

[Case company G] *We have developed an in-house MIS [Project repository] data base where we stored information on the past completed projects, so our consultants can see the best practices and apply these onto the existing and future projects and reconfiguring existing processes and developing such a system is important to stay in the market and survive*

[Case company H] *We did not properly analyze the potential projects or even the completed ones and in most cases we were unable to draw key lessons or change our working processes on time. We relied I guess too much on our gut feeling which may not work in foreign markets and help you succeed in foreign markets. Now when I look back, I do feel that we should have some formal system in place where you can feed in key information and draw insights for the reorganization of your product development and new service offering efforts*

[Case company A] *We don't think we would have achieved this much sales and growth without having our key leaders role intact and this sends a security signal both to our business partners and employees...our founder/CEOs experience has been good for the firm and if we have changed around our top position this would have resulted in chaos and difficulty to grow further for our company*

[Case company B] *Throughout these years we have ensured stability in our leadership role and position and we have not tinker with our leadership positions. This has resulted in ensuring that our clients know that they are dealing with a well- established firm and the clients know who to deal with in case of any concern*

*Stable leadership
& experience of
top management*

[Case company D] *We have sort of look up culture where everyone is sharing this mindset of a clan within the firm that the CEO is the key person as he has been there through the start of the company. He knows the industry well and this has resulted in transformation of our thinking that we need to explore different ways of improving our products and making sure that at the end of the day our client is happy with our products and services. Stability of leadership is the key to progress in the software industry*

[Case company H-de-internationalized] *If you compare us with other companies from our country who entered in foreign markets at the same time you will notice that top management experience and continuity in the top ranks have been the key for them to only perform, but succeed in foreign markets. The experience of the top management and continuity in the top management team is important to navigate potential challenges and hence your company survival depends on this*

Figure 1. Conceptual framework linking dynamic capabilities to the post-entry survival of INVs

